



**HOUSE OF COMMONS  
COUNCIL HOUSING GROUP**

# **Council Housing: Time to Invest**

**Fair funding, investment and  
building council housing**

**Our report to the Government's Review of  
Council Housing Finance**

**Paper 1 INTERIM VERSION**

## **The case for council housing**

### **REVIEW OF COUNCIL HOUSING FINANCE**

"The purpose of the review is to ensure that we have a sustainable, long term system for financing council housing... [it will] consider evidence about the need to spend on management, maintenance and repairs."

Yvette Cooper, 12 December 2007

"Housing Minister Margaret Beckett said she wanted local authorities to play a bigger role in the delivery of council housing." (DCLG, *New freedoms to increase council house building*, 21 January 2009)

# Preface



by Austin Mitchell MP,  
chair of the House of Commons  
'Council Housing' group

Ministers launched a 'Review of Council Housing Finance' in 2007 with the promise to "ensure that we have a sustainable, long term system for financing council housing" and "consider evidence about the need to spend on management, maintenance and repairs". The Housing Minister is now also consulting on new rules that will enable local authorities to start building new council housing again.

This Review is due to report this spring. It will, we hope, provide for the 'Fourth Option' so long campaigned for. It must create a level playing field freeing councils to invest in existing and new homes, on equal terms with Housing Associations.

To influence the outcome of these consultations our group issued a call for evidence to identify the level of funding required to manage, maintain, repair and improve existing council housing and to start building a third generation of first class council homes.

We have received written evidence from a wide range of organisations. On 25 February 200 tenants, elected councillors, council officers, trade unionists and academics took part in our inquiry session at Westminster. We heard verbal evidence from 26 delegations during the day.

To take the debate forward we are publishing a series of interim papers with the aim of printing a full report. We welcome comments and call for additional evidence to strengthen the arguments. We hope to maintain the dialogue we have started with Margaret Beckett and have also asked to meet the Prime Minister to put the case.

If you would like to contribute to this 'work in progress' please send submission to my office.

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# Papers

## Introduction

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3. The money's there: debt write-off, gap funding and receipts
4. Ring-fencing the money that belongs to council housing
5. Housing finance : National HRA or Self-financing?
6. Building a third generation of first class council housing
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**This report is dedicated to Alan Walter, chair of Defend Council Housing. Alan proposed and organised our Inquiry, worked tirelessly to make it the success it became, and died working on this Report. We trust this Report is the final 'heave' to win a secure future for council housing. Without Alan it would not have been possible – we are committed to winning in his name.**

# 1. The case for council housing

Council housing is defined by three key principles. It provides ‘secure’ tenancies, lower rents and an elected, accountable landlord. In the current climate all three qualities are more valuable than ever.

TAROE, the Tenants and Residents Organisation of England, told us in written evidence:

**“Council housing is important... They are not only places where the basic human need for shelter and security is met, but also where families can flourish, form part of local communities, and access employment, training and education.”**

The last two major house building programmes, after the first and second world wars, relied on local authorities to deliver millions of homes. Politicians competed on how many homes they would build. But for more than twenty years, successive governments’ housing strategy has relied on the private sector – banks, builders, landlords and landowners.

Local authorities were prevented from building new council housing with only 350 completed in 2007-8. The rents of existing council tenants were robbed and homes and estates starved of investment. The ‘for profit’ sector embarked on a crazy binge of speculation and profiteering that is now unravelling before our eyes.

In the 1980s public subsidies were diverted from democratically elected councils to housing associations or Registered Social Landlords – the so-called ‘not for profit sector’.

However, even before the credit crunch Registered Social Landlords had failed to deliver the new homes needed – just 620,000 over 27 years. The RSL sector is increasingly dominated by multi billion pound private companies operating across dozens of local authority boundaries. They have adopted business models that built up cash surpluses and land banks; their rents and charges are higher than councils because of the higher risks they are exposed to that raise building costs; they provide ‘assured’ not ‘secure’ tenancies; and they have a reputation for being unaccountable (see paper 8: *The Case Against Privatisation*).

**“We’ve got an expensive private rental sector, we are stuck with some housing associations which do not work with us properly and we cannot build council houses. So what are we going to be doing?”** (Deborah Edwards, Lead Member for Housing, Reading, oral evidence)

All the evidence to our inquiry showed tenants strongly in favour of remaining as council

tenants. Despite decades of disinvestment and the problems this causes, tenants want to stay with the council and want a ‘level playing field’ to make this a sustainable reality. Several delegations highlighted how, since 2000, tenants in different local authorities had overwhelmingly voted to remain under direct council management in stock options appraisals with some areas having several ballots to the same effect.

**“Four recent major anti-transfer votes show that tenants in Scotland reject the policy of trying to get rid of council housing. Scottish Government research also shows that a majority of people in Scotland are in favour of increased investment in council housing.”** (John Carracher, Convenor, Scottish Tenants Organisation, written evidence)

Councils presented a similar view:

**“Local authorities with their local connections and through the democratic process are the best positioned to provide housing services. However, we are worried that if the current trends continue, and some of the ideas being talked about, such as the reduction in security for council tenants, council housing will become residual housing – stigmatised, and only available for people with no other choice. What we want is the right to compete. We don’t want special treatment, but the same opportunities as Housing Association. We want to provide quality housing where people chose to live. We do not see why our tenants should be penalised for choosing to remain with the council.”** (Cllr Rosemary Bowler, Chair of Scrutiny Committee, Bolsover council, oral evidence)

Despite endless government schemes extolling the virtues of ‘home ownership’ take up has been low.

Government support for shared ownership is ‘part of the problem’ not ‘part of the solution’ to the UK’s economic crisis, says leading City of London economist Roger Bootle, managing director of Capital Economics: “...We give massive incentives for people to pour money into housing, we make it possible for them to borrow enormous sums for housing and not much else, and we create a bubble...”

“We then come along and say housing’s such a wonderful thing that, for the poor people at the bottom who can’t afford to get on the rung, we ought to put more public money into helping them onto the ladder. This is madness.” (*Inside Housing*, 3 March 2009) →

**“Tenants in Scotland reject the policy of trying to get rid of council housing. ...a majority of people in Scotland are in favour of increased investment in council housing.”**  
**John Carracher,**  
**Convenor Scottish**  
**Tenants Organisation**

# 1. The case for council housing

→ “A scheme designed to let thousands of social housing tenants buy stakes in their homes has been taken up by fewer than 300 households... in spite of being launched as a pilot in April 2006 – and rolled out nationally last spring – the programme has seen a feeble take-up by the public, with only 290 families helped by last December.” (*Financial Times*, 2 March 2009)

Increasing numbers, it seems, either out of necessity or preference want to rent – particularly if first class council housing is available.

“Generation Rent: is home ownership falling out of favour?...This is the message of the latest English Housing Survey which states that 68.3 per cent of people now have a place of their own against 70.9 per cent in 2003.” (*The Times*, 27 February 2009)

A neo-liberal lobby persists. Iain Duncan Smith’s ‘Centre for Social Justice’ think tank effectively argues for an end to any requirement/obligation to provide council housing so as to encourage private landlordism (*Housing Poverty*, December 2008). The latest Conservative policy paper ‘Strong Foundations’ wants council housing to be a temporary tenure, with tenants incentivised to move out into owner occupation.

Reliance on the private sector has left us with 1.8 million households – four million people – on council housing waiting lists, still nearly 100,000 in temporary accommodation, 115 homes repossessed every day, 750,000 empty properties, 554,000 households in England overcrowded, as well as millions facing disrepair, serious financial problems and insecurity in the private market.

**“The British National Party will be thriving in this climate of housing shortage. They will be using it to win seats. ...So by tackling this agenda we begin to introduce the politics of hope”.** (Gail Cartmail, Assistant General Secretary, Unite, oral evidence)

Society’s obligation to house the homeless becomes more difficult and expensive when local authorities don’t own any homes (see paper 8).

For example, the post-transfer authority Preston is considering a return to building new council houses following a stock transfer:

**“Up until 2005 we had around 6000 council houses, many of which were in need of investment. A decision was taken to transfer the whole stock to the Community Gateway Association (CGA) to bring them up to the Decent Homes Standard... Since then we have had a**

**situation in Preston where the number of people on waiting lists for social houses has increased from 1,500 to over 4,000 in 2008. It is obvious that the RSL sector and private sector left to itself is not delivering the amount of social and affordable houses this city needs... Only by giving Councils the same freedoms of RSLs will we be able to tackle the huge housing waiting lists in Preston.”** (Councillor Matthew Brown, Deputy Leader, Labour Group, Preston CC, written evidence)

More authorities are now paying market rents to private landlords on ex council homes sold under Right to Buy, with MPs questioning why:

“Councils such as the one in my area – and other ones, I am sure – renting back properties sold under the right to buy to house homeless households at a cost of about £400 a week to the taxpayer, when rent on the identical council flat next door costs £90 a week?” (Karen Buck MP, Hansard 11 February 2009)

This was predictable. The private market has never delivered the decent, affordable, secure homes that people need. That’s why local authorities were first driven to clear the private slums and build ‘municipal’ housing in the late nineteenth century; why they were empowered to intervene after 1919 to build ‘homes fit for heroes’ when the market completely crashed; and why they came to the rescue again after the second world war, producing some 4.8 million homes up to 1979, more than the private sector in the same period. And markets, as many warned, do not go up indefinitely – the crash was bound to come.

Council housing isn’t perfect but millions have benefited from the decent, affordable, secure and accountable housing that democratically elected local authorities have provided. The major problems are directly caused by lack of investment. Bad management used to be one major criticism but “Councils have upped their game on housing, with more than nine in 10 of them performing above the minimum requirements.” (*Inside Housing*, 5 March 2009).

**“We believe there is a place for housing associations, there are excellent partners. But it’s not the panacea... there is no doubt about it that the people of the City of Birmingham like council houses and so do we.”** (Cllr John Lines, Birmingham, Lead Member for Housing, oral evidence)

Homes and estates built with cheap unproven design and construction methods, without →

The private market has never delivered the decent, affordable, secure homes that people need. That’s why local authorities were first driven to clear the private slums and build ‘municipal’ housing

→ community, transport and employment infrastructure are a disaster. But these problems aren't tenure specific. As evidence considered by our inquiry shows (see papers 6 and 8), using the private market – including RSLs – to build has not provided the size, type or design of houses society needs.

Supporters of the private market argue that council housing doesn't provide opportunities for capital accumulation, an asset to pass on or a replacement pension. But if we concentrated on providing houses to live in rather than assets to speculate on, we might have more homes and less financial crisis in Britain today.

And if our society is serious about tackling climate change, local authorities have a proven capacity to provide first class homes built to the highest environmental standards. The private sector, prioritising profit, will not.

There is an urgent need to invest in housing and this offers one of the quickest ways to boost economic activity and provide jobs for those made redundant in the construction sector. Government has two choices: it can pour more good public money after bad by bailing out private bankers, builders and landlords with incentives to build more private housing; or it can dictate terms and insist that public investment should produce first class council housing that will remain a public asset.

**“What is clear beyond any doubt is that the quickest and best way to meet housing needs and to demobilise the growing armies of unemployed construction workers is by way of a major programme of council house building.”**  
(Jack Dromey, Deputy General Secretary, Unite, oral evidence)

Borrowing would be cheaper and government is ideally placed to negotiate value for money rates with private developers, builders and landowners. If some go under, their skilled staff can be employed by local authorities. And if RSLs get into trouble why not give their tenants the choice to 'transfer' to the local authority?

The first few months of this recession underline the enduring relevance of the principles behind first class council housing:

- **SECURE** Job insecurity in the late 1970s was what motivated tenants and others to campaign for the 'secure' tenancies finally enshrined in the 1980 Housing Act. This has provided tenants with peace of mind and vital protection against the insecurity of private rental accommodation.

- **LOW RENTS** Council rents remain lower than RSL rents – despite government attempts to push them up through rent convergence. The signs are that RSLs want to raise rents even higher. Low rents not only increase security and make access to employment easier but there's a big saving on Housing Benefit payments. It's good economic sense for the Treasury to invest in building council housing rather than paying out more in Housing Benefit to private sector landlords. If we uncoupled rents from the private market and went back to the old system of council rent-setting – known as the 'historic cost principle' – rents would remain affordable into the future. If government is serious about the principle of similar rents for similar properties regardless of tenure, then it should be bringing RSL rents down.

- **ACCOUNTABLE** Recent experience of banks and other private companies taking unnecessary risks reinforces the importance of enshrining accountability where public interest and funding is at risk. While directors of companies (including RSLs) are obliged to put the interests of their company first they will not provide the level of accountability tenants and others demand.

The case for investment in first class council housing is made. Now government must urgently resolve the funding injustice. Rents and receipts must be ringfenced, historic debt charges removed, and access to grant and budgets opened up to clear the way for existing and new council housing providing first class homes for 21st century Britain.

In the meantime there should be a total moratorium on any further privatisation or sales of council land and homes.

Ministers have promised the Review of Council Housing Finance will “ensure that we have a sustainable, long term system for financing council housing” and “consider evidence about the need to spend on management, maintenance and repairs”. It is wrong that tenants are still being bullied and blackmailed to accept privatisation and trade 'secure' tenancies and low rents for improvements.

Whatever proposal on finances is put forward tenants need to have confidence that it is a genuine settlement. This won't be easy: tenants are fed up with being misled over the years. Tenants and their supporters won't be fobbed off by some cheap half-baked solution that will see all the same problems coming back in a few years' time. →

It is time to call a halt to privatisation policies which erode council housing and increase insecurity, undermining sustainable communities

# 1. The case for council housing

→ Now that government is offering authorities grant to build new council homes it is economic madness that it is also encouraging councils to sell existing council homes and land to fund Decent Homes improvements. So too are proposals to market rent council homes to fund improvements. Both proposals will cost the Treasury – and ultimately the tax payer – more in Housing Benefit payments than direct funding for council housing improvements and new build. It is time to call a halt to policies such as these, which erode council housing and thereby increase insecurity and undermine sustainable communities – exactly the opposite of what government says it wants.

“Councils, contrary to popular belief, are immensely safe institutions – give or take a few foolish investments in Icelandic banks. Their credit ratings are excellent, they don’t default, and are generally far more prudent than government departments and unaccountable quangos. They have valuable assets in the form of buildings and, crucially in this housing debate, lots of land suitable for houses. In short, they are a vital player in Brown’s much-vaunted, if increasingly academic, drive to build three million new homes by 2020.”  
(*The Guardian*, 25 March 2009)

## Recommendations

1. End the Robbery: Ringfence and reinvest all council housing rents and receipts.
2. Increase Management, Maintenance and Major Repair allowances to Councils’ ‘level of need’.
3. Level playing field for Councils on gap funding and debt write-off.
4. Remove historic debt charges from council HRA accounts.
5. Provide gap funding to authorities which can’t reach a minimum decent homes standard.
6. Open up Development Grants and funding for a new council house building programme.
7. Moratorium on stock transfer, partial transfers and other privatisation of council housing assets and land until Review outcome and implications are fully implemented.
8. Protect secure, affordable and democratically accountable council housing – no undermining or time limiting secure tenancies.
9. Fair and balanced debate to protect tenants against ‘mis-selling’.

*Each recommendation is discussed further in following papers.*