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# HOUSE OF COMMONS COUNCIL HOUSING GROUP

## Support for the 'Fourth Option' for Council Housing

### Report on the inquiry into the future funding of council housing 2004-2005 – a summary

Our inquiry heard from tenants, councillors, housing officers and trade unions from all over the country.

We heard a catalogue of the pressures, abuses and propaganda used to bully councils and tenants. This report develops our case for the 'fourth option' of public investment in council housing. We need to give councils a level playing field to work on, the right to borrow prudentially and the right to keep all their own housing revenues by stopping government siphoning money out of Housing Revenue Accounts.

The ODPM's ideological war against council housing and council ownership is a war against tenants. They mostly want to stay with the council. It costs millions to give away billions of pounds worth of public assets. It is purely ideological since councils have lower costs and can renovate and repair less expensively. It results in no real improvement in the lot of tenants but an increase in rents and charges. It distracts attention from the main housing problem: the need for far more public housing for those who can't afford to get on a house price escalator accelerating beyond them. It's time to change the policy. This document makes the very powerful case for that change.

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



A few months ago the Labour party conference voted overwhelmingly to oppose the privatisation of council housing. This sends a clear message that the government needs to re-think its position. **Derek Simpson, general secretary Amicus**



UNISON has campaigned hard for direct investment and will continue to support tenants and local authorities who oppose transfer. This report shows without doubt that there is a genuine alternative. **Dave Prentis, general secretary UNISON**



This report is an invaluable resource for councillors who need the evidence and arguments to put the case – often in the face of hostility from senior officers and perhaps colleagues over concerned at being 'on message'. **Councillor Brian Huddless, Cabinet Member for Regeneration & Strategy, Bolsover District Council**



This report will give confidence to supporters of council housing. It will give more people the courage to stand up for decent, affordable, secure and accountable council housing – for us and future generations. **Alan Walter, Camden tenant and chair Defend Council Housing**



Britain will fail to meet the government's 'Decent Homes' target: to bring all rented council and housing association homes up to an agreed minimum standard, unless local authorities are allowed to invest directly in their housing stock where they and tenants choose to do so.

The failure to invest in improving existing council housing, and to replace and build more new council housing, is adding significant pressure to housing demand and price inflation, which current government policy fails to address.

The 'Fourth Option' of direct investment in council housing as an alternative to the government's three current options for additional investment: stock transfer, Private Finance Initiative (PFI) or Arms Length Management (ALMO) is the demand supported by tenants, trade unions, growing numbers of councillors and local authority landlords, backed by growing numbers of MPs.

The government's current three options are economically inefficient, shift control and accountability away from tenants and elected councillors towards market forces, create higher executive salaries and higher management, maintenance and borrowing costs at lower standards, anger existing council tenants and do not maximise the potential for new affordable and secure rented homes.

The current stock options process is one-sided, attritional and dominated by political and vested economic interests.

The 'choice' agenda for public services is discredited by the lack of genuine choice for council tenants concerned to secure investment without sacrificing their existing rights

as secure tenants of an accountable landlord in the public sector.

Housing provision is being steadily shifted out of the public sector towards subsidising private developers, with Registered Social Landlords (RSLs) dependent on more costly borrowing, and now competing with private developers for government grants, ALMOs pushed toward 30-year private lending and management contracts and PFI.

Stock Transfer leads to higher rents and charges; less security and higher eviction rates, lack of landlord accountability at local or national level, mergers and takeovers, undermines strategic provision for homeless and other services.

The Fourth Option can be implemented by a range of mechanisms outlined by the ODPM's 'blue skies' review 2002 and widely supported by local authorities: an investment allowance, writing off or taking national responsibility for historic HRA debt, ring fencing all revenue and capital income generated by council housing.

To give tenants real choice we need a level playing field for council housing in terms of economic options and financial regulations. Central is a commitment to ring fence all the money that broadly 'belongs' to council housing and use it to provide an 'investment allowance' to enable local authorities to borrow like other landlords.

We also need to rectify the current democratic deficit and guarantee tenants a fair and balanced debate – and a ballot – in all cases where a change in ownership or management is proposed.

# Support for the 'Fourth Option' for Council Housing

# 0

The number of local authorities where tenants have lobbied for a change of landlord

## 1. Introduction

The House of Commons Council Housing group's inquiry to demonstrate support for the 'fourth option' has generated a mass of hard evidence. We've heard how the debate is stacked against council housing; the pressure exerted on tenants and elected councillors to accept one of the government's three options and how government subsidies that once went to local authorities are now being offered instead to some of the biggest private building conglomerates.

**"Shelter is very concerned about the decision made by ministers in 2003 to amend the last strategy to tilt the balance towards intermediate and key worker housing at the expense of social housing for rent... We are concerned that the failure to produce clear housing supply targets may increase the likelihood of continued underinvestment in social housing."**  
(Sue Regan, Policy Director, Shelter)

## 2. The Case for the 'fourth option'

The evidence we received demonstrates that the current three council housing investment options are not financially necessary or efficient. The 'fourth option' – originally outlined by ODPM itself – is financially viable and offers real choice for three million council tenants and their families. It is an immediate and urgent priority for action.

**In evidence submitted to this enquiry, UNISON has shown that the cost of using an investment allowance to clear the backlog of work needed to bring homes up to the Decent Homes Standard is easily affordable from the £2 billion surplus generated annually by council housing.**

## 3. What Local Authorities are doing

Despite 17 years of sustained pressure from government more than half of local authorities still own their homes. Many are determined to resist privatisation and strongly support the 'fourth option'.

**"Our tenants, our leaseholders, have made a choice. This council has followed that choice. We listened. What we're saying to government is that they should listen to that choice too."**

(Cllr. Jane Roberts, Leader, Camden Council)

**"With this decision being made in Bristol, we would welcome any change in housing finance that supports this fourth option."**

(Cllr. Matthew Symonds, Executive Member for Housing, Bristol City Council)

## 4. Why councils are unable to finance improvements

The present housing finance system discriminates against local authorities: it siphons off rental income and capital receipts, bribes councils with debt 'write-off' if they get rid of their homes and offers extra investment if authorities set up ALMOs or use PFI.

"Public financing of housing doesn't treat local authorities on a level playing field and I want to see that changed and I promised to do that and look at an enquiry into it".

**John Prescott,  
26 September 2004**

"By 2010 we will ensure that all social tenants benefit from a decent, warm home with modern facilities."

**Labour Party  
Manifesto 2005**



**"Corby loses approximately £7 million in rent rebate that they don't get back at the moment. With that £7 million we'd do as good a job, or better, than any RSL in the country. There is no doubt about that..."**  
(Ken Campbell, Corby Federation of TRAs)

**"The current housing debt ... prevents this council from providing a sustainable council housing service into the future... For these reasons we would welcome consideration of a 'fourth option' for funding council housing into the future."**  
(Chris Medley, Head of Housing, Shetland Islands Council)

## 5. Post transfer / ALMO experience

Registered Social Landlord rents are consistently higher than Council rents, and despite rent guarantees, the fastest-rising RSL rents are concentrated in transfer areas. The gathering pace of RSL mergers means tens of thousands of tenants no longer have the landlord they were offered at transfer, while promises made to tenants become legally unenforceable. Tenants report dissatisfaction and disempowerment after transfer; security is undermined, direct labour organisations suffer and homelessness becomes worse. And they want to take ALMOs into the private sector like RSLs.

## Stock Option and Number of Authorities as at 31st May 2005

Completed stock transfers

**136**

Set up ALMOs

**44**

Stock retention chosen

**56**

Considering transfer

**40**

Considering ALMO

**11**

No formal decision

**73**

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Joint delegation of tenants, senior officers and trade unionists from Sefton give evidence

**"Rent has gone up about eight times the rate of inflation, service charges up 25%... and there is an £18 a week charge for parking in the central areas. What we've experienced is frightening... Now it's too late for us in Sunderland to make any difference to what's happened. But if anyone has any doubts about not going down the privatisation road... get on a bus and go into Sunderland."** (Cllr. Bryn Sidaway, Sunderland city council)

**"It became apparent that speaking for the tenants wasn't really what people were interested in at all. We were actually there to toe the line and if we didn't toe the line then we were out."** (Sheila Seabury, former tenant board member of Canalside Housing, Hackney)

**"The loss of local authority housing departments will inevitably lead to the demise of the DLO, a fragmented workforce and a decline in public sector employment. Skilled maintenance workers have provided good value for money to local authorities and once they are gone they will be extremely difficult to replace."** (John Allott, National Officer for Local Authorities, Amicus)

## 6. No proven benefits of separating housing strategy and management

The government has provided no evidence to demonstrate any benefit of separating housing strategy from management. Shelter and Herriott-Watt University research identifies disadvantages.

**"As a councillor I still receive numerous complaints about housing issues, the only difference is now there is far less I can do to sort them out. Even ten years since LSVT took place I still get phone calls and letters from tenants asking if the 'Council' can fix this or that or provide their children with housing..."** (Cllr Ian Tilbury, Basingstoke & Deane Council)

## 7. Tenants denied real choice

It's blackmail – not choice. There is no evidence that tenants voluntarily opt to change landlord. 'Yes' votes are only obtained after councils put a

continued over...

## Recommendations

To make choice a reality for tenants government has to provide a level playing field between the different options available and guarantee a 'fair and balanced debate' before tenants make a decision by a formal ballot.

The government should:

1. Provide a level playing field for council housing giving local authorities the same rights as RSLs to borrow against stock and rental income;
2. Write off historic debt or take direct control of maintaining the cost of the debt and remove this element from the housing subsidy system altogether, making housing finance fairer and much simpler;
3. Ring fence the national Housing Revenue Account and ensure that, as a principle, all council tenants' rents are spent on council homes;
4. Increase the management and maintenance allowance and the major repairs allowance to enable councils to maintain their stock;
5. Ring fence all right to buy receipts to be used to improve existing and build new council housing – stop councils from using them for any other purpose. Allow councils to use as much as they need to meet the Decent Homes Standard, pool any excess;
6. Release the remaining reserved capital receipts and allow these to be used as (in 5) above;
7. Create an investment allowance as a revenue stream to allow councils still in investment need to make use of prudential borrowing as outlined by the ODPM 'The Way Forward For Housing Capital Finance' 2002;
8. Encourage improved performance and best practice by setting up a 'Continual Improvement Task Force' at the ODPM to encourage short term secondment of officers with an excellent record in a particular area of housing management or strategy to authorities who need help to improve their performance;
9. Produce guidelines for local authorities and a clear code of practice that insists on a fair and balanced debate so that tenants hear both sides of the argument including:
  - a. The right of tenants to choose between all of the options and for these options to be factually presented (not 'more investment' v 'stay as you are');
  - b. Any proposal/process to change from one option to another should be tenant led;
  - c. Public access to all the relevant information (financial information, stock conditions reports, address lists of all those entitled to vote);
  - d. Equal access to meeting halls and other facilities to allow the fullest possible debate;
  - e. Tenants are given one clear month's advance notice of when the ballot will start and finish and this timescale will be strictly adhered to;
  - f. Tenants receive material putting both sides of the debate and a commitment that council staff will not be instructed to selectively take down material on estates opposing the proposal;
  - g. A financial limit on the overall cost of consultation to ensure the maximum resources are spent on improving tenants' homes.

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one sided argument to tenants, promoting transfer as the only way to get repairs and improvements.

Real choice requires a 'level playing field'.

**"I was not allowed to speak ... I stood by the door so people had stuff as they were going in and coming out, then they tried to get the police onto me..." (Patricia Rowe, Taunton Deane Tenants Against Transfer)**

**"Eleven thousand copies of this newspaper eventually had to be pulped after complaints about bias and inaccuracy were upheld."**

**(Cllr. Kevin Brooks, Leader, Harlow Labour Group)**

**"We have also discovered serious irregularities in the second Stock Condition survey, this is the subject of investigation by the Fraud Squad."**

**(Terry Harding, former Chair, North Tyneside ITA Steering Group)**

## 8. Conclusion

For most tenants the main issue is lack of repairs and improvement and no one can see why councils can't be allowed to do the necessary work.

Millions have been spent on one-sided pro privatisation campaigns. Any meaningful democratic process is gerrymandered by an appalling list of practices that would be unacceptable in any other context.

Privatisation is costly and uneconomic. Conversely the financial and social case for direct investment in council housing is overwhelming. The 'fourth option' is financially viable – and makes sense.

An 'investment allowance' would offer tenants real choice and enable local authorities to carry on providing the service that most tenants want.

Where authorities are failing to provide first class services then a constructive approach focused on helping councils raise their standards by promoting best practice via a 'Continual Improvement Task Force' is the way forward.

## Support our motion in Parliament. EDM 48 Future of Council Housing

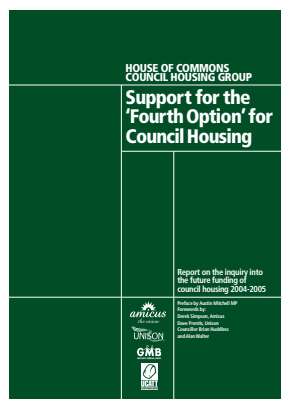
That this House supports the proposal from the Office of the Deputy Prime Minister Select Committee for an investment allowance to create a level playing field for council housing and enable local authorities to finance borrowing under the prudential framework to meet the Decent Homes Standard as an alternative to the Government's three current options of stock transfer, private finance initiative and arm's length management organisations; shares the concerns expressed in the critical reports by the Public Accounts Committee and the National Audit Office on the cost-effectiveness of stock transfer; believes that a fourth option, allowing councils to improve their own stock, can be funded by re-investing all the income from tenants' rents, capital receipts and savings on expensive set-up costs; notes the broad consensus of support from tenants, the Local Government Association and local authorities, the TUC and trade unions for the fourth option; welcomes the recognition by the Deputy Prime Minister on 26th September that 'public financing of housing doesn't treat local authorities on a level playing field and I want to see that changed and I promised to do that and look at an inquiry into it'; and urges him to stand by this promise so that tenants can have a real choice, councils can compete on a level playing field and the public housing stock can be repaired, refurbished and expanded to make its contribution to the growing need for public rented housing, instead of wasting millions to give it away.

Ask your MP to support this motion, join the House of Commons Council Housing group and support forthcoming adjournment debates in the House on the 'fourth option' for council housing.

**For copies of the full report (£10 organisations, free to individual tenants) or further information on the work of the House of Commons Council Housing group contact:**

**Austin Mitchell MP, chair, House of Commons Council Housing group, House of Commons, London SW1A 0AA. Phone 020 7219 4559. Email [info@support4councilhousing.org.uk](mailto:info@support4councilhousing.org.uk)**

**The report and additional evidence, background and reference material used in its production can be downloaded at: [www.support4councilhousing.org.uk](http://www.support4councilhousing.org.uk)**



## MONEY SIPHONED OUT OF COUNCIL HOUSING EACH YEAR

### REVENUE

Government take from HRA (Guideline Rent)	= £6.0 billion
Management & Maintenance Allowance	= £3.0 billion
Major Repairs Allowance	= £1.5 billion
<b>Remainder taken out of council Housing Revenue Accounts</b>	<b>= £1.5 billion</b>

### CAPITAL

RTB Receipts	= £2.0 billion
Basic Credit Approvals	= £0.75 billion
Usable Receipts	= £0.7 billion
<b>Government Profit</b>	<b>= £0.55 billion</b>

All figures England 2002/03. The picture is similar for Wales and Scotland.