

# Defend Council Housing

## DCH Interim Response to 'Homes for the future: more affordable, more sustainable' – Housing Green Paper 2007

Tenants, trade unions, councillors and MPs say:

# 'FOURTH OPTION' for COUNCIL HOUSING



1. Enable local authorities to improve all existing council homes and estates;
2. Allow local authorities to start a new council house building programme;
3. Ensure that local authorities have sufficient revenue to maintain all council homes in future years;
4. Detailed proposals and a clearly defined timetable for implementation;
5. An immediate moratorium on any further transfers, PFI or ALMOs, demolition schemes or sale of council land and properties, until the new options have been formulated, to give tenants real choice.



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BRITAIN'S GENERAL UNION



Public and Commercial  
Services Union



**Get your  
organisation  
to endorse  
DCH's 5  
demands**

**Organise a  
'Hands Up for  
Fourth Option'  
event in your  
area**

**Circulate this  
report and  
respond to  
Green Paper  
consultation**

**Publicise  
'Fourth  
Option'  
e-petition  
& EDM 136**

**Get Labour  
Parties to  
submit this  
Contemporary  
Motion**

# Introduction by Austin Mitchell, MP

**A**t last a government that says it is committed to building new first class council housing. We've waited a long time. Investment in decent, affordable, secure and accountable council housing makes more sense than ever with a private housing market gone mad.

If we didn't have council housing today we'd have to invent it. New investment is the clearest answer to the neo liberals lobbying to end 'secure' tenancies, time-limit and means testing council – and RSL – housing, as a stigmatised transit camp to the private market. Of course people can choose to be home owners but it's a scandal that government has been taking money out of council housing to subsidise private housing.

We welcome the new Housing Green Paper – recognition by government of the need to take on the housing crisis. But we are worried that Gordon Brown seems to be relying on the private sector (including Registered Social Landlords) to deliver the secure homes people need at a price they can afford. They've never done it before. We don't believe they will do it now.

We are glad to see Section 8 of the Green Paper explicitly addresses our campaign's key issues: allowing elected local authorities to build council houses; to keep all the rental income and capital receipts to fund public borrowing to build these council homes, and to access public grants and subsidies if they can demonstrate good performance.

On the face of it this goes a long way towards the 'level playing field' (at least for new council housing) that our broad



**“**We are concerned that some major councils are being pushed into advanced plans to gift or sell-off on the cheap valuable council and other public land for private house building, before any debate has been had.

alliance of tenants, trade unions, councillors and MPs, and the last three Labour conferences, is calling for.

But the language and formulas are deliberately ambiguous. It's not clear how many new council homes will be built, how much pressure will be put on councils to enter into public/private partnerships producing more expensive and less secure homes rather than building new council homes themselves.

We are concerned that some major councils are being pushed into advanced plans to gift or sell-off on the cheap valuable council and other public land for private house building, before any debate has been had. Before a 'once in a lifetime' opportunity is lost let's guarantee an informed public debate – including the 1.63 million households on council housing waiting lists – about what kind of homes we need, and the ratio of council homes to less secure, more expensive and unaccountable private alternatives.

There are signs that government may want to make funding and other opportunities conditional on councils forming separate companies. There's no justification for this arms-length separation, as the Treasury acknowledged in the 2004 negotiations on investment in council housing.

We predicted that ALMOs were designed as a two-stage privatisation vehicle. Lobbying by ALMOs, alongside recent reports in the press shows that we were right – several are considering selling off their homes. Tenants and councillors complain these companies are unaccountable. We don't need to make the same mistake again.

We are optimistic and keen to

engage constructively in a discussion with Ministers – but we are not prepared to be sold a pup.

We need to find a formula so councils can build a new generation of first class council homes with 'secure' tenancies, lower rents and a democratically elected landlord.

And "A Labour government cannot leave council tenants who have rejected privatisation without improvements", as Labour's conference last year acknowledged – we have to release funds to improve existing council homes.

Prudence also dictates that while we improve existing and build new first class council homes, we have to amend housing finance regulations to ensure all of them can be maintained in first class condition in future.

It's been tough all these years fighting loaded ballots and propaganda designed deliberately to bamboozle tenants and mislead councils.

It is positive that council housing is now top of the political agenda, that by the end of the hustings all six Labour deputy leadership candidates supported the 'Fourth Option' and the new Prime Minister said he had an 'open mind'.

Contemporary Motions at Labour conferences have helped push this campaign forward.

I hope many Constituency Labour Parties will help make sure a Contemporary Motion re-affirming policy is passed again this September to keep the pressure on.

Though change is in the air, what we want is real substance. That has to include a clear timescale for implementation and an immediate

moratorium on bullying and bamboozling tenants and councillors into privatisation: transfers, PFI schemes, ALMOs, demolition and disposal of valuable council land and property has to stop. Don't tell us there is no alternative way to improve council homes: it is clear that government policy on housing finance is changing.

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

ps Please get your organisation to respond to the Green Paper, or respond as an individual.

If you don't have time to do anything else write to the Department saying you formally endorse the arguments DCH sets out in this response.

**“ A Labour government cannot leave council tenants who have rejected privatisation without improvements.**

**● Send responses to the Green Paper to be received by 15th October 2007 to:**

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Fax: 020 7944 3647

**● Copy in Defend Council Housing so we can summarise responses**

PO Box 33519, London E2 9WW

# DCH Interim Response to 'Homes for the future: more affordable, more sustainable' – Housing Green Paper, July 2007

The Green Paper covers a wide range of housing and planning issues. Our 'Interim Response' concentrates on Chapter 3 'Public sector land use' and Chapter 8 'More social housing'.

## Introduction

This consultation takes place in the midst of a major housing crisis. 1.63 million households have put their names on council housing waiting lists - more don't because they can't see any chance of an offer. Still almost 100,000 live in temporary accommodation and millions more are overcrowded, often with several generations sharing one home. There are urgent demands for repairs and improvements to existing homes. And many millions are facing massive financial pressures as the private market demands an ever increasing share of household income for a home.

We welcome the decision by the new Prime Minister to prioritise housing and take responsibility for tackling the crisis. This Green Paper gives us the opportunity to debate: what are the best solutions?

## Private sector failure

For the last thirty years government has relied on the private sector, promoting home ownership and selling off council homes. Public subsidies were diverted from democratically elected and accountable local authorities to Registered Social Landlords. More recently they are being offered direct to multi national private developers.

The private sector hasn't delivered. Developers prefer to sit on land banks, concentrate on the more profitable executive and 'buy to let' markets and speculate on empty homes! RSLs are learning their tricks.

Registered Social Landlords may call themselves 'non-profit' but are private companies in law run by a board of directors. The big ones are now lobbying to change their status and float on

the stock exchange. With mergers and takeovers rife they have become increasingly large, remote businesses operating with a commercial ethos.

"The non-profit housing association sector makes a surplus, even after tax, of just under half a billion pounds a year, and has non-earmarked surpluses of over £4 billion. That's one heck of a non-profit." Jeff Zitron, Tribal Consulting (Inside Housing, 11 August 2006).

The homes that the private sector does build - including those with the 'Affordable' label - are beyond the reach of most who need a home.

"Almost half of those aged under 35 think they will have a lower standard of living than their parents due to rising house prices... Deprivation will increase and the situation will worsen in already deprived areas. And this affects all of us. The economy suffers from the consequent impediments to labour mobility and an increasing quantity of taxpayers' money is required to deal with the social problems generated both by increasing deprivation and the inability of numerous key workers to find somewhere to live in the area where they work." (The National Housing and Planning Advice Unit, 'Affordability Matters' June 2007).

## What are the choices?

Outright ownership is now beyond the reach of the vast majority. So-called 'home ownership' (paying a mortgage at increasingly unaffordable ratios) these days is more likely to mean desperate insecurity. Fears of a price crash and negative equity on the one side; fears of increased interest rates on the other. Households are trapped by massive levels of debt.

There is already real concern that as interest rates rise there could be another wave of repossession like we saw in the late 1980s and early 1990s. And the current unravelling of the American sub-prime market (lending to those who can't really afford it) underlines the dangers involved in encouraging people to stretch beyond their financial means.

**Frances O'Grady, TUC deputy general secretary speaking at the DCH national conference July 12**



**“** Now more than ever we need to intervene where the market is so clearly failing to deliver; that's why the TUC wants to join forces with you, and organisations like Shelter, to press the case... council

homes have to be the cornerstone of a new housing strategy. We need to make a decisive break with those failed policies of the past. So let's be clear. No to privatisation. NO to PFI. YES to real investment in council

housing. That's the message that we together, tenants and trade unionists, will have to press home at the highest levels and across the country.”

Frank Dobson MP speaking at the DCH national conference July 12



“With large numbers living in poor conditions there is only one answer: build some more council houses and do up the ones we've got.

It is OK under Treasury rules if you shift our homes

to a housing association, you can write off debt - so why not for council housing? ... the government is now committed to saying that local people should have their say - then it's quite clear, here in Camden, that if

77% of the tenants, and leaseholders voted against an ALMO, then the government should accept the decision, it's as simple as that.”

### Home Ownership options

Keen to drive up levels of 'home ownership' government has produced countless 'Shared Ownership' schemes.

Despite putting £47,500 of public subsidy into each home these are still priced too high for most. The London mayor's definition of 'affordable' is for those between £16-49,000 – but some London boroughs have an average household income of £15,000 or less.

These schemes leave the new 'owner' paying a mortgage, rent and responsible for repairs and improvements. It doesn't make financial sense – and the Public Accounts Select Committee found that only 15% of take up is from former council or RSL tenants – even less in London.

Public subsidies used in this way aren't creating 'life-chances'. Few now in Shared Ownership expect to be able to buy additional shares. It's tokenism – at a high cost to the public and the individual.

Of course if people want to buy they should have that choice. But it is a scandal that government has for years been siphoning money out of council housing and is now using some of the proceeds to subsidise home ownership whilst denying council tenants improvements or new council homes.

### Registered Social Landlords

David Orr, chief executive of the RSL trade body, responded to the Green Paper proposals to make RSLs use their surpluses "Attempting to meet the Government's house building targets with this flawed financial modelling could bankrupt the housing association sector within five years" (NHF Press Statement 23 July 2007). The National Housing Federation obviously resents RSLs being told to give up their massive surpluses – even when they are derived from public subsidies or charging tenants more than necessary.

The fact is that RSL tenancies are less secure

“In Sheffield we are positive about working with government to find a formula to deliver new council houses on council land.

**Councillor Chris Weldon, Cabinet Member for Safer Neighbourhoods, Sheffield City Council**

and have higher rents and service charges. The NHF statement reinforces our argument that there are greater risks for tenants in the helter-skelter world of private finance than those with the council.

RSLs are also unaccountable: run as businesses by a board of directors shackled by confidentiality clauses they are increasingly regional or national organisations operating across multiple local authority boundaries.

The growing experience from tenants and elected councillors and MPs is that it is impossible to hold them to account for either individual grievances or wider social responsibilities and obligations.



Swansea tenants are now demanding direct investment after rejecting privatisation in March 2007

### Investment in decent, affordable, secure and accountable council housing makes sense

If asked, many would say they would like to own a home – particularly if they are still living on top of their parents or paying out a large chunk of their income to a private landlord.

But faced with a more pragmatic opportunity to get a low cost, secure tenancy in a first class council home many would jump at the chance. That's why council housing waiting lists have continued to grow – even when most councils ac-

Jack Dromey, UNITE-T&G deputy general secretary speaking at the DCH national conference July 12



“To meet housing need in Britain councils should be centre stage, with councils building new homes...

I am optimistic but hard-headed. The devil will be in the detail. There will be cru-

cial issues therefore that we will need to press, and win:

One, investment by government on a massive scale.

Two, councils being able in addition, to borrow; relaxing the treasury rules...

Third, we want for tenants

an equality of access to public funds for their housing to be maintained and renovated. End the gun being pointed to the head with tenants being told, effectively, transfer or else.

## **Heather Wakefield, UNISON national secretary for local government at the DCH national conference July 12**



**“**We know that 277 new council houses were built in the last year; that's down from 74,000 in 1980. And yet here in London alone 800,000 people live in overcrowded conditions.... much higher levels of family

breakups, ill-health, social isolations... Its time that the government put its housing policy in order and confronted some of those shocking facts and shocking statistics... This is a crucial moment in the history of

council housing, in government housing policy. All of us within DCH and within our own organisations need to make sure that this tipping point really is just that”

tively dissuade new applicants signing up.

Not only are the numbers on council waiting lists soaring, but a significant minority of those applying are not considered by the local authority as ‘priority need’, and include a wide social mix. This reflects the range of people who used to live on council estates before housing shortage meant that local authorities had to restrict their allocations policies to only housing the most desperate.

Council housing is not perfect – problems exist and more improvements can still be achieved.

There are two fundamental issues: the massive estates built on the cheap using bad design, untried building methods and lacking facilities; and the backlog of repair and improvements (as government has siphoned money out of council housing over the years).

Neither the bad design or disinvestment has anything to do with tenure – both were caused by policies driven down by Ministers.

There are plenty of examples of first class council homes that provide good homes that tenants are proud to live in. That's why there are still almost 3 million council tenants across the UK – despite sustained bullying and blackmail for us to accept privatisation.

However, too many council homes are still suffering from lack of investment and need improvements. That's ‘unfinished business’ covered by the government's 2005 Manifesto commitment that they still have to address (see below).

### **Informed public debate about the options before valuable public land is sold**

One of the crucial components to providing the homes that people want and need is land.

We welcome the government encouraging councils and other public authorities to identify available land. Once the audit is completed we need a full and informed public debate about how to make best use of this precious resource and this ‘once in a lifetime opportunity’.

## **Michael Hall, chair Leeds Tenants Federation speaking at the DCH national conference July 12**



**“**We're very grateful for the chance to bring our Right to Rent campaign to the city of London...

We launched a petition, and got 4,000 people to sign it within a matter of weeks..

We wanted an end to the mass demolition of council homes. We wanted them to set targets for new affordable homes to rent, and again we emphasise the word rent... we looked at government

policy and we said – you need to reform the housing subsidy to enable local authorities to keep more of their rental income; relax the borrowing restrictions to finance the new build ...”



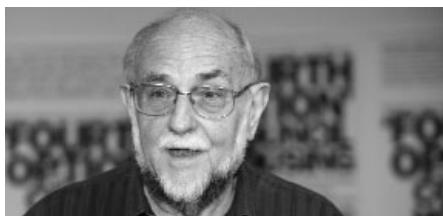
Photos Andrew Wiard www.reportphotos.co.uk

More than 200 council tenants, trade unionists and councillors joined MPs at the DCH National Conference held at the TUC's Congress House in central London on July 12.

The conference heard from a range of speakers and workshops tackled housing finance, responses to the Hills and Cave reviews, the economic case for the 'Fourth Option', and much more.

You can read extracts from the main speakers and download conference papers from the campaign's website [www.defendcouncilhousing.org.uk/](http://www.defendcouncilhousing.org.uk/)

**Professor Peter Ambrose** spoke at the DCH national conference and introduced "The Economic Case for Council Housing" workshop. Here, based on his contribution, he joins up the dots and makes the case for a radical rethink.



While everyone is aware that we have severe problems of housing shortage and unaffordability, the reasons may not be generally understood. Public housing has been starved of investment – from 6.1% of Government spend in 1981 to 1.6% in 2005 (all data is from the latest UK Housing Review published by CIH and CML). Our spend on housing as a proportion of GDP is the second lowest in the OECD. As a result our output of council housing has fallen from a high of nearly 200,000 units in the late 1960s to virtually nil thirty years later.

Over the same period half the public stock has been lost by sales and transfers of various kinds while in recent years the rent-setting formula for this stock has changed from 'pooled historic cost' to one that is partly related to the value of owner occupied housing in the area. The overall result has been a sharp fall in housing opportunities for lower income households, an increase of rents as a proportion of incomes, a consequent large increase in the real terms cost of housing benefits and allowances to the taxpayer and massively increased benefit dependency.

Concurrently, as is the subject of endless boring conversations, we have seen a dramatic rise in house prices – especially in the last decade or so. The recent report *Affordability Matters* from the National

Housing and Planning Advice Unit shows that whereas in 1998 the ratio of the lowest house prices to earnings was 6 or more in only a few isolated parts of the country the similar map for 2006 shows virtually the whole country with a ratio of 6 or more – and a lot of it with a ratio of 8. The average of all house prices has moved from £72,000 in 1998 to £180,000 in 2006.

This problem of rising unaffordability has had serious and costly effects – on health, on labour mobility and on staff recruitment and retention – recently in a Brighton hospital there were two midwives on duty to care for ten mothers in labour. The increasing trend to take the household's second earner into the mortgage calculation forces a greater dependency on paid childcare – and may well be affecting the quality of parent-child interaction. Rising mortgage costs in relation to incomes also affects people's capacity to make pension provision for themselves and more recently has impacted on the finances of middle-aged and older parents who are increasingly subsidising their grown up children in the housing system.

The Government line, following the Barker review, is that an increase in housing output will work to stabilise or even bring down prices. But this notion is dubious at best. The main factor that has driven house prices up by 307% while earnings rose by 59% (between 1993 and 2004) has been the massive increase in the flow of house purchase lending. If the £53 billion total debt outstanding on mortgage loans in 1980 is updated by inflation one would expect a total debt of £186 billion in 2005. In fact the 2005 total mortgage

debt was £820 billion – over £600 billion more than expected – and since 2005 has moved towards £1 trillion. The volume of lending has far outpaced all other economic indicators.

The trend started with the successive deregulations of the finance sector under Mrs Thatcher's administrations and the consequent sharpening competition to lend. Given the low output of housing over the intervening years, and not much growth in transactions year on year, how would one expect house prices to behave if the amount of money available to purchase properties has increased by a factor of 4 or 5 in real terms? And what will be the effect now if the drive to increase output increases the stock by, say, 1% but the credit available to buy it increases by, say, 5%? Would one seriously expect a fall in prices?

High house prices feed through into high rents in all rented sectors – especially since the new method of calculating council house rents adopted in 2000 takes some account of local private sector house values. The rents set in the private and buy-to-let sectors are also determined partly by the capital value of the property.

At present the Government appears not to have done sufficient analysis of what is causing the unaffordability problem. Until this is done the measures are likely to be palliative at best. What is needed is a return to historic levels of supply-side housing investment and a major construction drive, primarily of decent quality council housing made available at construction-cost-related rents completely de-coupled from the crazy prices in the private sector.

# DCH's Five Demands (endorsed at the DCH conference on July 12) and Analysis of Green Paper

The government's green paper, 'Homes for the Future: more affordable, more sustainable' issued in July 2007, represents a significant policy shift. This is in response to a growing housing crisis, and strong lobby of tenants, trade unions, councillors and MPs making the case for major investment in council housing.

We pledged to measure any proposed reform against a five point programme, endorsed at DCH national conference on 12 July.

Government has finally accepted that councils can have a direct role for the future as builders and providers of homes:

*"22...we also want councils to play a greater role in facilitating the supply of affordable housing, through:*

- enabling new affordable supply to be built;
- influencing the decisions that are made; and
- having a direct role in the building of new homes where it provides value for money.

*23...The present chapter considers the opportunities for councils to take a more direct role in the building of new homes."*

## **1. Enable local authorities to improve all existing council homes and estates**

The green paper opens the door to reform of the housing subsidy system; although it doesn't go far enough.

*"32... In the longer term, we want to examine the case for more radical change to the redistributive subsidy system itself.*

*33. We are currently examining the costs and benefits of 'self-financing' – allowing some councils to in effect leave the HRA subsidy system and retain their rental incomes. To ensure fairness to those who remained within the system, self-financing councils would have a one-off adjustment to their HRA...*

*35. Further work is needed to establish the affordability of self-financing schemes... but also*

*maintains fairness for those councils who remain within the HRA subsidy system. Subject to this being demonstrated, we see the next stage as a pilot of the self financing approach.*

*36. The self-financing work will help us understand the potential benefits and risks of wider reform of the HRA subsidy system. The case for more local control over income and investment decisions has been strongly made. But dismantling a redistributive system would risk creating winners and losers..."*

A fair principle is that money that belongs to council housing must be ring-fenced at local authority and national level. All rents and capital receipts must be retained for council housing.

There is no reason why the principle of pooling as such should be stopped. Council housing could finance itself at local level if the allowances within the system were calculated to ensure long-term sustainability of the improvements carried out to our homes and estates; any surplus could still be used to help those in greater need.

If the problem is solved through breaking up the subsidy system; then real 'choice' demands that councils which keep their housing but choose self-financing must be treated as fairly as those who come out of the subsidy system when they transfer. If no transfer organisation could run as a viable business without write-off of historic debt and entitlement to keep all rents and right-to-buy receipts, then neither should councils.

Where the long-term cost of improving homes and estates and maintaining those improvements is more than the projected rental income, all historic debt must be written off by government, and a one-off gap funding payment made to the local authority. Where the long term cost is less than the rental income, any surplus can firstly contribute towards debt write-off, and after that, to government to help pay for the cost of those authorities which will need gap funding. This would be a cost-effective and fair system.

**Alan Walter, DCH chair speaking at the DCH national conference July 12**



**“**This robbery from council housing has been a national scandal. It has to stop now. A small fraction of the proceeds would enable the remaining councils to improve their homes and estates.

And along with a level playing field on debt write off and borrowing and changes to the HRA, it would allow councils to maintain council housing as first class housing in future years and start a new council house building

programme.

The case is overwhelming and we've got the support to make it happen. Our message to the government is simple: invest in council housing.”



“ I think of this list [pointing to DCH's 5 campaign points] number 4 is what our union will be focusing on within the Defend Council Housing campaign.

What we say is, we need

those detailed proposals on a clearly defined timetable for implementation of the change we expect and demand; and an immediate moratorium on any further transfers, PFI or ALMOs, demolition schemes etc,

because without those two things they are simply warm words; and I think that's what we've all got to move towards.”

*"37. We propose to review the rules governing the treatment of housing capital receipts, in particular to incentivise local authority shared equity schemes. We will consider allowing local authorities to retain housing capital receipts generated by the disposal of equity shares in local authority dwellings if those retained receipts are used for the provision of affordable housing."*

The rules on right-to-buy receipts must be changed for both new and existing stock so that all monies are reinvested into new homes. All right to buy receipts, as well as from shared equity schemes, should be included. Any discount given to purchasers should come from the Treasury. It is not politically or socially acceptable to make councils and tenants subsidise the government's drive towards home-ownership, when it means the housing is diminished and cannot be replaced.

## **2. Allow local authorities to start a new council house building programme**

The government at last agrees to make social housing grant available to councils as well as housing associations:

*"24. Social housing requires some capital subsidy because rent levels are not sufficient to finance the development costs of new homes. For the last few years, Government has directed its capital support to Housing Associations, in order to lever in additional private borrowing and deliver more housing. We now want to test whether some council-backed schemes could bring in other benefits, not least when linked to council owned land, which would offer good value for money in comparison with traditional Housing Association development.*

*25. This year we removed barriers to councils accessing Housing Corporation social housing grant through a special venture vehicle or*

*an Arms Length Management Organisation (ALMO). The first ten such bodies have now pre-qualified as eligible for bidding in the next round. Council backed bids will compete on equal terms with other schemes, allowing us to compare the costs and benefits.*

*26. The Housing Corporation proposes to have a further pre-qualification round for Social Housing Grant next year. This will allow more councils an opportunity to put together partnership vehicles and schemes."*

This is a concession, but a very limited one. It is not yet clear whether homes built by ALMOs or special purpose vehicles will actually be council homes. Will they have 'secure' as opposed to weaker RSL 'assured' tenancies? Will the finance to build be public or private? What will happen to new homes built by an ALMO if the tenants of the existing homes decide they want the management to return to the council? Tenants and councils will not accept any fudged private-sector solution which does not provide decent, affordable, secure and accountable council housing with a sustainable long-term future.

Councils and their tenants need to argue that if local authorities can build through ALMOs and special purpose vehicles, they can also build direct. The legal power is there since the Housing Act 2004 (section 220) opened up Social Housing Grant to any organisations. Council-built and owned homes mean secure tenancies and an accountable landlord. Other benefits compared to housing association new build would be cheaper management costs (including less fat cat salaries) and cheaper rates of borrowing, which in turn means lower rents and a greater return for every pound of public money invested. In contrast with Housing Association developments, new development of council homes would give councils full nomination rights and complete control over the numbers, types and design of home built to ensure that they better matched local need. The new homes would be managed



“ No-one is going to tell us who's the best landlord. The best landlord is the council. They've looked after you for a long time.

Hazel Blears, Gordon Brown – thank you very much, for letting us build

some council houses! It's very nice of you. It's about time! But don't let us build them, and them ask us to give them away.

We have to stop this vote [stock transfer]. This voting is not right. We're entitled to

fairness. We're entitled to the fourth option, to bring our houses up to standard. We're entitled to build council houses.”

## Weyman Bennett, joint secretary of Unite Against Fascism speaking at the DCH national conference July 12



**“**I grew up in a council house in East London... my mother was a nurse, they gave her a house because they wanted her to be near to the hospital so she could serve local people.

And that's how you had an

integrated community. It wasn't a question of spending millions of pounds on 'social cohesion'...

And that's the reason why we need to have more council housing. Because if you don't have council housing, you

lead to 'scarcity' and it leads to scapegoating... in places like Barking and Dagenham the BNP, the fascists, have exploited the lack of council housing to blame immigrants, to blame black people, for housing need."

locally and integrated into existing management arrangements, instead of isolated small developments miles from the headquarters of RSL landlords who increasingly operate on a regional or national scale. New council homes improve management and prospects for other tenants: new specialist sheltered accommodation, for example, could free up larger homes for families on the waiting list; councils with low stock numbers could increase them to sustainable levels which would make better use of management capacity.

### 3. Ensure that local authorities have sufficient revenue to maintain all council homes in future years

"27. Alongside access to capital subsidy, a viable new build scheme needs to retain the rental income and capital value from the investment. At present if new social homes are built within the Housing Revenue Account (HRA), around one quarter of the rent – after allowances are made for the costs of managing and maintaining the homes – is recycled nationally through the HRA subsidy system. If the homes are subsequently sold under Right to Buy, 75% of the capital receipt is also pooled and redistributed nationally.

28. By developing through a local authority company or ALMO, the new properties are held outside the HRA. This means that the full rents can be used to finance the development costs and if a property is sold to a tenant, the council gets its capital investment back."

Government has finally admitted that one quarter of tenants' rents are not spent on our homes and that in order for council housing to be viable councils must be able to keep all of the rents and capital receipts. It is a welcome acknowledgment that this must change. It would not be either financially or politically consistent to agree this principle on new-build, but deny it for existing homes.

The failure to replace council housing lost through right-to-buy has contributed to the pres-

ent housing crisis. It's time that all right-to-buy money from existing as well as new stock was reinvested into council housing, and money stolen in the past by central government must be released to help solve the problem those policies created.

*"29... a few councils continue to use their own resources, without additional support from Government, to build new homes within the Housing Revenue Account.*

*30. We expect councils to undertake direct development only where it offers better value for money than other options. But where they choose to invest their own money in new supply, we think councils should be able to keep the income and capital returns from those additional new homes. We would welcome views on the practicalities of making these changes, as well as the potential for them to encourage more local investment in new housing.*

*31. If these changes were made, we might have less reason for restricting access to social housing grant only to councils developing through an ALMO or other vehicle."*

If councils with ALMOs or 'special purpose vehicles' are allowed to keep their future rents and right-to-buy receipts, councils directly managing their own stock should be allowed to do the same. Any one-sided policy would increase the discrimination against retaining councils, which have a clear democratic mandate from their tenants and form a significant section of the country's housing stock, larger than that managed by ALMOs. It would load the odds even further against councils and tenants that reject privatisation, and fly in the face of Labour conference calls for a more level playing field.

*"31...However, before we considered extending access to social housing grant to councils in their own right, we would need to establish rigorous criteria for selecting potential local authority developers. These would have to*

## Wilf Flynn, UCATT executive council member speaking at the DCH national conference July 12



**“**The first step on any rational housing ladder is someone getting somewhere decent to live...with large numbers living in poor conditions there is only one answer: build some more council

houses and do up the ones we've got'

It is OK under Treasury rules if you shift our homes to a housing association, you can write off debt – so why not for council housing?

Gordon's got to deliver... not only has he got to deliver for council housing, but if he wants to carry on to be the longest running prime minister that Britain's ever seen, he's got to get this right"



**“**Take Chesterfield again - and 70% of the councils with council housing are in the same position. The government comes to you, the Office of the East Midlands in our case, and it says 'You've got too much money coming in

from your council house rents. So we're going to take -14% in our case - we're going to take £3.2m away from you to spend somewhere else in the country.' And then another government department comes along - another branch

of the Office of the East Midlands - and says 'you've got too little money coming in from your council house rents, you can't maintain your houses up to 2010 and beyond, so we're going to force you to privatisate.'

*ensure value for money and deliverability, but also have a means of controlling the public sector spending and borrowing impacts of an increase in council house building, as any increase would have to be affordable within national as well as local public expenditure and borrowing limits. In most cases, we would expect models which offer access to private finance to provide better value for money, delivering more affordable homes for the public investment."*

This represents another significant policy change by government. Until recently the only reason they could find for refusing to write off debt for retaining councils on the same basis as they would for transfer was their fear that councils would take on new borrowing. Now ministers are proposing a controlled level of new public borrowing. With more than £8 billion of council housing debt paid off since 1997, there is no reason why public sector borrowing cannot support council house building once again.

#### **4. Detailed proposals and a clearly defined timetable for implementation**

*"53. All local authorities have chosen their delivery routes and we expect 95% of social housing to be made decent by the end of 2010."*

Our researches have shown that 81 authorities across the UK, owning between them over a million homes, will experience problems in trying to deliver decent homes by the government deadline, and a significant proportion of these have no solution at all.

Bringing existing homes up to decent standards and overcoming years of historic disinvestment is still a massive and pressing problem in the UK.

3 million households of council tenants across the UK, together with trade unions, MPs and councillors, expect that in the next green paper, to be issued in the autumn, the government will give

detailed plans for the 'fourth option' to ensure that all homes can be brought up to the decent standards and to give tenants real choice.

#### **5. An immediate moratorium on any further transfers, PFI or ALMOs, demolition schemes or sale of council land and properties, until the new options have been formulated, to give tenants real choice**

*"54. The vast majority of councils and Housing Associations will continue with their original plans. We expect councils to complete their stock transfers, take their PFI projects to completion and get their ALMOs up and running. For ALMOs we will be making at least £2 billion available over the CSR period."*

This ignores the call by the House of Commons Council Housing group, tenants activists, trade union leaders and local councillors, amongst others, for a moratorium on further privatisation schemes until the new government policy is known so that tenants can take all the options into account when making a choice.

It is clearly wrong for government, civil servants and local authorities to bully tenants to accept one of their three privatisation options on the basis that government policy will not change when government is itself consulting on change.



Brighton tenants rejected privatisation in Feb 2007 and are now demanding direct investment

## **WHAT YOU CAN DO...**

1. Sign the **e-petition on the Downing Street website** (<http://petitions.pm.gov.uk/fourth-option/>) and get your friends, neighbours and workmates to sign too
2. Ask your **MPs to sign Early Day Motion 136** Funding Decent Council Housing and to **join the House of Commons Council Housing group** to help win the 'Fourth Option'
3. Get tenants and trade union organisations to **affiliate to Defend Council Housing** and make a **donation** – we urgently need funds to step up this campaign

# PUT YOUR HANDS UP FOR 'FOURTH OPTION'



This campaign isn't a spectator sport!

All those in authorities retaining council housing; those with ALMOs who don't want two-stage privatisation and those yet to decide stand to benefit from the 'Fourth Option' – 200 authorities in total.

Get your organisation to endorse DCH's 5 demands (see front) and put your hands up for the 'Fourth Option'.

Order DCH hands (£12.50 per 50) and get everyone to put them up at your next meeting or organise a photo opportunity on the steps of the Town Hall to get press coverage for the campaign.

## CONTEMPORARY MOTION for the Labour Party Conference in September

CONFERENCE welcomes the Housing Green Paper as an opportunity to debate housing strategies and solutions but notes the concerns developing over the summer that some local authorities are pressing ahead with public private partnerships involving sale of valuable council land without any informed public debate and consultation on the options.

Conference believes that there are many ways to create 'sustainable communities' but rejects proposals to reduce 'secure' council tenancies and introduce time limits and means testing which would further stigmatise council housing and turn council estates into transit camps.

Enabling local authorities to improve existing and build new first class council homes would increase the supply of council housing and allow councils to open up their allocation policies once again. Offering 'secure' council tenancies to the wide range of people on council housing waiting lists would return council estates to the mixed communities they were before shortage restricted access to only those in the most desperate circumstances.

Government must provide detailed proposals with a clearly defined timetable which will enable local authorities to improve all existing council homes and estates themselves and start a new council house building programme, with sufficient revenue to maintain all council homes in future years.

A long term solution of investment in first class council housing would make it an option of choice.

Conference reminds government of the clear 2005 manifesto commitment "By 2010 we will ensure that all social tenants benefit from a decent, warm home with modern facilities" and calls on government to give existing council tenants the right to choose to remain with their authority and get improvements to their homes and estates.

"A Labour government cannot leave council tenants who have rejected privatisation without improvements" (Composite 10, 2006 conference).

"Conference believes that decent, affordable, secure and accountable council housing can make an important contribution to tackling growing housing need and that there is strong support amongst council tenants, elected councillors, trade unions and MPs for direct investment to improve existing council homes and estates as well as enabling local authorities to build new council homes".

Conference re-affirms the decisions of the 2004, 2005 and 2006 party conferences "and our commitment to a 'level playing field'. This should include ring-fencing all the income from tenants rents, capital receipts as well as equal treatment on debt write off and gap funding available to councils who transfer their homes to give tenants real choice and provide a long term future for council housing."

"Conference again calls on government to provide the 'Fourth Option' of direct investment to council housing as a matter of urgency."



[photo: Simon Clark eyebox.net]

## Submit this motion

Every local Constituency Labour Party can submit a 'Contemporary Issue Motion' to Labour's conference. Ask individual Labour Party members and affiliated trade union branches to put this motion forward.

Note: Keeping to this wording helps ensure it meets the 'contemporary' test and makes compositing much more straight forward. The last four paragraphs are direct quotes from Composite 10, passed at the 2006 conference, so please keep intact.

Download text from the DCH website (text link top 'What You Can Do').

Photos: UNISON's national conference (top) put its hands up to re-affirm support for the 'Fourth Option' and above 800 delegates at the UNITE-Amicus conference welcomed Gordon Brown by all waving their 'Fourth Option' hands.