

# DCH Supplementary Response on Local Housing Companies to **'Homes for the future: more affordable, more sustainable'** – Housing Green Paper October 2007

## Local Housing Companies

Since we produced our Interim Response serious concerns have developed about the concept of Local Housing Companies as put forward in the Green Paper.

Defend Council Housing believes that real 'choice' in housing means that there must be access for everyone to a first class public rented home providing secure housing at a price they can afford provided by a landlord they can hold to account.

We are not opposed to any of the private sector housing 'products'. It is right that they are available for those who want them. But, as we made clear in our 'Interim Response', we do not believe that the private sector can provide the housing people need and there is a clear obligation on government to provide a first class public alternative.

Years of disinvestment and funding policies that discriminate against council housing have largely removed the 'choice' of a first class council home from the options available to those in housing need.

We are also concerned that housing policy and planning issues are often determined behind closed doors, without informed public debate and with little political accountability.

Private developers, landlords and lenders have a long record of lobbying to support their particular vested interests and can be expected to press their own agenda within the current housing debate. There is little opportunity for others to make their voices heard. This is particularly true for the 1.6 million households on council housing waiting lists and many more households discouraged from putting their names down and existing council tenants who are worried about how or where their children will move out to when they want to leave home.

It is therefore essential that any proposals by local authorities to sell off public land for private housing development must be fully debated and that particular efforts are made to ensure that interests outside of the private housing industry are involved in establishing local housing priorities in every area.

We submitted Freedom of Information requests to the 14 local authorities named in the paper as setting up LHC pilot schemes. The results - or rather lack of results - from

these requests was instructive. The initiative is clearly a top-down one, coming from government. Most of the authorities on the list told us that they were at such an early stage that they had no details to give us. The only ones who gave us detailed information were those who had already developed advanced plans to sell off public land for house building and were now trying to tack the Local Housing Company idea onto existing plans. One seemed to have misunderstood the concept of LHC as only allowing for the building of houses for private sale and low-cost home ownership; and was concerned that its current plans to see a proportion of new housing built for renting by RSLs would have to be shelved in favour of 'shared equity' homes! None had carried out any public consultation as to whether developing a local housing company was a direction local people wanted them to go in. And none were able to send us committee reports to show that elected councillors had formally made the decision to pursue the idea.

We have also seen an explanatory document 'Local Authority Land Development Model' issued by English Partnerships. This document provides the clearest definition of what is meant by 'local housing companies' so far available. It explicitly says that LHCs are not about councils building council housing:

"This package is not advocating a return to Council housing. ... [it] offers clear incentives for Local Authorities to return to developing (but not constructing) houses in their local area."

In fact it appears that the concept of LHC's has been created to lever valuable public land out of councils and into 'Joint Venture Special Purpose Vehicles' which would by definition be in the private sector. The carrot for councils is a greater lump sum when the houses are eventually sold on the private market than they would have had by selling the land to a private developer:

"The Local Authority would contribute land and assist with planning consent. English Partnerships would facilitate the package of financial and technical assistance to Local Authorities client and the necessary private sector equity in the Joint Venture SPVs in order to ensure that these are classified as private bodies and do not result in an unplanned increase in public sector expendi-

ture.... EP will ensure economies of scale by creating a panel of construction led firms, willing to work on a fee basis with the local SPV.... The local SPV would have responsibility for design, master planning and achieving detailed planning consent, commissioning the construction phase, and sales."

This concept relies on construction firms being willing to forgo their usual 25% profitability on the development of houses and work on a fee basis instead; so it is as unlikely to deliver as any other scheme or target which relies on the private sector.

The creation of 'affordable' houses relies on one of two things. One is that the money raised by private sale is used to subsidise the provision of rented housing to be managed and/or owned by an RSL. The other is the SPV (not the local authority!) keeping some of the freehold of the land and selling the homes on it at below market cost, for example through shared equity. The catch is that in order to keep the SPVs off balance sheet they cannot be public sector companies - local authorities will not be allowed to have a controlling interest in them as they are to be defined as private sector for the purposes of borrowing. Community land trusts are an example of this kind of private sector company.

So, to summarise, is now seems apparent that 'Local Housing Company' means that at least half of the public land is lost through private sale; and the other half is lost through transfer to a private sector company which will not be accountable through the local electoral process.

If this is indeed the case then LHCs are a clever ruse devised to sound as though councils are once again being placed centre stage of delivering housing - but actually ensuring that land on which democratically accountable council housing could have been built is forever lost to the public. In this form LHCs should be opposed.

There is a clear consensus that government should create a level playing field; that council housing should be placed centre stage in addressing housing need in the 21st century; that this must allow local authorities to have the choice of building council homes without needing to enter into public-private partnerships; and finally that before any valuable pub-

lic land is made available for private development that there must be a full and informed public debate.

Defend Council Housing  
PO Box 33519  
London  
E2 9WW

15 October 2007

A twelve page response to the Green Paper is available from the DCH website:  
<http://www.defendcouncilhousing.org.uk/dch/resources/DCHInterimResponseGreenPaper.pdf>

Further background information:  
[info@defendcouncilhousing.org.uk](mailto:info@defendcouncilhousing.org.uk)  
[www.defendcouncilhousing.org.uk](http://www.defendcouncilhousing.org.uk)