

## The Case Against Transfer

Transfer of council housing to an RSL (housing association or company) threatens tenants' rights.

Council tenants' secure tenancies are replaced with less secure 'assured' tenancies, making eviction easier. RSL rents are higher than councils—17 per cent on average, and the gap is growing despite attempts to close it. The latest proposal is to impose a second round of 'rent restructuring' which would allow RSLs to put their rents up even higher—and make council rents follow them.

Transfer wastes public money and diverts funds from where they are most needed. Ministers' pretence that tenants are ecstatic about major improvement to their homes following stock transfer are contradicted by research in the Commons Public Accounts Committee's report on stock transfer (July 2003). The report's appendix shows only a 3% change (81% of tenants satisfied with the condition of home—78% before transfer). Only "85% of tenants considered that housing services were at least as good as before transfer"—even after £millions have been spent by the new landlord. Satisfaction on rents remain static—but most stock transfer landlords are still within the 5 year rent guarantee period after which rents are likely to rise. Satisfaction with quality of repairs is down (63% against 68%). Figures from Communities Scotland show the number of housing association evictions has risen by 64 per cent in two years to stand at 522 in the year 2000 to 2001. That equates to 3.7 in every 1,000 tenancies, compared with what Shelter says is two in every 1,000 for councils. *Inside Housing 19 Feb 03*

Transfer RSLs have housing management costs a full 39 per cent higher than local authorities. "The creation of LSVTs increases overhead costs."

**Ross Fraser, HouseMark, and Patrick Symington, Hacacs Chapman Hendy, Housing Today 7 Mar 02**

"We're a business, and all our divisions are expected to make a surplus. Our non-executive directors should be paid." John Belcher chief executive Anchor Trust *Guardian 8 Jan 03*

## The Case Against PFI

PFI is new in housing, but has an appalling record of soaring costs, poor work and years of delays in schools and hospitals.

The National Audit Office says claims that PFI is value for money are based on "errors, irrelevant or unrealistic analysis and pseudo-scientific mumbo-jumbo." Costs escalate between bid and final contract: reportedly by over 60% in Sandwell on a housing PFI.

Risks are effectively underwritten by government with yet more public money.

Tenants have no right to a ballot on PFI proposals. Public land is often 'gifted' to developers with homes demolished to increase profits.

## The Case Against ALMOs

Arms Length Management Organisations are the government's latest tactical means of pursuing privatisation. The obvious question is if extra money is available, why can't it go into council housing directly. What's the point of setting up a private company?

ALMOs are meeting growing resistance, as the real purpose of this "half-way house" becomes clear. Tenants and unions are furious that £millions is wasted on consultants, lawyers and other set up costs, new offices and big new salaries for top managers.

Democratic control and tenants' power is undermined by a board on which tenant reps are outvoted and bound by corporate responsibility. Elected councils will have an excuse to wash their hands of council housing and point tenants towards the unaccountable board.

Last year Wendy Jarvis, ODPM head of local authority housing finance, confirmed our suspicions. She said "[ALMOs] don't own their stock at the moment. We have to look at their structure again... The housing association model is an obvious one to look at and we are looking at it..."

"Our view has to be that it stays within the Whitehall family until we have formulated our own views and particularly that the Treasury is comfortable. Then we will go out to the relevant private sector partners." (*Inside Housing 13 June 03*).

The government's latest review makes it clear they want to move onto the second stage—as we predicted.

# We want 'Fourth option'—direct investment in council housing

## Fourth option affordable

The figures speak for themselves (see table) and clearly demonstrate the 'fourth option' is financially affordable.

A funding stream to finance borrowing—as provided for PFI or ALMO—combined with councils' new right to borrow (which we were also told would never be conceded) would give councils the means to invest in council housing without the threat and costs of privatisation or setting up separate companies.

## Support is growing

Support for the 'fourth option' is growing: it is what tenants want, and is backed by the major trade unions and from growing numbers of MPs, councillors and policy makers. Government have no economic argument or evidence to challenge this—which is why ministers are floundering.

The House of Commons 'Council Housing' group of MPs supports tenants' calls for the fourth option of direct investment in existing and new council housing, through a ring-fenced investment allowance. As they point out, direct investment in council housing is cheaper and a more effective use of public money than transfer, PFI or ALMO.

150 people from twenty six areas attended the group's enquiry at the House of Commons in May. Representatives of tenants organisations, local authorities (councillors and officers), trade unions and various professional organisations gave verbal evidence. More than 30 local

authorities provided written evidence supporting the 'fourth option'.

Direct investment makes economic sense and no amount of blackmail and blustering is going to solve the housing crisis without it.

## ODPM Select Committee backs 'investment allowance'

In May the influential ODPM Select Committee of backbench MPs came out clearly in favour of the fourth option—direct investment in council housing—via an 'investment allowance'.

Their report concludes that the government's 'dogmatic pursuit' of privatising council housing isn't justified and denies tenants real choice. They argue there is no evidence to conclude that the government's stated aim of separating housing strategy from management improves either services or tenants' involvement.

## Level Playing Field

The report pulls no punches: 'A flexible policy and a level playing field is needed... The Committee recommends that Local Authorities be granted wider rights to borrow prudentially against rental income streams for the purpose of improvements to the stock and to help create sustainable communities. We recommend that the Government reconsider adopting the principle of investment allowances to Local Authorities.'

## Tenants everywhere are angry...

"Stock transfer is led by a load of senior officers who see it as the means to a crock of gold. It is led by consultants who get rich and move throughout the country like a load of locusts and carpet-baggers.

"The victory in Birmingham was won by getting out on the estates and the streets.

Get among your people. Talk to them, get support from your unions and tell them the real facts."

**Frank Chance**  
Chair Birmingham DCH

"Tenants are not making knee-jerk choices, they are voting to stay with councils who they want as their landlords because they trust them and value the relationship. If this is a

democracy, the government needs to listen and to allow those councils whose tenants vote to stay with them to operate under the same conditions as other landlords."

**Aison Hustwit**, Stroud

"Real tenants' power is what happens when democratically elected politicians have to listen to a large enough collective voice.

Council housing is the only form of housing where tenants elect their landlord. Keeping our homes under democratic control is worth fighting for."

**Lesley Carty**, Secretary  
Templar House TA, Camden

"The immediate reaction of our stock options appraisal from the majority of the

tenants is they wish to stay as they are... [The government] allow RSLs to borrow money, they allow the Housing Corporation to dish out this, that and the other. They can give ALMOs so much, they can give PFIs hundreds of thousands and thousands, but they can't give people who are satisfied with what they've got more money and we're not happy about it at all.

**Cynthia Johnson**, Sefton

"We rejected a transfer five years ago of a vote of over 60%. It cost the council half a million quid in publicity, promotion, preparation and so on for the ballot, but we formed Tenants Against Privatisation to campaign against it and we were

obviously success. We now very much resent being forced to another waste of time and money, having to go through the options process all over again.

**John Marais**, Cambridge

"In July 2003 Harlow called an independent consultancy to carry out a test of opinion on the four options. In the lead up to this we arranged four neighbourhood meetings in the town and explained the four options. In all four meetings residents overwhelmingly voiced support for stock retention. This was reflected in the results of the test of opinion where 89% of respondents chose retention

**Mick Patrick**, Harlow

## THE 'COUNCIL HOUSING' GROUP OF MPS HAVE JUST PRODUCED A REPORT SHOWING HOW DIRECT INVESTMENT CAN BE FINANCED

### THE CASE FOR THE 'FOURTH OPTION' FOR COUNCIL HOUSING

June 2004

Report by the House of Commons Council Housing group

More than 3 million council homes in Britain provide vital secure, affordable and accountable housing for over 8 million people.

Council housing is an asset worth well over £100 billion (ODPM August 02). This is around £40,000 per home in England and Wales.

In 2004 1.1 million of these homes are in urgent need of improvement to reach a decent standard. £19 billion was the estimated cost of repair and improvements in 2000 (Housing Green Paper).

The National Audit Office (March 2003) and Public Accounts Committee (July 2003) enquiries into stock transfer show that the cost to public funds are greater if housing investment is channelled via a transfer RSL.

NAO estimate £1,300 extra cost to public spending of investment via stock transfer. PAC say this is an underestimate, which fails to take full account of the under-valuation of the transferred asset. It also ignores the rental income after 30 years.

Public subsidy is supporting transfer RSLs to create an asset improved at public expense, with all historic debt transferred to government. This creates for the RSL a 20-30 year income stream subsidised by higher housing benefit costs. UNISON estimates the extra housing benefit bill from stock transfer at £249 billion a

year since 1997. For the public sector this cost is no longer offset by any rental or receipt income.

There is no clear evidence of 'unquantifiable' benefits in either landlord efficiency or tenant satisfaction.

Investment in directly-managed council housing would make more effective use of available funds. Council housing generates surpluses. Government has taken a total of £13 billion from HRA (through negative subsidy) since 1990. And each year the Treasury continues to take more than £1.5 billion from the total HRA.

#### CONCLUSION

To address the remaining investment backlog of around £12 billion over six years would require an annual revenue stream of £0.75 billion a year for 30 years.

The annual negative subsidy of £1.5 billion and £0.55 billion profit from Right to Buy more than covers this level of investment.

The historic disinvestment of capital receipts has created both a reserve and a justification for supporting this revenue stream.

The 'fourth option' is financially viable—and makes sense.

## MONEY SIPHONED OUT OF COUNCIL HOUSING EACH YEAR

All figures England 2002/3. The picture is similar for Wales & Scotland

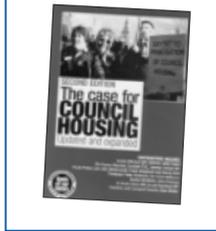
| REVENUE   | CAPITAL                                  |
|---|--|
| Government take from HRA (baseline rent)                                      | RTB receipts = £2.0 billion              |
| Management & Maintenance Allowance = £6.0 billion                             | Basic Credit Approvals = £0.75 billion   |
| Usable receipts = £0.7 billion  | Government profit = £0.55 billion        |
| Major Repairs Allowance = £1.5 billion  |  |
|   | <b>STOCK TRANSFER (per home average)</b> |
| <b>Remainder taken out of council Housing Revenue Accounts = £1.5 billion</b> | Asset value = £40,000                    |
|   | Avg transfer value = £4,000              |
|   | Private investment = £7,000              |
|   | <b>Loss = £29,000</b>                    |

## HISTORIC LOSS

'DAYLIGHT ROBBERY' Government has taken a total of £13 billion from HRA (through negative subsidy) since 1990. This explains a large part of the £19 billion backlog.

ACCUMULATED CAPITAL RECEIPTS Right to Buy receipts set aside between 1990-97 have not been reinvested. Further RTB and stock transfer receipts have also been accumulated.

DCH pamphlet. 76 pages with contributions by tenants, trade unionists, MPs and academics. Covers the financial arguments against stock transfer, PFI and ALMOs and puts the Case for Council Housing. Essential reading. **Individual copies £5**



The MP's new report shows how council housing generates enough money to pay for all the improvements tenants need.

It's outrageous that the government are taking money out of council housing and then telling us we have to accept stock transfer, PFI or ALMOs. Demand that Councils and our MPs join the campaign to make the government coughs up to improve our homes—with no strings attached!

## Government's arguments disproved

### 1 ONLY WAY TO GET IMPROVEMENTS?

They claim stock transfer brings in private money which avoids extra public expenditure. But government and councils can borrow at lower interest, so public investment is cheaper and avoids the millions wasted on the 'transfer industry' consultants and inflated RSL executive salaries.

The Commons Public Accounts Committee's report on stock transfer (July 2003) said 'The additional cost of transfer is likely to be larger than the £1300 per home calculated by the [National Audit] Office' and transfer has 'led to the undervaluation of the homes transferred so far, resulting in a greater contribution from the taxpayer than was necessary to deal with, for example, the backlog of repair.'

UNISON has done the sums on the hidden public subsidy through extra Housing Benefit costs. They show 'Stock transfer costs an additional £240 million in housing benefits annually because housing association tenants generally receive a higher rate than council tenants... The transfer of one million homes would cost taxpayers an extra £837 million in housing benefits annually.'

In 2003/4 the government planned to subsidise privatisation by writing off housing debt to the tune of £800 million—enough to almost double the £842 million housing investment programme for all councils that year.

### 2 SEPARATING HOUSING STRATEGY FROM MANAGEMENT IMPROVES SERVICE?

They say separation brings benefits but where is the evidence?

Heriott-Watt University found exactly the opposite from their research into the effects of separation after transfer to housing associations. Alistair McIntosh, from the Housing Quality Network who commissioned the report, said "There doesn't appear to be a lot of empirical evidence suggesting that the only correct route is to make a split between the strategic enabling function and the landlord function. It's been carried on without any research or rationality underpinning it." (*Inside Housing 11 January 2002*).

Separating off housing management—into a housing association or ALMO—with separate company structures and priorities mean co-ordination between services gets worse. '43 per cent of [local] authorities reported difficulties in discharging their statutory housing duties' with post-1996 transfer RSLs, according to Shelter research.

### 3 TENANTS EMPOWERED?

Housing associations have a very poor record of involving tenants, with few independent tenants organisations. The tiny number of tenant board members are mostly not elected, are unaccountable and bound by business rules and confidentiality clauses. Tenants have been thrown off boards for rocking the boat and raising disagreements. 'Members of the boards of RSLs have the same fiduciary duty to the RSL as any company director'.

(then—housing minister Sally Keeble, *Hansard 4 Feb 02*.)

Places for People (P4P), England's biggest housing association, kicked out board members after some of them criticised the chief executive and chair.

The Housing Corporation is actively encouraging RSLs to merge and make their boards smaller and more professional. Tenants will be the first casualties.

## AUDIT COMMISSION SAY COUNCILS 'MIS-SELLING' TENANTS ROLE ON BOARDS

The Audit Commission in their latest report 'Housing: Improving services through resident involvement' accuse councils of deliberately misleading tenants.

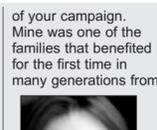
"Many tenants of such housing associations feel that they are on the board to 'represent' a constituency of tenants. Often this misapprehension is a direct result of mis-selling the role at the time of the ballot... tenants are often led to believe that they will have an explicit role in representing the interest of their fellow tenants on the board.

This is not compatible with the accepted principle that dictates that as a board member they have to work for the interest of the organisation — that is, that the directors responsibility takes supremacy." *Audit Commission, Housing: Improving services through resident involvement, June 2004, page 45*



"Under the pretext of Decent Homes, local authority tenants are, in reality being blackmailed into stock transfers, or Almos, through the current funding arrangements. "The government must put its money where its mouth is and leave it up to tenants to decide who should own and manage their homes." **Andrew Bennett MP**

"Greetings from the whole TUC in support



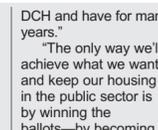
of your campaign. Mine was one of the families that benefited for the first time in many generations from the opportunity of decent housing and it's a cause well worth fighting for." **Frances O'Grady** deputy general secretary, TUC

"It is outrageous that people are told 'if you go along with what we want there will be lots of money to do up flats and houses, but if you don't



the money won't be available." "It's like holding people to ransom. It's totally morally and politically unacceptable... in the name of dogma and nothing else." **Frank Dobson MP**

"There should be a fourth option that gives local authorities the right to carry out repairs and improvements. We are part of the campaign to Defend Council Housing, supported



DCH and have for many years." "The only way we'll achieve what we want and keep our housing in the public sector is by winning the ballots—by becoming active, getting groups together who're prepared to go out and argue our case." **Dave Prentis**, UNISON General Secretary

"What I encountered was perplexity, unease, suspicion about why

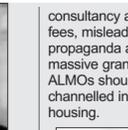


this [ALMO] was necessary... the vote was a thumping, unambiguous, clear no... if choice is the fourth principle of public service reform how can you possibly ignore the choice that tenants have made?" "There is no clear evidence that separating the strategic from management, that ALMO, that RSLs lead to improved performance". **Jane Roberts**, leader Camden Council



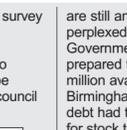
"What is the sense in a highly rated housing authority being forced to transfer its stock to alternative management and financial control?" Successive governments have wasted a lot of money pursuing these policies when the money would have been better spent on improving the stock." **Brian Iddon MP**

"The money the government is wasting on debt write offs, gap and dowry funding,



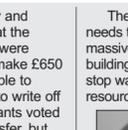
consultancy and survey fees, misleading propaganda and massive grants to ALMOs should be channelled into council housing. Why prolong this ideological crusade against council ownership when all the evidence shows that councils can build, renovate and repair more economically than housing associations?" **Austyn Mitchell MP**

"Tenants in Birmingham



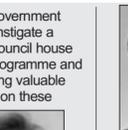
are still angry and perplexed that the Government were prepared to make £650 million available to Birmingham to write off debt had tenants voted for stock transfer, but that there will not be a penny extra now that tenants wholeheartedly rejected that option." **Lynne Jones MP**

"Every week I meet families who are desperate for a decent home.



The Government needs to instigate a massive council house building programme and stop wasting valuable resources on these privatisation, sell-off and transfer schemes." **John McDonnell MP**

"The tenants in Stroud District have shown the way in rejecting LSVT. I hope that Stroud can give hope to those who want a major re-think in Government policy to take place. Hopefully



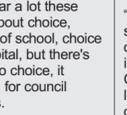
together we can make this happen." **David Drew MP**



"We hear a lot these days about choice, choice of school, choice of hospital, but there's to be no choice, it seems, for council tenants.



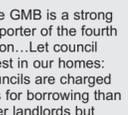
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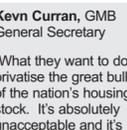
"The GMB is a strong supporter of the fourth option... Let council invest in our homes: Councils are charged less for borrowing than other landlords but current Government rules stand in their way.



If tenants wish to retain the local council as their landlord and still have their homes improved then, sorry, no deal.



"It's no longer good enough for ministers to say that PFI, Almos and stock transfer are the only available routes for investment in housing stock."



"What they want to do is privatise the great bulk of the nation's housing stock. It's absolutely unacceptable and it's not in the public interest. "So sod the council—come and visit T&G members in the depots. We'll meet together as tenants and trade unions, and we'll win."

"It's no longer good enough for ministers to say that PFI, Almos and stock transfer are the only available routes for investment in housing stock."



"The fourth option is the least expensive, most cost effective and the most democratic way forward for Macclesfield tenants. Council Housing is the best affordable housing and one which the Labour Party should commit to in the next parliament." **Cllr Steve Carter** Leader Labour Group Macclesfield Borough Council

"The Milton Keynes TU & LP Partnership is totally opposed to the "Government's three options" and support "Direct Investment in Council Housing", which concerns the future of the country's council housing stock. It appears the Government's three options is an attempt to rid councils of their housing stock, which is nothing more than the previous Tory Government play." **Cllr Reg Edwards** Milton Keynes