

## SOPHIES CHOICE IN SOCIAL HOUSING



There is a crisis in social housing that is spiralling out of control. It is easy to point this as a conflict between council tenants and their local council, or as a conflict between Labour MPs and their Labour councils. But the real issue (and crisis) has to be understood in much deeper terms.

My own council in Nottingham finds itself immersed in the mess. Having taken the misguided decision to set up an ALMO (Arms Length Management Organisation) to manage its council housing, the council then discovered that the sums in the ALMO budget simply didn't add up.

Tenants had been promised that all of their homes would be upgraded to the Decent Homes Standard by 2010. Now they discover that the promise was empty. The ALMO does not have the money to do the renovations. Its performance is too poor to trigger the release of

promised government funding. Now it is faced with the prospect of selling council estates to private developers for the demolition, and the replacement of council housing with prestige private housing. This could be their only means of raising the cash to improve whatever remains of social housing.

Margaret Thatcher wanted to force councils to sell off council housing to her friends in the private sector, but even she didn't dare suggest we should sell off one set of tenants to meet the needs of another set. It is a sort of 'Sophie's Choice' social housing.

The trouble is that even if you go down this route the problem gets worse. Up and down the country, councils further down the path are discovering a different financial pit to fall into.

When councils sell their housing stock to a new social landlord the stock is often judged to have a negative value. This negative figure is an assessment of the gap between the estimated rental income over the next 30 years and the estimated costs of renovation and maintenance over the same period. To sweeten the pill for private landlords the government has come up with a £182m pot of money for this 'gap funding'.

It must have seemed a good idea at the time. The illusion quickly disappeared as soon as the financial requests started to come in. Manchester alone wants a dowry of £150m. Salford wants £100m, Liverpool £135m, Brighton £115m. The total amount being sought from central government already exceeds £1 billion. The gap is so wide that the government has had to put stock transfer proposals on hold.

Even councils that have had approval for their ALMO schemes are now being asked to renege on their promises to tenants. Because of the cost overrun, the Department of Communities and Local Government (DCLG) is now asking ALMOs to put off meeting the Decent Homes Standard, from 2010 to 2013. This has nothing to do with the efficiency of the ALMO and everything to do with the financial

mess inside central government. The tenants are simply those who will pay the price; living in sub-standard homes, with the convenience of government overriding the disrepair they must live with.

We should not get drawn into a divisive argument about which areas should get the government cash and which should not. The real issue is that the whole game sucks. Take a step back and look at the economics of social housing and you soon realise what a scam the stock transfer programme is.

When the National Audit Office looked at the financial consequences of housing stock transfer their appraisal was stark and damning. Transferring one million homes over five years (the government plan) would cost the taxpayer £1.3 billion more than allowing local authorities to do the housing renewal themselves.

Behind the scenes the government has set up a slush fund of inducements to hand council tenants over to new landlords. First, the Treasury promises to write-off all debt relating to existing properties; good news for the new owners but a poor deal for taxpayers who keep paying off the debts long after the assets have been given away.

Then, the Treasury tacitly agrees to an additional taxpayer contribution to the transfer of around £250 million a year, in the form of higher Housing Benefit payments to cover the higher rents. And finally there is the intriguing issue about the hidden taxation of council housing.

Rather than being state subsidised, council housing is the one area of rented housing that faces a negative subsidy from the Treasury. The national figures set out this in the most unambiguous terms. The government takes around £6 billion a year from council housing rents. It pays money back to local councils under two headings – management and maintenance allowances (£3bn per annum) and the major repairs allowance (£1.5bn p.a.). Even the most basic of calculations tells you that each year £1.5bn is pocketed by the Treasury from council house rents.

Ministers regularly claim the government cannot allow councils to do up their properties themselves because the backlog of repairs would cost over £12bn. No minister ever mentions that the Treasury has trousered over £15bn of council rents since 1990; rents that could easily pay for the repairs.

No mention, either, that private sector renovation would cost taxpayers £1.5bn more than councils doing the job themselves. No mention of the £3bn of 'frozen assets' councils have to sit on (from the earlier sale of council houses), but not allowed to spend on renewing people's houses.

Most of all, the one thing that Labour ministers refuse to mention is that everything they push is at odds with Labour policy. Successive Labour Party conferences have voted overwhelmingly in favour of the Fourth Option – council tenants having the right to remain as council tenants, and councils having the right to the full use of council rents to deliver decent homes for all.

Current policies simply require councils, council tenants and taxpayers to throw buckets of money into the pockets of new private landlords. It is Thatcherism in the extreme. Paradoxically, the best way of stopping this descent into chaos in social housing may be found in the chaos itself. Those involved in stock transfers are in as much of a financial mess as those too inefficient to be given the go ahead. The compelling case is for all local authorities to gang up and refuse to play along with the government's

madness. Rather than scrapping amongst ourselves we should stand together, expose the dishonesty (and incompetence) of Treasury obsessions with transferring public assets into private pockets, and insist that council tenants (and councils) should have the right to do the job more effectively for themselves. When the finances are in such a colossal mess, one serious push and the whole house of dishonest cards will collapse.

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