

Firm Foundations?

A response to the Scottish Government's Housing Green Paper

We want to begin by welcoming some bold and positive changes – most notably the recognition of the important role played by social housing¹, and the ending of the right-to-buy for new social rented homes. We also acknowledge the difficulties of making radical change in the current political climate – as exemplified by the negative grilling that characterised the Newsnight Scotland interview following the announcement of the end of the right-to-buy, and the scramble by Labour and the Conservatives to claim credit for promoting regressive inheritance taxes. Perhaps partly as a result of this, the Green Paper seems overwhelmingly anxious not to alienate existing property interests and thus often to be trying to reconcile the irreconcilable. Sitting on a fence does not provide very firm foundations. However, if the government looks, as we hope it will, beyond the political and media bubble, we believe they would find widespread popular support for the more radical policies that we argue are essential for us all to begin to be able to realise ‘our ability to find a decent house that we can afford in a place where we want to live’. (p2) We would like to see a Scottish Government that is not afraid to take a stand against the current march towards growing wealth and social inequalities and to question current dogmas that can so often stand in for evidence based arguments; and we are confident that such a government would win the support of the majority of the Scottish people.

Criticism of the increasing marketisation of housing policy is widespread. While a large amount of commissioned research has been restricted to examining the best ways of implementing policy, those who have been able to take a wider view have drawn some worrying conclusions. Before looking at the proposals for Scotland, we would like to quote from the final paragraph of Peter Malpass and Liz Cairncross's edited volume on British housing:

The market contributes, and will continue to contribute, to many of the obstructions to meeting the goal of a decent home for all at a price they can afford: creating a barrier to affordability, growing spatial segregation, intergenerational tensions and regional disparities, constraining the supply of new homes, and contributing to the residualisation of social housing.²

These comments on the Green Paper have been written to draw attention to possible sources of conflict and concern within this discussion document, and also to suggest alternative ways in which the Paper's ideal of better homes might be achieved. It has been put together and supported by academics active in this field, and draws on a wider body of research that we believe should be referred to in the development of housing policy.

¹ While we have followed the Green Paper's use of the term social housing to cover both council housing and subsidised low-cost rented housing run by Registered Social Landlords, we would like to point out our concern that this blanket term is often used to mask the important distinctions between these tenures.

² Malpass, Peter and Liz Cairncross (eds) (2006) *Building on the Past: Visions of housing futures* Bristol: The Policy Press p273

Housing Supply

Few would argue with the aim of ‘increasing the supply of good quality housing at prices which people can afford’, (p7) but we are concerned about the assumed link that seems to have been made between house prices and demand. There has been an increase in household formation, but the phenomenal rise in prices that we have been witnessing is largely a result of the financial liberation of the 1980s and the credit boom that that released.³ Many more people are now able to borrow much more money. Similarly, if, as is increasingly being predicted and as happened dramatically in England in the 1990s, house prices fall, this will not mean that we suddenly have too many houses.

The Green Paper rightly points out that homes have to be where people want to live, but this can also be helped by co-ordinated development strategies that aim to bring employment to where the homes already are. This is more than a housing issue, but it needs acknowledging here.

At the same time as recognising the need for new housing, and the increasing pressures on our reduced stock of social housing, it would seem pertinent to suggest a review of current proposals for mass demolition of predominantly council and ex-council housing. While much of this housing may not currently conform to new housing standards, the majority could be made to do so at very substantially less cost than that for demolition and rebuilding. At present, there are grants available for demolition and also for new building, but very little for investment in improving existing properties and this is encouraging irrational policies at huge financial and social cost.⁴

House Prices

If all houses were the same, then we need only be concerned with total numbers of homes, but this is clearly not the case. House types and values vary hugely, and so long as prices are rising there is scope for those with some money to use houses as a medium for making more money. As the Green Paper acknowledges, ‘There is growing evidence that increasing house prices are exacerbating wealth inequalities and spacial disparities.’ (p21) Housing policy has become distorted by the growing importance of the investment value of our homes over their use value.

The housing boom has generated a growing socio-economic chasm between those who bought at price levels commensurate with the longstanding 2.5-3 times salary metric and those who now confront a market where owner occupation, if at all feasible, requires a highly precarious leap of faith on the back of a risky financial commitment. This, as we have noted, has been greatly exacerbated by the financial sector deregulation and associated loosening of credit conditions: lending based on increasing salary multiples, self certification, extended repayment periods and interest only mortgages. By engaging in such lax lending practices in competition over market share, banks and other mortgage lenders have effectively fuelled the property boom, given the obvious fact that rapid house price inflation in excess of wage rises can only

³ Zaccheus 2000 Trust *Memorandum to the Prime Minister on Unaffordable Housing* (available on www.z2k.org) pp 20-22

⁴ Glynn (2007) ‘Soft Selling Gentrification?’ paper given to EURA conference, Glasgow 2007 (available on <http://www.geos.ed.ac.uk/research/humangeography/Gentrification.pdf>)

be sustained for as long as the credit available for purchase is also expanding. Buy-to-let - a key 'engine' of the housing boom - can also best be understood as a product of an increasingly competitive, lightly regulated and expanding market sector seeking to increase potential demand for its products amidst conditions of seemingly, at least until very recently, inexhaustible liquidity.

If housing is to be affordable as homes, we need to try and keep price rises more in line with inflation and stop houses being used primarily for speculation. There are many fiscal measures available that can help to do this. These include restricting inflationary mortgage products, taxing homes left empty; taxing (or even disallowing) second homes; closing capital gains tax loopholes on buy-to-let⁵ and ending the ability to offset mortgage interest against rental income when calculating tax; more use of capital gains and inheritance taxes; and land value tax to prevent land speculation, capture any increased land values for the public good, and encourage development.⁶ Dependence on housing as investment would also be reduced by the resurrection of a properly financed pension scheme. Some of these changes can only be made at the Westminster level, but not all.

We would ask the Scottish Government to consider these options, and we would also like to register our concern about two proposals that are included in the Green Paper and that will contribute to price rises. The first is the proposal to provide grants to first time buyers, which, as has been frequently pointed out, would serve to fuel price rises further by putting yet more money into the system.⁷ This means they will provide poor value for first time buyers and make it harder for other buyers, so proving a very inefficient use of limited resources. The main support for this proposal comes from property interests and financial industry lobbyists, as it is seen to support inflated valuations that are now being threatened by affordability constraints. It does not appear to be an attractive solution to the groups campaigning on behalf of first time buyers, as most recognise that this will inevitably lead to even higher prices and less affordability in the long term⁸.

The second source of concern is the proposal to increase dependence on the private rented sector. We will discuss this further below, but the encouragement of buy to let investments has put pressure on the already overheated market and especially on the bottom end, where investors compete with first time buyers.⁹

Aspirations to Ownership

Two thirds of Scottish households are owner-occupiers, and we are not suggesting anything that would threaten them, but our concern is with the assumption that home ownership is the only solution, and the consequent drive to increase home ownership.

⁵ Currently no capital gains tax has to be paid if a house was the owner's principle residence up to three years previously.

⁶ For a discussion of land tax see www.labourland.org/lvt

⁷ Zaccheus 2000 Trust *Memorandum to the Prime Minister on Unaffordable Housing* p 23

⁸ <http://www.pricedout.org.uk/>

⁹ See speeches by Kate Barker, UK Government advisor on housing, quoted in <http://www.building.co.uk/story.asp?storycode=3088162> and Paul Diggory, head of the Chartered Institute of Housing, quoted in <http://www.cih.org/news/view.php?id=741>

We would argue that social surveys suggesting widespread preference for home ownership are not in themselves very meaningful, and do not have sufficient scientific validity to be used as a basis for important policy decisions. They may well indicate a genuine preference, but there are simply too many different variables that can be understood to be included in the concept of ownership.¹⁰ Is what is important ownership per se, or are people more concerned with security of tenure, freedom to personalise their home, avoiding high rents, not missing out on the financial gains to be made from rising house prices, social status, or any combination of these? Would views be different if rented housing was generally of better quality and value and with greater security of tenure? Should the aspiration to home ownership be seen as a driver for policies that favour ownership, or as a result of such policies in the past?

In the current economic climate, home ownership is an important contributor to the wealth gap. Housing policies that aim to promote greater equality and reduce exclusion would make renting a more attractive alternative - physically, financially and in terms of security of tenure - in order to help close that gap. We are encouraged to see recognition of the fact that 'many people need or prefer to rent', (p 3) but are concerned that this will still be eclipsed by other policies that continue to regard home ownership as some sort of natural aspirational goal.

The human, social and wider economic impact of the current pre-occupation with home ownership is being increasingly documented. Much of the pressure to own is based on the importance of houses as investments; however, while rising house prices are usually presented as good news except for a few unfortunate first time buyers, such inflation benefits only a small minority and holds the potential to generate a broad range of social problems. The key beneficiaries of house price inflation have been the major lenders, the property industry, investors and downsizers. With respect to even the mass of owner occupiers, however, the benefits are largely illusory, being restricted to the oft quoted 'feel good' factor and an ability to increase borrowings against nominally inflated asset prices, both of which have contributed to levels of consumption and indebtedness that are currently deemed unsustainable. Furthermore, for those who wish to move 'up the ladder', house price inflation actually makes this more difficult, leading to many growing families being trapped in inadequate accommodation.

For many individuals, and particularly families, who have entered the market in its highly inflated phase, this has only been accomplished by incurring unprecedented levels of mortgage debt. With respect to families, this usually means that both partners must work to maintain payments on mortgages based on increasingly high multiples of joint income. Such indebtedness, and the effort that is required to sustain repayments, can place a great strain on family relationships while also restricting the amount of time that parents can devote to raising their children; and households with burdensome mortgages will also be pressured into restricting family size.

Even more serious than the problems being experienced by those who have managed to gain a foothold on the housing ladder in recent years, is the situation for the significant numbers who are now effectively priced out of the market. The current

¹⁰ Forrest, Ray, Alan Murie and Peter Williams (1990) *Home Ownership: differentiation and fragmentation*, London: Unwin Hyman pp 41 - 54

level of house prices, and, importantly, the lack of affordable and decent alternatives – both the result of the emphasis on ownership and on homes as investment - have produced a scenario where many younger people have been left with the choice of staying with parents for much longer than intended, continuing to live in shared ‘student style’ accommodation, overstretching financially to buy undesirable property, or renting from the buy-to-let landlords who have contributed to pricing them out of the market. Many are also likely to put relationships on hold and defer having families, and some are also electing to leave the country altogether, in line with the UK trend where, in addition to record levels of immigration, we are also experiencing record levels of emigration¹¹.

As was shown in Thomas and Dorling’s report for Shelter, in Britain, a person’s social position is becoming ‘increasingly determined by their parents’ housing wealth’.¹² Policymakers should also note that, on the evidence of a vast number of contributions to housing weblogs and campaign group websites such as PricedOut¹³, First Rung¹⁴ and House Price Crash¹⁵, current conditions in the housing market are central to a growing anger and frustration amongst large numbers of especially younger voters that, if not taken on board, may have significant political ramifications further down the line.

Encouraging more people into home ownership will only add to these problems, and it is increasingly clear that what is needed is a viable and attractive alternative to owner occupation. We need to move on from a housing market where owner occupation is viewed as the only game in town, and alternatives are considered either inaccessible, second rate or too precarious by comparison. Such a movement towards a more varied tenure model for housing must consider a reappraisal of the current ‘private first’, free market dogma that has dominated policy in recent years, and which continues to inform the initiatives in this Green Paper, such as ‘helping’ first time buyers to stretch to the first rung of the housing ladder through grants and shared ownership schemes, and looking to the private rented sector as a major arm of housing provision.

An, admittedly small, positive step in all this is the recommendation for improving the actual process of house purchase through the introduction of the single survey, which should help to provide a more transparent system as well as ending wasted payments on surveys when potential purchasers are outbid. Perhaps government might also consider encouraging alternatives to the current lottery of the sealed bid, particularly as this can be clearly seen to inflate valuations in an ‘exuberant’ market as bidders are persuaded to offer well over asking prices for fear of losing out.

Private Renting

We are extremely concerned about proposals to give a greater role to the private sector, both generally and in housing the homeless, and to regard it as a ‘delivery partner’. The purpose of private landlordism is, of course, to make a profit, and it is a very efficient way to increase the wealth gap between those who can afford to invest

¹¹ <http://www.statistics.gov.uk/pdffdir/emig1107.pdf>

¹² Thomas, Bethan and Danny Dorling (2004) ‘Knowing your place: Housing wealth and equality in Great Britain 1980 – 2003’ a report for Shelter. P6

¹³ <http://www.pricedout.org.uk/>

¹⁴ <http://firstrung.co.uk/page.asp?pagekey=83>

¹⁵ <http://www.housepricecrash.co.uk/>

in property and those who cannot. In broad terms, commercial pressures naturally tend to push up rents and reduce security of tenure and standards of maintenance.

In a climate of rising house prices, many property investors make more money from buying and selling – including ‘flipping’ and other forms of short-term speculation – than from letting out their properties.¹⁶ This encourages the use of short term tenancies that can be terminated when the landlord wants to sell, as well as a tendency to leave properties untenanted. History also demonstrates that when legislation is introduced to provide better protection to tenants’ interests, landlords are discouraged from letting.¹⁷ To suggest that it is possible to provide ‘sufficient safeguards for tenants whilst at the same time avoiding excess regulation that could put people off remaining as private landlords’,(p30) is to attempt to square the circle. We would also need to ask what is meant by ‘sufficient’ security of tenure – sufficient for whom?

The infeasibility of the proposed balancing act is highlighted by an examination of the financial arrangements on which the recent expansion of the private rented sector has been founded. Buy-to-let mortgages have a specific requirement for tenant insecurity, in that it is integral to the terms imposed by the vast majority of lenders that lets are arranged on the basis of the short term Assured Shorthold Tenancy on a maximum 12 month term¹⁸. This proviso is evidently designed to ensure that assets can be liquidated quickly - either by landlords, or the lender where things go wrong - without the encumbrance of sitting tenants. The prospect of encouraging a rethink on the part of lenders seems highly unlikely, especially as most are rapidly seeking to reduce their exposure to risk from this market sector.

We have already seen how the private rented sector has contributed to the overheated housing market. The surge of investment in private rented accommodation has also destabilised the housing sector by introducing a greater speculative dynamic and much greater degree of liquidity in the market than has been customary in recent decades. With an increasing proportion of investment/second homes, empty properties and highly ‘flexible’ tenancies, any downturn in a market can quickly proceed to a damaging and swift sell-off. If prices stabilize or fall, as currently appears to be underway, then property becomes a less attractive investment and tenant rights may be compromised further to secure landlords’ interests. With expectations turning to downside risk, many investors will simply head for the exits, removing tenants along the way.

As to the social consequences of the proposed private sector role, in addition to those outlined above, there are a number of other serious concerns. Besides problems of security of tenure, the provision of reasonably priced and adequate private rented accommodation for ‘low-income families’, is highly impractical. While some longstanding landlords might theoretically – if regulated - be able to offer property at reasonable rates, the mortgage commitments of the vast majority of those who entered

¹⁶ <http://www.guardian.co.uk/business/2007/nov/25/property.creditcrunch>,
<http://www.moneyweek.com/file/29413/should-you-rely-on-property-as-your-pension.html>. ‘Flipping’ refers to the practice of buying property, in a rapidly rising market, and re-marketing it more or less immediately in anticipation of a quick profit. In the UK this has often entailed buying new-build property off-plan, often at a discount, and selling it on at a higher price.

¹⁷ Short, John R (1982) *Housing in Britain: The post-war experience* London: Methuen pp174-188

¹⁸ http://www.lml.co.uk/php/buy_to_let_criteria1.php

the market during its rapid phase of expansion require rental incomes that severely stretch the pockets of most potential tenants. In fact, many later investors, as house prices and interest rates have risen, are currently only able to achieve rental incomes that barely cover or fall short of their interest payments, and are dependent on capital growth to make their investments viable. This is occurring despite the fact that private sector rents vastly exceed those in social housing. Unless there is an unprecedented fall in house prices and/or interest rates, the prospect of finding a reasonable balance between affordable rents and landlord returns is unworkable without a massive element of government subsidy of landlord profits that, as is discussed below, would be far better spent directly on social housing (especially council housing).

One further major reservation regarding this policy rests on the real experiences of tenants consigned to housing on these highly flexible tenancy arrangements. Families living in housing provided by buy-to-let investors can be moved on at very short notice at the whim of the investor. This can entail recurrent forced and costly relocation at the conclusion of non-renewed short term tenancies or when an investor decides to take profit on an asset. The results include endemic insecurity, family pressures and disrupted work, schooling and relationships. Some families are already being repeatedly moved on a six month to yearly basis. This is obviously an impossible situation in which to raise, educate and socialise children, and must be considered within the wider context of current concerns surrounding family stability and childrens' well being.

Community life is radically affected by these arrangements. As people are regularly moved in and out of areas, communal relationships and social capital cannot be established and flourish amidst ever changing faces and permanent impermanence.

Commercial pressures also impinge on the quality of private rented housing. The profit motive, and the slim rental yields that are currently being experienced by landlords, mean that expenditure on repairs, furnishings and facilities are likely to be kept to a minimum. Recent evidence also indicates that some landlords have engaged in 'retaliatory evictions' where tenants have asked for necessary repairs to be carried out¹⁹

For all of the reasons outlined above, we cannot state strongly enough that moves to expand the private rented sector, as with the first time buyer initiatives, will merely exacerbate current problems in the housing market rather than offering potential solutions.

Reliance on the private rented sector for low-cost housing is also a wastefully expensive option. When people on housing benefit are housed in private rented housing then government subsidy is effectively being given to private landlords, contributing to private profit. When housing benefit goes to people in social housing then it does not have to provide private profit as well. (We realise that housing benefit is a Westminster issue, but these mechanisms need to be considered together.) Private sector leasing schemes (p31) also effectively subsidise private landlords as the local authority takes on any risk for loss of rent, and the Green Paper includes suggestions for more subsidy for private landlords through assisting the private sector to provide

¹⁹ http://www.citizensadvice.org.uk/tenants_dilema_-_document.pdf

rural rented housing and to refurbish empty housing to lease to RSLs. It would be a much better use of public funds to invest in providing all this housing directly and without the need for private landlords to extract a profit.

We would also note that, for the reasons suggested above, the assumption that the high percentage of 16-34 year olds in the private rented sector is there through choice rather than a lack of alternatives (especially, long waiting lists for social housing) should be viewed with more than a modicum of scepticism. The notion of a generation choosing to rent privately as a fashionable, flexible lifestyle choice would appear to be a self serving myth, circulated by those with vested interests in the rented sector.

Social Housing

We welcome the recognition of the importance of social housing and of the need for the amount of social housing to be increased. We also welcome the recognition of a role for local authorities in building new social housing, though we are disappointed that this is still only subsidiary, and that our democratically elected local authorities are being increasingly reduced to playing a limited strategic role. Council Housing has been shown to be better value and more democratic than other social housing. It also maintains huge popular support (as demonstrated in the stock transfer ballots) despite the massive shortfall of investment since the 1980s.

As we have said, the prospect of new council housing is to be welcomed; however, whilst we understand that the government wants to see value for money and that they should not encourage wasteful expenditure, we hope that the primary consideration for distribution of grants for this new housing will be housing need.

We particularly welcome the end of the right-to-buy for new social housing and the commitment to look at further changes to the right-to-buy. We hope that consideration will be given to extending the moratorium to existing homes, so preserving our crucial stock of social housing and the huge public investment it represents.

We are very concerned about the proposals for funding social housing, especially the expectation that RSLs should build more homes of better quality for less money. Targets are not enough – they need to be achievable. We would argue (along with major Scottish housing organisations²⁰) that with the proposed level of funding it will be impossible to produce the numbers of homes required. We would also argue that the proposed method of funding would result in a reduction in standards of design and construction, despite the recognition in the Green Paper of the importance of housing quality. Experience has shown that developer-led design and build competition mitigates against good design, which comes a poor third after profit and administrative efficiency. Good design is much harder to quantify than architects' fees, and so it seems easy to cut, especially when a developer knows that only a proportion of their tenders will be accepted so there is an even greater pressure to reduce costs. If the new funding proposals go ahead, we can expect to see repetitive schemes with low design input and little acknowledgement of local topology and local needs – architecture reduced to rearranging standard units, as with the worst volume

²⁰ Shelter, the Scottish Federation of Housing Associations, the Chartered Institute of Housing in Scotland and the Scottish Council for Single Homeless, see <http://scotland.shelter.org.uk/home/home-815.cfm/pressreleaselisting/1/pressrelease/366/>

house-building. Even where these developers are themselves RSLs, that will provide little reassurance, as current political and financial pressures are encouraging RSLs to behave more and more like private developers.²¹ And again, although it is good to see recognition of the importance of good quality public spaces, these will not be achieved by more auditing and quality assessments, only by investment in good design.

Any suggestion of reducing the proportion of the construction cost covered by the housing grant (and making it more in line with the system in England) should be resisted. The extra private investment required would naturally be expected to earn interest, so forcing rent rises or reducing the amount of rental income available for reinvestment in social housing.

Before attempting to come up with a cure, it would be helpful to try and diagnose why social housing management, maintenance and building costs have all gone up so much, but no attempt seems to have been made to do this.

One way of reducing all these costs is to invest in council housing rather than through RSLs. Although running costs per unit of council housing have gone up, this is unavoidable so long as the right-to-buy continues to remove the better houses, which are generally also less expensive to maintain. Management costs are generally acknowledged to be significantly lower for homes in council ownership as there are no private sector salaries and no VAT liabilities, and there are efficiencies of scale in construction (without relying on big private developers) and also efficiencies of scale in maintenance.²²

The idea of introducing subsidised mid-market housing alongside more heavily subsidised social housing raises two worrying questions. First, will this housing tend to be built in preference to more social housing? Second, without resorting to the hated means test, what mechanisms will be used to determine eligibility for the different housing types? Flexibility to convert social housing to other forms of tenure could also lead to a net loss of social housing, even if profits are reinvested in 'affordable' housing – whatever that may mean.

Choice-based lettings, though conceptually attractive, cannot provide real choice so long as there is a gross shortage of social housing, and especially of good quality social housing. With up to a thousand households bidding for a home,²³ prospective tenants seem expected to be able to make complicated mathematical calculations of probability when deciding what 'choices' to make and still be in with a chance of finding somewhere to live. There is also a further danger that when this system is combined with pressures to increase rent differentials to reflect demand, some lower-income tenants will be priced out of the more popular housing.

²¹ Malpass, Peter (2000) *Housing Associations and Housing Policy: A historical perspective* Basingstoke: Macmillan, Cowan, David and Morag McDermont (2006) *Regulating Social Housing: Governing decline* Abingdon: Routledge Cavendish

²² House of Commons Council Housing Group (2005) 'Support for the 'Fourth Option' for Council Housing: Report on the enquiry into the future funding of council housing'

(http://www.support4councilhousing.org.uk/report/resources/HoCCHG_report.pdf) p8

²³ A 2 bedroom house in Edinburgh attracted 1,023 bids in November 2007

Stock Transfer / ALMOs

We are disappointed that despite the massive opposition to stock transfer (against all the odds), this is not only still clearly on the table but is actually being openly encouraged. And, while we support the Scottish Government in its discussions with the Treasury over the write-off of historic housing debts without the imposition of transfer, we are alarmed and deeply concerned that they are at the same time considering promoting the establishment of Arms Length Management Organisations, including offering local authorities vague future financial incentives.

We do not believe that ALMOs provide a sensible or acceptable alternative route. The experience from England and Wales is that, with very few exceptions, ALMOs have proven a costly misadventure, creating yet another layer of bureaucracy between the landlord (the local authority) and the tenants, introducing some of the worst aspects of corporate behaviour, eroding service accountability to tenants and elected councillors through their subservience to company law, and undermining employee morale and trade union rights. English and Welsh tenants were told that the ALMO route was the only way to access extra investment for their homes, only to discover that this additional funding was dependent on their ALMO receiving a 'two star' rating from the Audit Commission, which many have failed to get. Moreover, despite categorical assurances from ministers at the time of their creation that this was not privatisation and that ALMOs were simply temporary vehicles to deliver the Decent Homes standard by 2010, there is no longer any doubt that ALMOs not only share many of the worst characteristics of full privatisation, but were always devised as two-stage privatisation that neatly by-passes tenants' ballots.

Stage 1 has seen the creation of a company structure with its own pay and grading system, which parcels up council housing into smaller business units across a local authority area. With the corporate shell comes a mentality that puts reduction of financial risk above service. Setting up ALMOs has diverted sizeable sums of public money out of frontline housing services and repairs and into new bureaucracies and their associated legal and consultancy set up costs. It has also increased the amount of outsourcing and fragmentation of services. The increased staff costs and structural complexity of ALMOs will present a major obstacle to bringing housing back under direct council control.

For example, Leeds City Council spent almost £2 million on its 'Going Local' consultation process that pushed tenants to accept the creation of six ALMOs in 2003. Since then, financial pressures have resulted in a cut in the number of local housing offices from 38 to 26, despite protests from housing workers and tenants, and some caretakers have taken industrial action against one ALMO after it was revealed they were being paid less than caretakers doing identical jobs in another part of Leeds. Meanwhile, the senior management salary bill was increased by £750,000 a year through the employment of 18 new senior managers, and a further £300,000 a year was spent on new head offices for the six companies.²⁴ After just 3 years, Leeds' ALMOs became financially unviable, with projections of a collective £11.8m deficit by 2009/10. Consequently, the six original ALMOs were dissolved in early 2007 into three super-ALMOs in order to cut senior management costs by £500,000 per

²⁴ House of Commons Council Housing Group (2005), 'Support for the 'Fourth Option' in Council Housing: Report on the inquiry into the future of council housing 2004-2005', p. 23;

annum.²⁵ Since then, one ALMO has focused on cutting its caretaking staff from 36 to 32, even though a principal complaint of tenants is the shortage of caretakers, and it is now attempting to alter Joint Consultation arrangements made with trade union representatives, at the same time as reneging on overtime and pay grading agreements with staff. Tenants from across England and Wales have cried foul at similar trends.

Predictably, from the outset the National Federation of ALMOs, along with influential think tanks, has been lobbying the Westminster government hard for permanent status with increased powers and autonomy from local authorities. They are asking for borrowing freedoms on the open market, access to the social housing grant for new build, part-privatisation to bring in private finance, and eventual full ownership of council housing stock.²⁶ Westminster has hardly needed any convincing. ALMOs are now set to stay, and Westminster has indicated its desire to see them being given greater freedoms by local authorities to expand the services they provide, to create trading arms to market their expertise more widely, and to 'trade for profit', particularly in running other housing stock. The new Housing and Regeneration Bill for England and Wales also proposes to allow ALMOs to bid for Social Housing Grant administered by the Housing Corporation for new build social housing, while preventing local authorities who directly manage their stock from doing so. This, then is hardly a real alternative to transfer, and will be rightly seen as privatisation by stealth.

Another argument against taking the ALMO route concerns the evolution of international trade regimes at both the European Union and World Trade Organisation levels. The direction of travel in service liberalisation indicates that it will not be long before local authorities are forced to open up housing management contracts to bids from multinational private-sector organisations.²⁷ In the health service, this practice is beginning to have a devastating impact on local GP services. Do we want local housing management to be a subsidiary of a commercial real estate corporation?

We would also argue that it is not too late to consider re-municipalising social housing, especially in Glasgow, and that this option should be given serious consideration as the most efficient use of limited funds as well as the most democratic arrangement.

Tenure Mix

We are concerned that the Green Paper ignores the growing volume of evidence that questions the arguments for the importance of area effects (the idea that it is better to be poor in a more socially mixed area than poor in a poor one) and questions the desirability of prioritising tenure mix to generate 'sustainable mixed communities'. Atkinson and Kintrea have used qualitative research to show that area effects are much more complicated and sometimes contradictory. In practice, stigmatisation and discrimination, lack of useful external contacts and an aggressive territoriality are combined with, and set against, the benefits of sharing a similar socio-economic position with others in the neighbourhood, support of local friends and family, and

²⁵ Leeds City Council (2006), 'Report of the Director of Neighbourhoods and Housing Department to the Executive Board, Subject: The Future of Arms Length Management Organisations for Housing in Leeds', 5 July

²⁶ See Housemark / NatFedALMOs / CIH (2005), 'ALMOs: a New Future for Council Housing', April

²⁷ Unison (2006), Companies Update, issue 3, March, <http://www.unison.org.uk/acrobat/B2306.pdf>

sense of community.²⁸ Their findings are reinforced by Australian research that highlights the sharp divisions present between owners and renters living in ‘communities’.²⁹ Doherty et al have recently completed a significant large scale quantitative study that found no evidence for the benefits of tenure mix.³⁰ They looked specifically at the effects of mixing across the whole of the United Kingdom using Census data for both 1991 and 2001. Amongst the issues that they investigated were the community mix at which positive effects may occur and the need for ‘pepper potting’ of properties for genuine mixing. Only when the level of social renting in a community was very low (below 20%) were they able to identify even weak positive effects. Going on to look at the Scottish context in more detail, they found results consistent with their analysis of Great Britain. Regardless of the lack of convincing evidence, the creation of tenure mix is frequently used as a panacea to solve the perceived problems resulting from the creation of large stigmatised neighbourhoods, when it becomes an excuse to displace poorer residents from city centres and other more valuable land. Rather than bringing greater equality, this promotes greater geographical separation.

We would also urge caution in arguing that there is a causal link between social housing and neighbourhood deprivation. Social housing is currently only provided to those in the most (economic) need, so that concentrations occur where there are higher numbers of poorer households. The deprivation indices used by government, such as the Scottish Index of Deprivation 2001 and 2004, demonstrate a high level of correlation between income deprivation and other forms of deprivation including access to services. There is no reason why this link has to exist. These communities have been under funded for decades, and housing schemes are often expected to function with lower levels of services than other areas, although the social needs of tenants are often greater. Deprivation often follows social housing, but there is no *need* for it to do so.

Tenants’ Rights and Interests

We wholeheartedly support the aim of empowering tenants, but fear that the networks currently being established will do quite the opposite. The Green Paper itself recognises that ‘Participation does not necessarily bring with it power’ (p52), however, it suggests that this can be compensated for by a new system of regulation to ensure that landlords comply with government-set standards. This does not sound like tenant empowerment.

²⁸ Atkinson, Rowland and Keith Kintrea (2004) ‘Opportunities and Despair; It’s All in There’: Practitioner Experiences and Explanations of Area Effects and Life Chances’ *Sociology* 38:3 pp 437-455

²⁹ Ziersch, A and K Arthurson (2007) ‘Social Capital and Housing Tenure in an Adelaide Neighbourhood’ *Urban Policy and Research* 25:4 pp 409-431

³⁰ Doherty J, D Manley, E Graham, R Hiscock and P Boyle (Forthcoming) ‘Is Mixed Tenure for Social Well Being?’ *Urban Studies*, Doherty J, D Manley, E Graham, R Hiscock and P Boyle (2006) ‘Is Mixed Tenure Good for Social Well Being?’ Report for the Joseph Rowntree Foundation (<http://ggsrv-cold.st-andrews.ac.uk/chr/mixing-pubs.html>)

Tenant organisation can take two different forms, which should not get confused.³¹ First, social housing tenants who wish to, should be able to play a greater part in the day to day management of their homes in co-operation with their landlords. We had a good working example of this in Glasgow's Tenant Management co-ops, before they were dismantled by the GHA.³² Such groups can play an important role, but they are not primarily campaigning organisations and are not in a position to champion tenants' interests on wider issues, especially if these might be seen to be in conflict with the interests of their landlords. For this it is crucial to have an independent tenant organisation that can speak up for tenants' interests in the same way as trade unions represent the interests of workers. The government sponsored network of Registered Tenants Organisations does not fulfil that role because it is not independent. It is run by many of the institutions that the tenants may wish to be able to criticise. It is not only highly restricted in what it can achieve itself, but its existence inhibits the growth of genuinely independent representation. It sucks in the energy of its volunteers and assumes the role of tenants' representative. Those who would criticise the idea of Chinese-style state-controlled unions (which we assume includes most MSPs) cannot legitimately support the creation of a state-controlled system of tenant representation.

On a more specific note, in response to the proposal for an accreditation scheme for private rented housing, we need to ask what would happen to tenants who for good reason or for no reason do not manage to gain acceptance onto the scheme and become effectively blacklisted.

Energy Efficiency

We welcome the proposal to increase the energy efficiency standards for all new homes; however these still remain the minority. Also, it is not only running costs that have environmental consequences. Large scale demolition and rebuilding is very wasteful of energy and resources and this should be taken into account in the planning of housing strategies. (One of the reasons given for demolition is lack of compliance with new insulation standards, but it must be much more energy efficient overall to improve existing buildings than to replace them. This argument appears to be simply a pretext for getting rid of social housing.)

Land Development

We welcome the emphasis on proactive long-term development strategies. Their success, however, depends on the priorities used to put them into practice – especially the consideration given to aspects such as the natural environment that cannot be quantified – and on their strength to stand up to inevitable commercial pressures to make exceptions. The importance of maintaining clear priorities is especially true when there is pressure to reconsider the green belt and to welcome all housing development. It is difficult to see how proactive long-term development strategies will be maintained along side proposals for accelerating the land supply.

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³¹ Glynn, Sarah (2007) 'But We Already Have Community Ownership – making council housing work' in Andy Cumbers and Geoff Whittam (eds) *Reclaiming the Economy: Alternatives to Market Fundamentalism* Glasgow:Scottish Left Review Press

³² Scott, Suzie (2000) 'The People's Republic of Yoker: A case study of tenant management in Scotland' *Co-op Studies Journal*
(http://www.co-opstudies.org/Journal/April%2000/suzie_scott_article.htm)

We hope that these comments will be given due consideration in developing housing policy, and would be glad to provide further information where we are able to.

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