The Case for the 4th Option for Council Housing

And a Critique of Arms Length Management Organisations

CENTRE for PUBLIC SERVICES
Research • Strategy • Planning • Evaluation

The Case for the 4th Option for Council Housing and A Critique of Arms Length Management Organisations

May 2004

Centre for Public Services

1 Sidney Street,
Sheffield S1 4RG
Tel. 00 44 (0)114 272 6683
FAX 00 44 (0)114 272 7066
Email: mail@centre-public.org.uk
www.centre.public.org.uk

The Centre for Public Services is an independent, non-profit organisation. It is committed to the provision of good quality sustainable public services by democratically accountable public bodies implementing best practice management, employment and equal opportunities policies. The Centre was established in 1973 and operates nationally from a base in Sheffield.

The Centre provides services to national, regional and local government departments, trade unions and community groups. To find out what the Centre for Public Services can do for you, visit www.centre.public.org.uk/services.

The Centre also produces a range of publications and research reports into public service reform and public policy. Find out more at www.centre.public.org.uk/publications.

Contents

Index of Boxes

Executive summary

Growing momentum of support for 4th option

There is a growing momentum of support from local authorities, tenants, local authority associations, trade unions and MPs for a 4th option which allows increased housing investment for stock retention. Tenants votes against the Camden ALMO, the Birmingham stock transfer and other transfers have helped to mobilise support for the 4th option.

Important role of council housing

Council housing has a vitally important role in meeting social needs by providing affordable housing under democratic control, tackling inequality and social exclusion and providing choice and security for tenants.

Scope for increased public borrowing

The evidence suggests that there is scope for the government to further increase public sector investment beyond the Budget 2004 forecasts and remain within it's own fiscal rules. The forthcoming Spending Review 2004 will provide an important opportunity to provide additional investment for council housing.

Investment Allowance

Increased investment could be funded through an Investment Allowance, originally included by the government in its 2002 review of housing finance, which now has the support of a wide range of authorities and organisations. Over £14bn additional housing investment could be made by 2009/10.

Flawed options and appraisal

The options and the options appraisal process are flawed. Many tenants and local authorities are opposed in principle to stock transfer and PFI and the latter is only an option for an estate or small area. For councils requiring additional investment to meet the Decent Homes Standard this means they have only one option, an Arms Length Management Organisation (ALMO). The appraisal process is flawed because tenants only have a right to a ballot under stock transfer. Tenant consultation, mainly carried out by consultants, has often failed to present and debate all the options with 'roadshows' merely being a means of getting tenant approval for the council selected option. The appraisal also fails to assess the impact on community well being, the local economy and sustainable development.

ALMO stepping stone to privatisation

ALMOs are likely be a stepping-stone to the further privatisation of local authority services because, having separated ownership of the stock and housing management and made the responsibility of two different organisations, this will make future decisions on ownership less politically sensitive. They are companies and therefore will be responsible for procuring their own goods and services. Some will continue to obtain support services from the local authority but others are likely to outsource work to private contractors and companies. This process has already started.

ALMOs will make it easier for future governments to fully privatise council housing. An ALMO is a separate legal entity which could make full privatisation easier and quicker at a later stage. It is also questionable whether ALMOs will be able to survive as stand-alone companies after 2010, particularly given pressures for economies of scale, possible mergers/takeovers with/by housing associations, and diversification into regeneration and economic development.

Loss of local democratic accountability

ALMOs are a backward step for local democratic accountability as control is transferred from the local authority to a separate company. Tenants could lose rather than gain power by drawing the most active tenants into corporate responsibility of the ALMO rather than tenants federations and associations. Some tenants representatives will be sucked into the corporate culture and community 'status' afforded by Board membership.

Staff face problems

Staff have been forced to transfer to ALMOs, mainly because few authorities and the ODPM would not consider the alternative of secondment. There have been examples of managers attempting to change terms and conditions, imposing limits on trade union representation and exclusion from national pay ballots and pay awards.

Significant ALMO set-up costs

The ALMO option rarely identifies all the significant set-up costs incurred by local authorities – consultants fees, reorganisation costs, rebranding, relocation and pay hikes for senior management. There are also potentially significant knock-on effects on the local authority as a result of the transfer of the service and staff to a separate company, not least the effect on DSOs.

High risk strategy

An ALMO Risk Matrix, organised on eight key variables (democratic accountability, housing strategy and policy, finance, tenant participation, service integration, management practice and change management strategy, organisational structure and culture, and employment and industrial relations) identifies the wide range of risks faced by tenants, staff and local authorities.

Tenants demands

The report concludes with a set of demands which can be used by tenants where an ALMO is proposed. Their purpose is to challenge the assumptions underpinning the ALMO model and to contribute to a strategic debate about the future of council housing.

Introduction

Thirty years of marginalisation

Council houses were originally designed to be general purpose homes, built to higher standards than most private housing. They had a central role in the welfare state together with health and education. However, there have been many attempts to residualise and privatise council housing by governments over the last 30 years.

The residualisation of council housing ran in parallel with its marginalisation as a desirable form of housing, the failure to continue investment in new stock, repairs and maintenance and the failure to democratise and modernise the tenure.

Since 1974, both Conservative and Labour governments have developed policies which marginalised council housing and diverted public spending to rapidly expand housing associations. This was ostensibly on the grounds that housing associations were more 'efficient', although at the time no evidence was produced to support this claim. In reality this was partial privatisation intended to create another tenure as a stepping stone to owner-occupation and to create new financial, construction and support service markets for private capital. The stock was further decreased when 'Right to Buy' was introduced in 1980, allowing tenants to purchase their council homes at a rate well below market value.

The Housing Act 1988 further increased the removal of council housing from the public sector by making provision for Housing Action Trusts (HATs) to be set up. HATs involved the transfer of council housing to trusts set up to 'achieve sustainable and long-lasting improvement in the living conditions in their areas' (ODPM, 2003a). However, only six HATs were set up and the concept was rigorously opposed by tenants.

Since the late 1980s and 90s, many councils have transferred ownership and management of their stock to housing associations under LSVT.

Since Labour came to power in 1997, their policies have shown an increasing desire to remove council housing as a tenure altogether, through the promotion stock transfers, estate and trickle transfers to housing associations, PFI and arms-length organisations. Labour is trying to eliminate and at best marginalise a tenure that has been very significant in working class struggles for most of the 20th century.

The objectives of this report

We have produced this report with the following objectives:

- To promote the importance of stock retention as a core option with local authorities being allowed the same additional borrowing as ALMOs.
- To identify the contradictions in the government's approach which faces in two directions simultaneously – on the one hand promising tenants choice, empowerment and participation and the other restricting investment, limiting options and choice and excluding tenants from having a democratic input into the future management of their homes.
- To inform tenants organisations and trade unions about the advantages and disadvantages of ALMOs.
- To examine the longer-term implications of ALMOs. Although an ALMO could be a transitory organisational structure set up to achieve additional short-term investment in order to meet the Decent Homes Standard, none, at least publicly, have been established on this basis. The ALMO debate appears prescribed by the 2010 deadline for Decent Homes, yet they face an uncertain future given government policy to create a single 'social' housing tenure, the need for continuing investment after 2010 and developments in regeneration strategies.

The report is divided into six parts. The first summarises the growing momentum for a 4th option. Part 2 makes the case for increased investment in council housing through stock retention. The third part discusses the flaws in the option appraisal process. Part 4 is a critique of ALMOs highlighting the impact on tenants, the community, housing staff, the DSO and technical services staff and the corporate impact on the local authority. This part examines the threat of privatisation and the financial issues concluding with a discussion of possible post-2010 scenarios. Part 5 contains a risk analysis of ALMOs organised in a risk matrix. The report concludes in Part 6 with a range of key tenants demands on ALMOs, focusing on organisational structure and accountability, finance, management practice and the quality of employment.

1 Growing momentum for a 4th option

The demand for a fourth additional investment option, which will enable local authorities to retain direct control and improve their stock, is growing apace. A fourth option has always existed but the government constructed a scenario whereby local authorities only received additional financial support if they choose to establish an ALMO, transferred their stock to a housing association in a Large Scale Voluntary Transfer (LSVT) or used the Private Finance Initiative (PFI).

A large number of local authorities are yet to conclude an options appraisal on how they will meet the Decent Homes Standards. In addition, there is a unique window of opportunity in the next few months before the government finalises the Spending Review 2004, which will be published in July.

The demand for a fourth additional investment option is widely supported by tenants associations and federations, the local authority trade unions (UNISON, GMB, TGWU) and by many local authorities. Many councils have reluctantly set up ALMOs when their, and tenants, although their first choice was to opt for stock retention.

Tenant's campaigns

The Camden tenants' overwhelming vote against an ALMO in January 2004 (77% vote against transfer to an ALMO) has provided a major impetus. It forced Camden Council to join the campaign for the fourth option. Tenants Federations in Nottingham, Doncaster and Liverpool and many other towns and cities are campaigning for the fourth option. The national campaign, Defend Council Housing, supported by tenants and the trade unions, is mobilising support for the fourth option.

Recent Votes Against ALMO & Transfer

Wrexham – 59% vote against 12,500 homes stock transfer in 69% turnout (March 2004)

Camden – 77% vote against transfer to ALMO (January 2004)

Stroud – 57% vote against stock transfer on a 76% turnout (November 2003)

Islington (Tollington Park Estate) – 60% of tenants vote against stock transfer in a 70% turnout.

Nuneaton and Bedworth – 60% vote against stock transfer of 6,900 homes in 70% turnout (April 2003).

Stockport – 55% vote against stock transfer of 13,000 homes in a 65% turnout (March 2003)

Local authorities

The London Borough of Camden and Birmingham City Council are both lobbying government for a fourth option. Camden, requires an additional £283m to meet the Decent Homes Standard. With the rejection of the ALMO option, two housing PFI projects experiencing major delays and a partial/full stock transfer option ruled out politically, the council has little option but to demand a fourth option. Tenants in Birmingham voted against a stock transfer in 2002. The City Council's housing revenue business plan for 2004/05 has identified a shortfall of £165m to meet the Decent Homes Standard and "will have to look beyond the government's options for local authority stock to address the funding gap to meet the standard" (Inside Housing, 2004a). The council is to carry out localised options appraisals but does not expect these to bridge the gap and is also lobbying for the fourth option.

> "We have clearly ruled out whole stock transfer: partials could be option but one of the risks with that is that you lose your best stock; PFI is very cumbersome and complex; and ALMOs, if we are realistic, we are a zero-rated authority and by the time we have a

re-inspection the investment will not really be available." (Lisa Trickett, Assistant Director of Housing Strategy, Birmingham City Council quoted in Inside Housing, 2004a)

There are many other local authorities, which have yet to start or conclude their options appraisal, that support the forth option.

Local authority organisations

In March 2004 the Local Government Association (LGA) called on the government to subsidise debt repayments for councils who use the new prudential borrowing powers to meet the Decent Homes Standard. "It's no longer good enough for ministers to say there are only three options available" stated Richard Kemp, vice chair of the LGAs housing executive (LGA, 2004). The LGA believes that local authorities should be given the same financial freedoms and flexibilities afforded to ALMOs and that it is perfectively possible for an authority to retain its stock and still perform strongly in a strategic role (House of Commons, 2003a)

"If tenants are to be given a genuine choice about the future ownership, management and maintenance of their homes, the government needs to rethink its policies towards council housing and councils' access to additional funding in order to meet the decency target" Local Government Information Unit (LGIU) in written evidence to the ODPM Select Committee (House of Commons, 2003b).

The LGIU has made repeated calls for local authorities to having additional borrowing powers to fund housing investment in council housing.

Trade unions

UNISON has pressed the government to introduce an Investment Allowance which was one of the options in the ODPM Consultation Paper 'A Way Forward for Housing Capital Finance (ODPM, 2002). The ODPM paper "would provide "headroom" within the HRA (Housing Revenue Account) which an authority could use to take advantage of the new borrowing regime" (ODPM, 2002). UNISON recommended a gradual introduction of investment allowances (see Part 2). The GMB, TGWU and UCATT are campaigning for councils to remain the major providers of social housing and for council tenants' right to choose to stay under council control.

Council Housing Group of MPs

The newly formed Council Housing Group of MPs recently sent a letter to all local authorities seeking support for the fourth option and an investment allowance to fund additional investment. The letter stated:

"In August 2002 the Office of the Deputy Prime Minister (ODPM) issued a consultation document 'The Way Forward for Housing Capital Finance'. This included a proposal to "Provide councils with an 'investment allowance' as part of the calculation of their HRA debt."

"The 'investment allowance' would be an amount calculated on the basis of some assessment of need which would provide 'headroom' within the HRA which an authority could use to take advantage of the new prudential borrowing regime. This would compensate for the fact that headroom to support additional borrowing will generally be less than within the HRA than the General Fund." 'ODPM: The Way Forward for Housing Capital Finance', Page 12, 32 (ii)

http://www.odpm.gov.uk/stellent/groups/odpm_housing/documents/page/odpm_house_601718.pdf

An investment allowance would enable local authorities to carry out repairs and improvements to their homes. This, we believe, would give tenants real choice in the stock options appraisal that the ODPM wants all councils to carry out.

The Local Government Information Unit recently wrote to local authorities urging them to support Austin Mitchell MP's parliamentary motion (Early Day Motion No 430: Investment and Choice for Council Tenants) calling for a fourth option for investment.

Future of the Decent Homes Standard

The government's attempt to achieve the Decent Homes Standards by 2010 by forcing council tenants into accepting either the ALMO, stock transfer or PFI options appears to have backfired. In January 2002 the then Secretary of State Stephen Byers stated that the Decent Homes commitment would be met even if tenants voted against the government's options. Two years later, Housing Minister Keith Hill, appearing before the ODPM Select Committee, said:

> "We want to ensure that every tenant who needs his or her home improved has the a full opportunity to do that. They have the right to avail themselves of the opportunity of the decent homes programme but if they choose not to, regrettably that's a matter for them and their local authorities and there's little that government can do about that." (Keith Hill, Housing Minister, ODPM Select Committee Hearing, 28 January 2004)

The Minister was effectively abandoning the 2010 Decent Homes timetable. At the same time he was claiming that if tenants voted opted not to accept any of the government's limited options for council housing then it was not the fault of the government!

Evidence to ODPM Select Committee

The ODPM Select Committee is currently carrying out an enquiry into 'decent homes', 'stock options' and 'tenants choice'. A wide range of organisations have submitted evidence and given oral evidence, much of it calling for a fourth additional investment option. A report is expected soon.

Labour's Housing Policies

The Labour government planned to increase the LSVT programme from about 30,000 dwellings transferred annually under the Tories to 200,000 dwellings per annum from 1997 onwards. Transfers at this rate would have meant the virtual elimination of council housing within fifteen years. However, there was widespread opposition to this strategy.

More recently the government's policy for council housing has been shaped by:

- The concept of a single social housing tenure, merging council housing with 'social housing' provided by housing associations.
- Rent restructuring to merge council housing and housing association rents. Since housing association rents are usually between 15%-25% higher than council rents, the latter will rise over a ten-year period to match housing association rents.
- The separation of strategic housing policy and housing management/landlord functions, in effect continuing the Tories 1990s model of purchaser/provider or client/contractor split.
- Expansion of PFI for HRA projects with a series of pathfinder projects, increased PFI credits with guidance for local authorities to promote further schemes.

The Decent Homes Standard

The government set a target for all social housing - local authority (council) housing and Registered Social Landlord housing (including Housing Associations) - to be 'decent' by 2010 in the Housing Green Paper (DETR/DSS, 2000). The definition of a 'decent' home is that it:

- *Meets the current statutory minimum standard* – as set out in the 1985 Housing Act (amended by the 1989 Local Government and Housing Act).
- *Is in a reasonable state of repair* – with no key building components or no more than two other building components being old *and* because of their condition needing replacing or major repair.
- *Has reasonably modern facilities and services* – including a reasonably modern kitchen (less than 20 years old) with adequate space and layout, a reasonably modern bathroom (less than 30 years old) that is appropriately located, adequate insulation against external noise (where this is a problem) and adequate size and layout for public/common spaces for flats. The decency test is failed if three or more of these are missing.

- *Provides a reasonable degree of thermal comfort* – with effective heating and insulation (DTLR, 2002).

Based on the 1996 English House Condition Survey, an estimated 2.3m homes in the 'social sector' (i.e. local authority housing, Housing Associations and Registered Social Landlords) did not meet the Decent Homes Standard (ODPM, 2003b). The repairs and improvement backlog was estimated to be £19bn.

Since the Decent Homes Standard was introduced, the government claims that the number of homes in the 'social sector' that do not meet the Standard have fallen by 700,000 to 1.6m homes. A further 1.1m homes in the private sector also fail to meet the Decent Homes Standard (ODPM, 2003c).

However, the original survey was based on a random sample of 17,500 homes across the range of 'social housing' and is therefore a poor indicator of the situation in local authority housing specifically or the situation in the social housing sector as a whole. The Decent Homes Standard is unlikely to bring houses up to the quality that should be expected in modern local authority homes and will do little to create sustainable development in local communities (Newcastle City Council, 2002).

The Decent Homes Standard is, in effect, being used as a means of 'legitimising' the privatisation of council housing by requiring any local authority that cannot meet its housing investment needs from existing resources to either transfer the housing management function to an arms-length company, to transfer the stock or use PFI to access private capital.

Sustainable Communities

In addition to the Decent Homes Standard, the government also has a policy to promote 'Sustainable Communities'. While, sustainable development must be at the core of public policy making and planning the government's 'apple pie' definition reflects an almost universal view of what a sustainable community should achieve. Poverty, unemployment, inequality, the market economy, antisocial behaviour and crime create a different reality.

Government Definition of Sustainable Communities

- A flourishing local economy
- Strong political leadership
- Effective management and participation from local people
- A safe and healthy local environment with sufficient public and green space
- The right layout to support local amenities
- Good public transport
- The right buildings
- A well integrated mix of types of homes with different tenures (i.e. both rented and private)
- Good quality public services
- A diverse and vibrant local culture
- A 'sense of place'
- Links with the wider national and international community (ODPM, 2003d).

Growth areas

The future role of council housing in the major growth areas in the South East and the East of England is also a key issue. The planned role of Urban Development Corporations and Urban Regeneration Companies in these areas could accelerate moves towards LSVT. They are unlikely to provide a sympathetic role towards local authority investment in council housing when their own remit is taking over responsibility and planning powers, from local authorities. So tenants choice may be even more proscribed in what the government will claim to be showcase 'sustainable communities' in the growth areas.

The new Regional Housing Boards could provide a clear focus for regional and sub-regional strategies for the future of council housing and public investment. Local authorities are in a strong position to work with regional partners in linking council housing investment to regional economic and spatial strategies. This approach could also maximise local/regional production and supply linkages in the construction and building materials supply industries and boost the local and regional economy. By directing employment to deprived communities, direct public investment could have a significant impact on entrenched pockets of unemployment.

The modernisation agenda

The Labour government's housing policies are part of their wider modernisation strategy for public sector reform. This has included performance targets and inspection regimes for all services, increased competition in the delivery of public services, the transfer of services to the private or third sector, (for example, leisure and care trusts). Flexibility or employment has focused on ensuring staff can be readily transferred between employers rather than any genuine improvement in work-life balance. The promotion of choice and diversity are meant to promote markets in public services.

The ALMO and LSVT options fit snugly with the growth of quangos, trusts, joint ventures, partnerships and other company models that are a core part of Labour's so-called 'reform and modernisation' agenda. These initiatives have fundamentally eroded democratic accountability, transparency and the public service ethos in Britain.

2 The 4th Option - Stock Retention

Why council housing is important

Council housing is under direct democratic control and accountability. ALMO and LSVT options transfer control either to a Board of directors of a local authority arms-length company or to a Housing Association. In both cases this is an erosion of democratic accountability because at best only a minority of members on the Board are elected representatives.

The social and economic benefits of council housing

Meeting social needs: Council housing is a tenure which provides affordable housing to meet social needs and for those who are homeless. It started out as a tenure to meet the general housing needs of the population.

Socialised costs: This is an important principle of council housing because costs are shared between all tenants. Strategic housing functions must be financed by all council taxpayers.

Democratic accountability: Local authorities are not only a provider of services and driver of the economy but are also responsible for supporting and nurturing participation in the governance of public institutions in the city and region. Participation has an important role in creating a vibrant civil society which in turn is a key indicator of the quality of life.

Public control rather than by quangos or private landlords: Council housing is the only tenure with direct democratic control.

Tackling inequality: Council housing has a key role in enabling local authorities to tackle social and economic inequality.

Security of tenure for tenants: Security is enshrined in law which is better than in a contract which can be terminated or renegotiated by the landlord.

Choice: For over eighty years, council housing has been an alternative to home ownership and renting from a private landlord or a housing association. It has many attributes and provides those who cannot afford or do not want to become owner-occupiers with a choice of housing tenure. The recent British Social Attitudes Survey found that nearly eighty per cent of council tenants wished to remain council tenants.

Social inclusion: Council housing enables people to live in all parts of the local authority area, therefore minimising transport costs and providing easy access to their workplace. This is very important for the service sector because high housing association rents and soaring property prices make the cost of a decent home out of the reach of those on low incomes.

Affordable rents: Reasonable rents help to support the local economy because tenants have a greater share of their earnings to spend on local services, leisure and other activities.

Good quality space standards: This is an important part of the standard of living or the quality of life. The space standards of much council housing is higher than much new build private housing.

Quality of employment and training: Good quality employment makes an important contribution to the local economy, helping to sustain jobs in local services.

Investment in the local economy: The combination of the above has a substantial and direct benefit for the local economy, supporting employment and the quality of life in rural areas, towns and cities.

Other options do not offer any advantages for the level and quality of tenant involvement, despite claims to the contrary. Directly provided management of council housing has provided a plethora of mechanisms for involving tenants in housing management. Whilst some are merely consultative, there are few restrictions to developing more comprehensive tenant involvement in council housing. Furthermore, housing associations have a very patchy track record for tenant involvement.

All of the costs of council housing – investment, management, repairs and maintenance – are socialised, meaning they are shared by all tenants. Long-standing arguments about subsidies usually fail to take account of the previous massive subsidies afforded to home ownership through the now defunct Mortgage Tax Relief and Right-To-Buy. More recently, council tenants have been subsidising taxpayers, with the Treasury extracting over £1.5 billon of surpluses from HRAs by 2000. Some local authorities have also funded general housing responsibilities through the Housing Revenue Account (HRA), when these should have been funded by all council taxpayers.

Publicly funded investment puts more money into improvement and bricks and mortar than privately financed investment, where money is siphoned off by higher interest rates to pay for higher borrowing costs, fees to advisers, lawyers and consultants, fat-cat salaries and to profits for shareholders.

Council housing also provides the best opportunity to integrate with other council services (such as environmental services, education, leisure and social services). Transferring council housing to other organisations increases organisational fragmentation, making the coordination and integration of services more difficult and costly.

The scope for increased public investment

This section examines the scope in the government's macro-economic policy and public spending plans to increase investment in council housing.

The Chancellor of the Exchequer introduced two fiscal rules in 1998. First, the golden rule that over the economic cycle the government will borrow only to invest and not to fund current spending. Second, that over the economic cycle, the ratio of net public sector debt to GDP will be set at 40% of GDP. The current economic cycle is the period 1999/2000 to 2005/06.

In addition, the government is committed to the Maastricht Treaty fiscal rules which require that general government gross debt should be kept at below 60% of national income. Countries are expected to have a medium-term objective of running a budget balance. In addition, the fiscal rules require the general government deficit not to exceed 3% of national income, except under exceptional circumstances.

In Britain, public sector net borrowing is expected to exceed the 3% rule in 2003/04 but the government uses a slightly different cyclically-adjusted net borrowing measure which is below 2.5% for 2003/04. Furthermore, France and Germany have recently exceeded this limit, to date, without sanction. In any case, Britain has not joined the Euro, so exceeding the limit is only a technicality.

In Britain, surpluses in the first three years of the economic cycle are forecast to outweigh the size of the expected deficits from 2002/03 to 2005/06 by a margin of £11 billion (para C5, Budget 2004).

House prices in the UK "have been exceptionally volatile over the last 20 years with pronounced cycles" which have "contributed to macroeconomic fluctuations" (Miles Review, 2004). The Miles Review also commented that "the Bank of England has faced a difficult situation for much of the past three years when the manufacturing sector has been weak and investment expenditure much weaker than consumption while house prices have risen sharply and mortgage borrowing has been exceptionally high." These factors are a significant barrier to stable economic growth in Britain. Council housing is a stable sustainable alternative.

Public sector investment is planned to increase from £16.2bn in 2003/04 to £32bn by 2008/09, an increase from 1.5% to 2.2% of GDP in the same period "as the Government seeks to rectify historical under-investment in public infrastructure" (para C34, Budget 2004). However, this only returns public sector net investment back to level the under the Tories in 1992/93 when it was 2.0% of national income. It subsequently declined to just 0.5% in 2000/01.

Public sector net debt declined steadily from 43.7% of national income in March 1997 to 30.2% in March 2002. By March 2004 it had increased to 33.2% and the 2004 Budget forecasts public sector net debt to be "low and stable" over the next five years rising to 36.5% of GDP – "£53 billion below the 40% ceiling set in the sustainable investment rule" (para C7, Budget 2004).

Room to manoeuvre

The Institute for Fiscal Studies (IFS) has calculated that if all Private Finance Initiative deals since 1990/91 had been conventionally financed by public sector borrowing, public sector net debt by March 2006 would be 3.4 percentage points of national income higher. The planned increase in public sector net debt to 36.5% by 2008/09 plus the likely increase in PFI capital spending between now and 2008/09 will add further pressure. There are other liabilities in addition to PFI payments which do not count as public sector net debt. These include bonds issued by London Continental Railways in connection with the Channel Tunnel Rail link and borrowing incurred by Network Rail, both of which could become public sector liabilities in the event of failure.

However, the IFS concludes:

> "A measure of public sector indebtness that did incorporate all these contingent liabilities might well exceed 40% of national income. Whilst this would breach the ceiling for public sector net debt under the sustainable investment rule, the arbitrariness of the 40% limit, and the low level of debt relative to other countries and historical standards, mean that this is unlikely to affect any fundamental assessment of the sustainability of UK government's finances" (IFS Green Budget, 2004).

A comparison of public sector debt in other European countries reveals that Britain is in a very favourable position. Table 1 shows that public sector net debt in other major EU economies far exceeds the UK's modest 40% rule, in most cases it is at least fifty per cent higher. In addition, the UK position on general government deficit not exceeding 3% of national income strong relative to the position in several other EU countries.

Table 1: Public finance as a % of national income (2002)

Country	Public balance	Debt
United Kingdom	-1.5	38.5
France	-3.1	59.0
Germany	-3.5	60.8
Italy	-2.3	106.7
Netherlands	-1.6	52.4
Portugal	-2.7	58.1
Spain	0.1	53.8
Weighted EU average	-1.9	62.3

Eurostat, EC Economic Pocket Book, 2003 IFS Green Budget 2004.

The evidence suggests that there is scope for the government to further increase public sector investment beyond the Budget 2004 forecasts and remain within it's own fiscal rules. The forthcoming Spending Review 2004 will provide an important opportunity to provide additional investment for council housing.

It also questions the need for the Private Finance Initiative. It would have been possible to finance the level of PFI capital investment since 1990/91 by conventional public sector borrowing and remain within the Maastricht fiscal rules which only marginally breach the government's own conservative fiscal rules.

Barker review of housing supply

The Barker Review of housing supply identified the additional annual subsidised housing demand and need for housing in England (Barker Review, 2004). The review identified an annual need for 67,000 dwellings taking into account the net increase in households, increase in vacant dwellings, the loss of re-lets due to Right to Buy, the reduction in private rental lettings to those on housing benefit and the replacement of homes (mainly through demolition). When this figure is adjusted for the current level of new build social housing, the net number of units purchased and an assumption that the private rental sector will not contract, the total additional social housing units required annually is 17,000. Ideally, the Review argues that this figure should increase to 23,000 per annum to contribute to improving the housing market and to achieve zero house price inflation.

Based on current costs, the additional investment required will be between £1.2 billion and £1.6 billion per annum.

Increasing local authority investment in council housing

There are many important reasons why the government should allow local authorities permission to increase borrowing to fund investment in council housing:

- To consolidate council housing as a tenure with the important advantages of local democratic control, security of tenure for tenants and collective representation.
- The economic arguments commonly used to minimise public borrowing (claiming it 'crowds out' private investment and because of fears of upsetting the financial markets), become meaningless when local authorities with ALMOs are allowed to borrow in the same way.
- It is the most effective means of investment, avoiding the much higher cost of private investment in Housing Associations and PFI. Just as solicitors and estate agents add substantially to the cost of buying and selling houses, so lawyers, financial advisers and consultants add to the cost of privately funded investment.
- Local investment – local authority technical service staff and Direct Service Organisations could have a larger role in repair and improvement programmes, thus maximising spending in the local economy. PFI and stock transfer options usually involve substantial contracts to national construction firms.

> "Housing transfers are more expensive for the taxpayer than local authority repair and innovation. The (National Audit) Office estimated in 2001 that the additional cost of transfer was some £1,300 a home, spread over 30 years, or some £1.3 billion if a million homes were transferred. This figure may be an underestimate. The cost of transfer programmes may be higher still, as the majority of transfers will be of poorer housing in urban areas, with higher costs of renovation being financed by the taxpayer.
>
> …The calculation of the additional cost of transfer compared to local authority retention and renovation was based on the Treasury's standard discount rate of 6%, used throughout government in option appraisals to compare cash flows occurring over future time periods. The Treasury has issued new guidance which reduces the discount rate to 3.5%, to be adjusted as appropriate to reflect optimism bias and risk transfer. This lower rate could increase the additional cost of a transfer programme across a 30 year period because the long term financial benefits of retention increase in value as discount rates fall" (House of Commons, Select Committee on Public Accounts, Fortieth Report, 2003)

How it can be funded

Funding can be financed in two ways – by increasing local authority borrowing and eliminating or reducing the costs of LSVT and PFI:

- The introduction of an Investment Allowance within the HRA would create a revenue stream against which borrowing could be undertaken using the prudential framework. A modest starting allocation of £150m in 2004/05 rising to £1,008m in 2009/10 would achieve £14.2 billion of capital investment in the same period (House of Commons, 2003c).
- The Local Government Act 2003 should be amended to allow surpluses in HRAs to be used as a revenue stream against which local authorities will be able to borrow to fund capital investment in their housing stock.
- The cost of government support for LSVT should be terminated – for example £800m was allocated for debt write-offs in 2003-04, following £500m in 2002/03 to facilitate LSVT.
- The high transaction costs of LSVT should be curtailed, for example, £65m was spent in 2002 alone on consultants, surveyors and solicitors involved in LSVT, PFI housing projects and ALMO projects (Social Housing, July 2003a).
- The higher costs of housing benefit as a result of transfer to housing associations with higher rents – estimated to have cost £249m since 1997 (UNISON, 2003) will be avoided by stock retention.

> "The government has announced that up to £800m has been allocated in the next financial year to subsidise stock transfer. Yet the housing investment (HIP) allocations for that year are only £840m. Debt relief isn't given to councils who want to keep council housing. It's

only there to bring in new landlords, not to help those who built up the stock and want to keep it." (Austin Mitchell, MP, Camden Journal, 2003)

Redirecting public money from subsidising stock transfers

Under the banner of 'sustainable communities' the government has made a number of policy and financial changes to encourage LSVT. These include:

- Removal of barriers to partial stock transfers.
- Funding for penalties for early debt repayment.
- Gap funding for negative value transfers.
- Investigation of alternative models of funding for stock transfer.
- Community-based (for example the community gateway model) stock transfer options.
- Extension of PFI to include replacement new build.
- Making the PFI process less complex and lengthy.

Changes in the funding arrangements for transfers include replacing the need for transfer landlords to have a fully-funded 30-year business plan to provide only a 30-year funding strategy, with initial funding in place on day one for the transfer price and to meet expenditure required to meet any transfer promises to tenants (ODPM, 2003e).

The government also proposes that local authorities involve the potential new landlord in developing the housing transfer process, such as contributing to the council's options appraisal, drafting the business plan and making contact with tenants.

> "It is also possible that engaging with an existing RSL will help tenants see that local authority approaches to management are not necessarily the best on offer and that transfer is not the 'privatisation' many fear".

> "Already some authorities and tenants contract out the management and maintenance of their homes to RSLs as a first step to the transfer process." (ODPM, 2003f)

Apart from these simplistic ideological assertions, which convince few, these changes demonstrate the extent to which the government is attempting to drive a transfer agenda. In this context, it must clearly view ALMOs as a mere transitory stage in the transfer process.

The Glasgow example (see Part 2) illustrates the extent to which the government will spend substantial sums of public money subsidising transfers rather than direct investment in council housing.

Tenants manifestos and plans to improve council housing

Tenants organisations and housing/DSO staff have produced many plans and proposals for the radical improvements in the design of council housing, management, improvement and regeneration, repairs and maintenance, voids and so on. For example, Newcastle Tenants Federation and Newcastle City UNISON jointly published a Manifesto for Council Housing in 2001. It centred on a 13 point programme (Newcastle Tenants Federation/Newcastle UNISON, 2001):

1. Quality investment and renewal
2. Fast, efficient, good quality repairs and maintenance
3. Effective and responsive management
4. Integrated community services
5. Affordable rents
6. Getting more for your money
7. Security of tenure
8. Improved democratic accountability and tenant involvement
9. Community based and designed regeneration and development
10. Community well-being and equity
11. Quality jobs, local labour and training
12. Involvement in planning and design
13. Tenants benefit from new information and communication systems

The joint project is one of a number of initaitives which tenants and trade union organisations have taken over the years to make the case for the improvement of council housing. There is no shortage of ideas and innovation. But tenants and staff need the security that council housing has a future as tenure. The fourth option provides that security.

Another alternative

The Local Government Association, the Chartered Institute of Housing, the Local Government Information Unit and many other organisations campaigned for the introduction of the General Government Financial Deficit (GGFD) in the late 1990s. The Treasury resisted these demands, which have almost been erased from the housing agenda.

The GGFD is an accounting measure for budget deficits under the European System of National Accounts definitions. It forms part of the economic convergence criteria for European Monetary Union (Maastricht). If the government used the GGFD definition as a primary measure in place of the Public Sector Net Cash Requirements (PSNCR) it would mean that council housing could be treated as a not-for-profit corporation or Local Housing Corporation, which would remove the current restrictions and enable local authorities to borrow against their trading income (rents). This would require local authorities to separate the finance and trading of council housing from the rest of the council (this is already the case with the HRA). Council housing would remain under council ownership with direct democratic accountability and tenant involvement at every level. This model is significantly different from the ALMO model because council housing would remain under direct democratic control, ownership of the stock and housing management would be combined in one organisation and tenant participation could be extensive without compromising them by being company directors.

The government has resisted this move for a number of reasons. Firstly, it would undermine their transfer strategy. Secondly, increased borrowing and housing investment by local authorities would not be controlled by central government. Thirdly, it could set a precedent for other 'trading' services where funding follows pupils and patients or where user charges are common (leisure services) allowing these services to also increase borrowing under the GGFD rules.

Action required now

Central Government should:

- Provide increased borrowing for local authority housing investment via an Investment Allowance in the Housing Revenue Account.
- Adopt the European model of the General Government Financial Deficit as discussed above.

Local authorities should:

- Support the campaign for a 4th option for additional investment.
- Draw up a works and improvements strategy with tenants organisations and housing/DSO trade unions to schedule the completion of all necessary work by 2010.
- Remove all non-housing expenses from the Housing Revenue Account - these should be paid for through Council Tax and other sources of revenue. Tenants should not have to pay twice.

In some circumstances, tenants' federations and associations have campaigned for an ALMO as an alternative to the council's favoured option of LSVT where they believe there is little political scope for stock retention. An ALMO thus becomes a middle ground compromise. However, opposition to LSVT is more likely to be effective when tenant's federations and associations and trade unions make the case and campaign first and foremost for stock retention.

3 The flawed Options Appraisal Process

Limited options

To fund the improvements to local authority housing, the Government offered local authorities three ways of financing increased investment.

- Large Scale Voluntary Transfer (LSVT)
- The Private Finance Initiative (PFI)
- Arms Length Management Organisations (ALMOs).

The guidance documents refer to "those that cannot meet the costs of delivering the decent homes target without additional resources need to consider"……ie the ALMO, PFI and LSVT options. The assumption is that all local authorities will require additional investment and stock retention is therefore a non-starter. This has led many local authorities to 'assume' that stock retention is not financially viable and thus promoted the 'three option' government agenda to tenants. But stock retention must be an option. It is also required to implement the government's policy of including Tenant Management Organisations, Estate Management Boards and other tenant-led models as an integral part of options appraisal. Furthermore, stock retention must remain an option when tenants vote against ALMOs and LSVTs.

A local authority could only viably adopt the stock retention option if it has sufficient financial resources from the Housing Investment Programme and the Major Repairs Allowance to fund the required level of repairs and improvement work. In reality it could only apply to local authorities whose housing stock was in a relatively good condition.

But the government has even denied that this was an option for local authorities. In a letter to Camden Council in early 2003, parliamentary under secretary Phil Hope said:

> "There is no 'fourth way'…(there are) three routed to delivery of decent homes for authorities who need additional funding. These are stock transfer, arm's length management organisations and PFI." (Inside Housing, 2003a).

However, the Deputy Prime Minister, John Prescott later made the following statement in reply to a question from Clive Betts MP who asked whether funding will be available where tenants want to the stock retention option:

> "…we have had to say that we will try to provide adequate funding for those who want to stay with local authorities, but we have provided alternatives, which the majority of councils are using to bring together public and private financing so that investment in housing to correct the disinvestment can be achieved more quickly (sic)." (John Prescott, Deputy Prime Minister, Hansard, 18 June, 2003).

The government reinforced this position in evidence given by the ODPM to its own Select Committee (Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions), in which it refers only to the options which 'bring additional resources'. The evidence states:

> "The PSA Plus Review concluded that meeting the priorities of tenants should be central to the delivery of decent homes. To ensure this, tenants must have access to independent advice and support, and to capacity building and training." (para 9.1,House of Commons, 2003d).

But this is disingenuous on two counts. Firstly, tenants are not really being given the option of stock retention. Secondly, the vast majority of so-called independent tenant advice is from consultants who understand that the council is ultimately the client, not the tenants, and also benefit from the 'transfer industry' which has emerged. Consultation frequently focuses on information about the choice of options rather than more open discussion and understanding about the policy context. A number of tenant's federations have expressed concern about the quality of independent tenant advice and consultation procedures.

Given the lack of increased investment for the stock retention option and the privatisation associated with the LSVT and PFI options, it is hardly surprising that many local authorities have opted for the ALMO model. A brief synopsis of each of the options follows, focusing on the differences in ownership, management, control, investment and tenant ballot requirements.

Option 1: Arms Length Management Organisations

The local authority retains ownership of the stock but the housing management function is transferred to a newly established arms-length company. The company is jointly run by a board of 11-15 directors made up of one third tenants, local authority members and 'independent' members. Tenants retain security of tenure and the right to manage, repair and buy their homes.

An ALMO is able to access additional investment to fund a repair and improvement programme, subject to government approval and obtaining a minimum two-star Best Value rating. The programme has four rounds of bidding, worth £1.994bn of extra credit from April 2003 – March 2006. The government in effect gives a local authority permission to borrow an agreed sum to finance improvement work. There is no legal requirement for a tenant ballot because there is no change in tenure, although a few councils have organised ballots. Local authorities must, however, demonstrate to the government that the have fully consulted tenants on the ALMO option – most hire 'participation' consultants to run tenants meetings, road shows, exhibitions and opinion polls.

If a two-star rating is not achieved an ALMO will not be granted the extra borrowing – a problem faced by four of the Leeds ALMOs, who received a one-star rating in autumn 2003. Newcastle faces a similar problem. An ALMO started operating in April 2004 but the housing department received only a one-star rating (with 'promising prospects' of improvement) for housing management services earlier this year.

Funding is provided through an increase in the Supplementary Credit Approval (SCA) – i.e. the amount of money the government says the local authority can borrow. However, the ODPM can only formally allocate the increase on a two-yearly basis (dependent on each Spending Review period). ALMOs should also have full access to Housing Revenue Account reserves (ODPM, 2003e). The government also funds the extra cost of borrowing through credits to cover interest charges. The money borrowed will be paid back through rents and the Housing Revenue Account. It must be noted that the extra money is not a handout from the government, merely an increase in the council's borrowing allocation – media reports of vast sums being 'given' to councils are misleading at best.

Before receiving additional investment and even before choosing how they will get this money councils who set up ALMOs must spend a substantial amount on set-up costs. Consultants' fees, technology, vehicles, organisational costs and re-branding are costly. The authority must also employ surveyors, consultants, management consultants, lawyers, financial advisers, market researchers, procurement experts and a management board to guide them through the ALMO set-up process (Roof, 2003). None of these costs can be included as part of the bid. This is money that the council could be spending directly on repairs and improvements.

Preparing for inspection and promoting ALMOs can be costly. If local authorities fail to meet the standard required, the extra money will not be made available. This means wasted cash that would have been better spent on improvements. For example, Barnet Council spent £100,000 on 'glossy leaflets, videos, independent advisers and a market research agency' to promote an ALMO to tenants, but they refused to spend £10,000 on tenant ballot (Burgess & Leer, 2003).

Option 2: Large Scale Voluntary Transfer

The high public cost of LSVT in Glasgow	
Cost of the Glasgow LSVT	
Expenditure to 2114	£m
Purchase price (£310.34 per dwelling)	25
Responsive repairs	532
Management and administration	813
Investment programme	2,256
Reprovision of 2,800 dwellings	183
Total	3,809
Financed by	
Tenants rents (net)	2,057
Scottish Executive grants*	448
Scottish Executive repayable grant	339
VAT saving (loss of revenue to HM Treasury)*	240
Private finance	725
Total	3,809
Funding for debt write-off (HM Treasury)*	909
Cost of facilitating debt write-off (early redemption of long term fixed rate loans) Glasgow City Council - £25m* Scottish Executive - £196m*	221
Public subsidy - Items marked*	1,818
Source: Social Housing, April 2003. Note: Excludes all the preparation work and consultants and advisers fees funded by Glasgow City Council and the Scottish Executive.	

This option involves the complete transfer of council housing to either a new housing association established for the purpose of transfer (this occurred in two thirds of transfers) or to an existing housing association which takes over ownership and management and maintenance of the stock. A tenant ballot is required by law (Housing Act, 1989). Tenants cease to have security of tenure and become assured tenants with a tenancy agreement which can give similar but not the same rights. The stock transfer and any future investment is funded by the housing association borrowing from the private sector (banks, building societies and other financial institutions).

Since 1988, over 794,000 homes in 180 transfers in 143 authorities have been transferred to housing associations by late 2003 (NAO, 2003). Tenants have voted against transfer in 49 proposed transfers since 1988.

The council gets a lump sum for the houses transferred and the housing association takes over the ownership and management of the stock. Existing tenants' Right-to-Buy allowance is protected, but the amount of discount available may be reduced due to the 'cost floor' of the property (taking account of money the Association has spent or is planning to spend on the property). The Basic Assured Tenancy, which is introduced after transfer, gives fewer rights to tenants, such as the removal of the Rent to Mortgage and the Right to Manage provisions.

The high cost of LSVT to the public sector is demonstrated by the Glasgow LSVT. In 2003 Glasgow City Council transferred 80,556 dwellings to Glasgow Housing Association. The latter will carry out secondary transfers to Local Housing Organisations commencing in 2004/05. The deal involved £725m private finance but this is small compared to the public subsidy of £884m plus a HM Treasury debt write-off of £909m (Social Housing, 2003b).It is clear that LSVT is expensive and relies heavily on public subsidy.

LSVT is privatisation of local authority housing, as the council retains no control over the stock.

Option 3: Private Finance Initiative

The complexity and lack of experience of PFI in housing means that this not a whole stock option but is applicable only for an area or estate. A consortium, consisting of a construction company, financial institutions and a housing management provider (company or housing association), is awarded a 30-year contract to design, finance, manage and maintain the area/estate. There are various options within PFI but it is common for tenants to remain as council tenants and the local authority retains ownership of the stock. There is no legal requirement for a tenant ballot on the grounds that there is no change in tenure. The consortium is paid on a performance-related basis from the Housing Revenue Account and PFI credits from central government.

Eight 'Pathfinder' local authorities embarked on PFI housing projects in 1999, with nine more authorities bidding in 2001. Only four pathfinder authorities have signed contracts to date. A third bidding round began in Autumn 2003. However, the contribution of PFI to the Decent Homes Standard is unlikely to be very substantial – most bids are combined new build and improvement with only four improvement-only bids and even these few schemes are unlikely to be completed by the 2010 target.

Option 4: Direct local authority investment

With this option, there is no change of ownership, management or control of council housing and hence no need for a ballot. The local authority funds new investment by increased borrowing from the Public Works Loans Board and thus requires the government to relax borrowing restrictions imposed on councils. Sometimes misleadingly called the 'no change' option, it is essential that this option includes a commitment to radically improve housing management (repairs, allocations, tenant involvement etc).

Issues about capacity to design, plan and manage large-scale improvement programmes are no different from those faced by ALMOs. If local authorities were encouraged to invest directly in their housing stock, political accountability and tenant influence could be maintained or improved and work could begin immediately on bringing homes up to standard.

Conclusion

Stock retention is currently only an option if the local authority can fund the required level of investment from existing sources of capital investment. Very few councils are in this position. PFI is not a whole stock solution and is only applicable to individual estates or a small area basis and is limited by the scale of credits (government financial support) available. So there are really only two options available – ALMO and LSVT - where a local authority requires additional investment in order to meet the Decent Homes Standard. It makes a mockery of so-called 'tenants choice'.

Options appraisal process

ODPM guidance requires local authorities to include the following tasks in options appraisal:

- Tenant and leaseholder involvement
- Consultation
- Financial appraisal
- Stock Condition Survey, costings and analysis
- Assessment of demand and supply for council/social housing
- Consider mixed-model solutions
- Tenant management and tenant-led solutions
- Wider strategy for neighbourhood renewal
- Objective robust evaluation of options
- Decision making process
- Change management process
- Management of the appraisal process

It is equally important that options appraisal includes a consideration of local priorities and standards, current housing performance and the impact on the local authority.

The ODPM guidance recommends that the evaluation of options should use the following criteria:

- Tenancy terms and conditions
- Opportunities to enhance tenant involvement
- Future governance and accountability of housing service
- The council's strategic housing objectives
- Financial consequences for the council's General Fund
- Resources for other capital programmes
- Staff delivering the service
- Deliverability of the option

But this is a very narrow perspective and is fundamentally at odds with local authorities' wider responsibilities, such as Community well being and sustainable development in the local economy. It is therefore essential the options appraisal process includes an integrated impact assessment which assesses the full costs and benefits of each option within a community well being and sustainable development framework.

4 A critique of ALMOs

Introduction

This section discusses the effects of establishing an ALMO on tenants and the community, the local authority (the DSO, technical services staff and corporately) and housing staff. It also examines ALMOs being a pathway to full privatisation, their financial implications, and doubts over their long-term future beyond 2010.

Privatisation fears

ALMOs are likely be a stepping-stone to the further privatisation of local authority services because:

- They are a first step towards full stock transfer because, having separated ownership of the stock and housing management and made the responsibility of two different organisations, this will make future decisions on ownership less politically sensitive.
- They are companies and therefore will be responsible for procuring their own goods and services. Some will continue to obtain support services from the local authority but others are likely to outsource work to private contractors and companies.
- They will make it easier for future governments to fully privatise council housing. An ALMO is a separate legal entity which could make full privatisation easier and quicker at a later stage.
- It is questionable whether ALMOs will be able to survive as stand-alone companies after 2010 – see section on Future Challenges below.

Despite rejecting these privatisation claims, the government has lent weight to the argument that ALMOs will eventually lead to full privatisation. The ODPM and the Audit Commission are increasingly talking in terms of the 'ALMO Plus' model – where the best performing ALMOs will be free to borrow from the private capital markets, so long as certain conditions are met (ODPM, 2003b). They will have greater freedom to procure services or provide them in-house. ALMOs will thus be subject to the profit motive rather than a public service ethos and democratic accountability. The National Federation of ALMOs is working on proposals that will allow them to borrow against rental streams (Inside Housing, 2003b). New powers planned for ALMOs could include the power to apply for anti-social behaviour orders and the ability to administer housing benefit, the Housing Minister Keith Hill informed the National Federation of ALMOs conference in April 2004 (Inside Housing, 2004c)

Westminster sell-off

Some ALMOs have already embarked on privatisation. Westminster City Council and its ALMO, CityWest Homes, are planning to privatise three tower blocks on the Brindley estate to Stadium Housing Association, part of the Network Housing Group. The plan is for Stadium to refurbish the three blocks (a total of about 300 dwellings) at cost of about £30m and for the ALMO to manage the properties on behalf of Stadium.

Hillingdon sale of 500 homes

Another example of the privatisation of council housing via ALMOs, the London Borough of Hillingdon ALMO, Hillingdon Homes, has agreed to sell 500 homes over the next five years to a housing association.

Derby ALMO to establish another housing company

Derby Homes is planning to establish a subsidiary company to sell its services to other local authorities, housing associations and ALMOs (Inside Housing, 2004b). “We are going to face nothing but reductions (from right to buy sales) over the next few years and if we just rely on maintaining council housing stock we are going to have to reduce in size” stated Shaun Bennett, Derby Homes director of investment and regeneration. The ALMO is also hoping to develop joint development projects with housing associations with the ALMO taking responsibility for housing maintenance.

Impact on Tenants

Democratic Accountability and local governance suffers

ALMOs are a backward step for local democratic accountability because:

- There is a removal of direct democratic control, transferring power from the council to a company’s board of directors.
- Only one third of the ALMO Board are directly elected, another third are indirectly elected and a third, the ‘independent’ members are appointed.
- There is no legal requirement for a tenant ballot on the creation of an ALMO. Tenant ballots and ‘consultation exercises’ have been held in some local authorities but most of these appear to have been sham exercises, devoid of any real discussion of alternatives. Opponents in Camden and Barnet both launched legal challenges against the way the ALMO was promoted, after their councils were both criticised for being too ‘pro-ALMO’ (Edgeware & Mill Hill Times, 2003).
- Tenants are in a minority on ALMO boards. Most ALMO boards have between 11-15 members, split between local authority members, tenants and ‘independent’ members.
- Key policy decisions will, in many cases, be less accountable and transparent. The Leeds ALMO management board produced demolition plans without consulting tenants.
- There is no legal requirement for ALMO board meetings and reports to be accessible to the public.

Tenants’ legal responsibility to the ‘company’ is just one of many examples of the onset of the corporate culture that is becoming increasingly prevalent in public services. Although an ALMO manages public assets owned by the local authority, a corporate culture inevitably develops because of the company structure and because it is no longer a core part of the local authority.

Tenants could lose rather than gain power

ALMOs are being promoted on a myth of increased tenant involvement. Having a third of the seats on the company board gives the illusion of power, rather than power that can be effectively exercised to affect change.

The reality is that ALMOs are registered companies and board members have a legal obligation to the company. Tenant representatives, elected members and other independent board members will thus be legally required to place the interests of the company first and foremost, irrespective of who they represent.

ALMOs could reduce the power of tenants’ organisations by drawing away the most active members in the community and making them primarily responsible to the ALMO company rather than to tenants federation and association interests. Tenant representatives in many ALMO authorities are conscious of this scenario and are trying hard to balance the needs of ALMO representation with the demands of organised and campaigning tenants organisations which have historically been the vehicle for most of the major gains in housing policy and finance.

Board membership and the associated corporate trappings and community 'status' are attractive to some tenants representatives. Over time different degrees of incorporation can occur which lead to confusion over roles and responsibilities and conflict with other tenants representatives and with tenants associations and federations.

Impact on the community

The government claims that as well as delivering the Decent Homes Standard, ALMOs will also promote wider community well being because:

- 5% of the additional investment can be used for broader improvement of the local environment. This is marginal and will only fund estate environmental improvement work (small scale).
- Additional spending will create jobs and add skills to the local economy. But this would also happen if the government allowed Local Authorities to borrow more or use the same borrowing regime as ALMOs.

In many cases, there may not be enough money available to meet the Decent Homes Standard, let alone engage in wider improvements to the local environment.

The claim that an ALMO will create jobs and promote training within the local economy is also misleading. While the council provides services directly, it is likely that they will employ local people. Where services are provided by the ALMO, they can:

- *Purchase many of their services from the market* – which over time means this will be subject to full and open competition and jobs will not necessarily go to local people; and
- *Vary national terms and conditions for staff* – meaning staff contribute towards the financial cost of meeting the Decent Homes Standard through lower pay and terms and conditions, unless they remain covered by TUPE agreements. ALMOs may also seek to lower staffing levels.

All this means that the local economy will suffer if terms and conditions are worsened. Every four local government jobs support a further job in the local economy through staff spending their income in local shops and on local services. Any reduction in terms and conditions for staff, or the loss of those staff in the area, will have an effect on the local economy at this ratio.

Impact on Staff

Although there is scope for ALMO staff to be seconded from local authorities on a fixed-term basis, all ALMOs to date have transferred staff under the Transfer of Undertakings Protection of Employment Regulations (TUPE). Trade unions in Ashfield attempted to get a 'fair employment' clause inserted into their contract but the council rejected it because 'it would significantly exceed the requirements of TUPE' and 'would affect the independence of Ashfield Homes Ltd'. The Leeds ALMOs tried to change the terms and conditions of staff after only a few days and are now proposing to end a 20-year 'no compulsory redundancies' deal.

Two-Tier Workforce

The Code of Practice on Best Value and the Two-Tier Workforce, introduced in April 2003, to tackle the problem of the two-tier workforce is unlikely to offer sufficient protection of staff because:

- The Code does not apply to staff who have already transferred.
- The Code states that 'no less favourable' comparisons should be made on a whole package basis – this does not prevent the practice of offering staff small pay rises to give up other aspects of their terms and condition, such as holiday or pension entitlement, and it also requires clearly identifiable staff comparator groups. The nature of ALMOs is that there will not necessarily be any comparable staff left in the council. It is by no means

clear whether in this situation it will be possible to define, for the purposes of enforcing the Code, which groups of staff new starters should be compared with.

In addition to this, there are a number of additional negative effects on staff:

- ***Exclusion from national pay ballots –*** Staff in arms-length companies are not automatically balloted as part of national pay and industrial action ballots.
- ***Exclusion from national pay awards –*** Trade unions are concerned that ALMO boards may not automatically agree to national annual pay awards.
- ***Changes in recognition –*** Senior management in some ALMOs have attempted only to negotiate with shop stewards in the ALMO, refusing to deal with branch officials. The separation of trade union responsibilities and reduced facility time could lead to more fragmented and weaker trade union representation.

Effect on technical services

The formation of an ALMO can have serious consequences for architects, surveyors, quantity surveyors, engineers and other technical services staff. In some ALMO authorities, staff have been retained within technical services departments with the understanding that, at least in the short term, the ALMO will negotiate for their service provision. However, in some ALMO authorities, for example, the London Borough of Islington, there are proposals to divide technical services' staff into two groups, those serving the housing function, who could transfer to the ALMO, and those staff providing services to other council departments, who would remain with the authority. This will inevitably weaken the technical services function and may mean such sections are unviable.

Impact on the Council

ALMO procurement policy

Procurement policy is now at the centre of public sector policy making because it has an important effect on the quality of employment, corporate policies and priorities and on progression towards community well being and sustainable development (Centre for Public Services, forthcoming). Most local authorities have drawn up or are currently revising their procurement policies.

An ALMO has two choices. Firstly, it can adopt the local authority's current procurement policy and practice. Secondly, the ALMO can draw up its own procurement policy and practice within the regulatory framework established by UK and EU legislation. Frequently arms length organisations want to water down local authority procurement practice in the name of 'business efficiency' and to make outsourcing easier. Derby and Kirklees ALMOs have already begun reviewing the outsourcing of services.

Effect on Direct Service Organisations

Some local authorities have transferred the Housing Repairs and Maintenance Direct Services Organisation (DSO) to the ALMO. In the case of large unitary authorities with large multi-service DSOs the effect could be to substantially reduce the size and scope of the service which may also threaten the DSO's longer-term viability.

Some local authorities have sought to establish long-term contracts between the ALMO and the DSO but the ODPM have opposed such moves. Generally ALMOs have 2-3 year agreements with DSOs on the basis that the service will then be retendered. Where an ALMO outsources repair and maintenance services to the private sector this may result in redundancies and job losses.

Corporate impact

The transfer of a relatively large number of staff from a housing department to an arms length organisation will have a knock-on effect on the whole council. It will mean:

- Reduced central pay and personnel staff unless the ALMO contracts for these services from the council;

- Increased unit costs for all directorates as the council's economy of scale is reduced;
- Reorganisation of property and accommodation, with potential financial costs, if the ALMO decides to move out of council offices;
- Changes in the council's performance in meeting targets – for example, housing departments have a higher than average female workforce and are often more advanced than other departments in implementing policies for a diverse range of equalities groups.

Financial issues

ALMOs are expensive to set up and run

ALMO set-up costs are substantial, although few authorities have disclosed the actual cost. Ashfield allocated £2m for set-up costs and all councils have spent heavily on consultants to 'justify' ALMOs and 'sell' the idea to tenants. Barnet Council has spent over £100,000 on promoting the ALMO. This included £50,000 for a video of a local comedian telling tenants to vote 'yes' (This is Hertfordshire, 2003). Camden Council has spent £500,000 promoting the ALMO to tenants (DCH, 2004).

Consultants' fees, new computer systems, vehicles, re-organisational costs re-branding and in some cases relocation to new buildings all involve substantial costs. The authority must also employ surveyors, consultants, management consultants, lawyers, financial advisers, procurement experts and a management board to guide them through the ALMO set-up process (Roof, 2003). Moving out of the civic centre to new premises of often advocated as a sign of 'arms length' or 'separation' from the council. None of these costs can be included as part of the bid. All of this is money that could be spent on improving the homes of tenants but would be wasted on needless and superficial spending.

The London Borough of Haringey proposed spending of £612,000 on consultants' fees until tenants and trade unions organised opposition and Councillors baulked at the start-up costs (Inside Housing, 2002).

The formation of ALMOs means widening competitive tendering for repairs and maintenance, support services and other activities and services, thus resulting in increased transaction costs (preparing specifications, advertising, evaluating bids etc.). Higher transaction costs mean a lower percentage of the budget being spent on local services.

ALMO managers can use the separation from the council to pay themselves higher salaries, citing their increased responsibility and the complexity of the ALMO. The ALMO also requires a Company Secretary and more senior financial staff who generally have relatively high salaries compared to most housing managers. These are used to justify increases for other senior managers. The Leeds ALMOs recruited 18 senior managers, with a wage bill of over £1m extra per year, before they had even been inspected (DCH, 2003). Yet four out of the six areas subsequently received only a one-star rating from the Audit Commission.

The ALMO option also involves a significant time delay before crucial repairs and modernisation works are undertaken. Successful authorities bidding in Round Three will not receive additional resources until 2004/2005. Fourth Round bidders may have to wait until 2005/06 before additional resources are made available, should the conditions be met. Thus for most authorities bidding in the later rounds, nearly half of the time between now and the deadline for the Decent Homes Standard will have passed before the extra borrowing allowance becomes available.

ALMOs make false financial promises

- ALMOs are deceptive because the claimed additional funding received is an increase in the borrowing allowance, not a grant.
- Local authorities making large bids in Rounds One and Two have received borrowing allowances much lower than first anticipated.

- There is only £320m available for all of the authorities bidding in Round Four and there has been widespread media speculation that there will be insufficient funds to support all of the bids in Rounds Three and Four (CPS, 2003).
- Additional central government support for ALMOs is made up of two separate elements:
  - An agreement for the local authority to borrow extra money up to a set amount. This is called a Supplementary Credit Approval (SCA) and the sum of the SCAs available for each round of ALMO bids is the figure that appears in government press releases. This is NOT a payment of that amount of money from central government.
  - The ALMO allowance is a subsidy from central government that is paid into the local authority's Housing Revenue Account (HRA) to cover interest and repayments on the loan, up to the value of the SCA. In Rounds One and Two, this was paid at a rate of 10% of the SCA. However, for future rounds the allowance will be paid at a rate reflecting the prevailing interest rate, which is assumed will amount to less than 10%. The Bank of England base rate is currently 4.0%.

While the ALMO allowance is thus sufficient to cover repayments, the government will only commit to this level of spending for the current Spending Review Period (2004-06). After that, 'the expectation is that funding will continue over future years if performance is satisfactory and resources are available' (ODPM, 2003e).

There is no guarantee that the next Spending Review Period will provide the same level of investment, as the government would face tough choices over public spending in the event of an economic slow-down and falling tax revenues.

Stock Condition Surveys may not tell the full story

All local authorities must undertake a stock condition survey in order to establish the extent of the housing problem in their area and determine how much extra investment they need to meet the Decent Homes Standard. However, these surveys are usually based on a small (10%) percentage of homes, hence the composition and geographic scope of surveys is very important to ensure that there is a fair representation of different types of dwellings, construction types, facilities and conditions.

While resource constraints will always limit the scope of such surveys, it is not possible to say whether the findings of the survey will tell the real story for the whole range of each local authority's housing stock.

This means that:

- The figures could be manipulated by local authorities to obtain a more favourable proportion of available funding - It would be beneficial if the stock condition survey showed a greater proportion of non-decent homes than a fuller survey because a greater proportion funding could be secured; or
- Funding opportunities may be missed - if only a partial survey is carried out, the true amount of non-decent housing may be underestimated and the local authority may fall financially short of meeting its targets.

After receiving a no-star Audit Commission Inspection rating in September 2002, Salford City Council decided to commission a larger stock condition survey to assess the extent of their housing problem. Based on a 20% survey, they found they needed at least £315m to bring stock up to standard – well in excess of the £53m the original survey proposed. They decided to look for ways other than ALMO to meet the target in time (Inside Housing, 2003b).

ALMOs: Future challenges

It is questionable that ALMOs will be able to survive as stand-alone companies after the deadline for the Decent Homes Standard in 2010. They will feel significant pressure to expand and are likely to face increasing competition from housing associations and other ALMOs.

There are four main reasons why the transfer of housing management is but the first stage in the privatisation of council housing.

Firstly, financial pressures on ALMOs are likely to mean that they want to own the assets in addition to managing them. Future governments could drastically reduce public investment thus driving ALMOs to adopt the housing association model of increasing reliance on privately funded investment. To do this ALMOs will need access to assets. Local authorities will be under pressure to transfer all, or part of their stock to the ALMO. It may start out selling only development sites but is likely to extend to the ownership of the existing ALMO stock.

Secondly, ALMOs will almost certainly face the same pressures for economies of scale and efficiency as housing associations. This has led to national and regional consolidation of the housing association sector through mergers and take-overs. This could lead to takeovers between ALMOs to create sub-regional organisations. In addition, housing associations are likely to be interested in the takeover of ALMOs in order to broaden their portfolios. Housing associations are already becoming developers, entering into PFI schemes and joint projects with private developers.

Housing associations are likely to see an ALMO takeover as a very attractive expansion. Ironically, ALMOs that have transferred and retained the DSO for improvement, repairs and maintenance may provide an additional attraction to RSLs. Aside from ALMOs, RSLs are also likely to want to expand by buying up other associations or acquiring additional stock from local authorities.

Thirdly, the government has indicated that ALMOs will have the freedom, together with private developers, to apply for social housing grant from the Housing Corporation to build new homes. The drive towards commercialisation of ALMOs and the creation of a 'level playing field' between ALMO's and housing associations, leading to potential mergers, is almost certain to lead to further privatisation of council housing. History shows that arms-length organisations can be more easily privatised compared to council departments and directorates. A future government could encourage, if not require, mergers and take-overs to form single 'social housing' companies and partnerships with private developers.

Fourthly, some ALMOs have stated they want to move away from solely housing management into sustainability and regeneration (Inside Housing, 2003c). The conclusion of an Audit Commission report of the first eight ALMOs clearly indicated the privatisation agenda:

> "ALMOs are already beginning to consider how they might develop once they have secured the decent homes target. Some are concerned about the prospects for a shrinking organisation as right-to-buy sales erode the housing stock, while others are faced with problems of low demand. In order to remain viable in the long term, ALMOs are looking for opportunities to sustain or grow their organisations, for example, by diversifying into new services or markets." (Audit Commission, May 2003a).

This could put pressure on ALMOs to move into development and regeneration and possibly seek to take over local authority regeneration functions.

5 Risk Matrix for ALMOs

The Risk Matrix identifies the key risks faced by ALMOs. Many of these risks are specific to ALMOs, others may arise with other options but they assume greater importance with an ALMO because of its arms-length relationship to the rest of the council. The Matrix is centred on eight key issues – democratic accountability, housing strategy and policy, finance, tenant participation, service integration, management practice and change management strategy, organisational structure and culture, and employment and industrial relations.

ALMO Risk Matrix

Democratic Accountability

- Board management structure appears participative but key policy decisions made in management dominated sub-committees and subsidiaries.
- ALMO develops its own corporate policies that may conflict with council corporate policy priorities, making implementation more difficult.
- Poor reporting-back arrangements by council representatives result in ALMOs becoming more operationally distant from council
- Council representation on the Board (max one third) has limited influence in policy decisions, causing friction between ALMO and council.
- Scrutiny has difficulty in assessing ALMO performance and practices because it does not agree to full disclosure and transparency.

Housing Strategy and Policy

- ALMO management seek to establish partnership deals with housing associations, private developers and contractors opposed by tenant representatives and the council.
- Dispute over interpretation of council housing strategy as ALMO seeks to justify increased land sales and demolition.
- ALMO fails to meet the Decent Homes target.
- ALMO decides to outsource certain housing management, repair and improvement functions despite opposition from tenants, trade unions and many elected members.
- Disputes between ALMO and DSO more difficult to resolve because of different policy and organisational interests.
- Disputes arise between ALMO and other council services over responsibility and funding of environmental improvements.
- ALMO develops post 2010 strategy based on sale/merger with RSL or developer including transfer of council housing stock and land.
- ALMO widens its horizons and targets takeover of council regeneration and economic development activities to provide a more ‘comprehensive and holistic service’.

Finance

- Capital spending programme inadequate to meet Decent Homes Standard and ALMO must seek additional finance and/or make cuts.
- Council has a budget crisis resulting in dispute with ALMO over cuts/ring-fencing and sale of assets.
- Failure to obtain/retain two or three-star performance rating, resulting in central government withholding borrowing permissions and dispute between council and ALMO over causes and remedies.
- Disputes arise between ALMO and Housing Strategy over policy or Right To Buy capital receipts.
- Short-term financial crises push ALMO into PFI projects for several estates despite community/council opposition.

Tenant Participation
• Tenant Board members sucked into management responsibilities and corporate culture causing rift with other tenant's representatives. • Tenant representatives regularly out-voted and marginalised by council and 'independent' members leading to disputes between Tenant Board members and tenants organisations. • Conflict between Tenant Board members and tenant association/federation representatives over campaign strategies and policies. • Failure to coordinate community participation because ALMO and council services fail to agree on methods, timing and/or cost sharing.
Service Integration
• Operational separation between ALMO and council inhibits co-ordinated delivery. • Lack of co-operation between ALMO and other council directorates – increased competition over organisational status and funding. • ALMO demands payment for all work connected with service integration and neighbourhood management, which it regards as an additional responsibility, resulting in continuing disputes.
Management Practice and Change Management Strategy
• Failure to devolve management responsibility to local level and to empower staff. • ALMO only responsible for housing staff and fails to develop qualitative and comprehensive change management programme. • ALMO fails to implement compatible change management at same time and/or at same pace as the council. • Narrow service and professional interests, exacerbated by ALMO delay and/or narrow scope of joined-up service delivery and neighbourhood management. • ALMO draws up its own procurement policy that is less comprehensive and/or less stringent than council-wide policy. • Service Improvement Plan not fulfilled culminating in critical Audit Commission inspection report requiring immediate action.
Organisational Structure and Culture
• As a separate organisation the ALMO develops an organisational culture and interest focused on housing services. • Erosion of public service ethos as ALMO develops an independent commercial culture. • ALMO Board becomes strong advocate of 'localism' and 'community ownership' and other third sector proposals that conflict with council's model of neighbourhood management of local government. • ALMO seeks to increase diversity by taking over other council services, leading to community and industrial relations disputes and potential further fragmentation of council services.
Employment and Industrial Relations
• ALMO terminates delivery of support services from city council leading to job losses. • More limited career opportunities for staff which increases recruitment and retention problems. • Disputes over job descriptions, working practices, terms and conditions and redeployment/training issues relating to service integration and neighbourhood management joint working arrangements occur. • ALMO management refuse to negotiate with council-wide trade union representatives and only with ALMO reps. • Despite policy statements to the contrary, staff and trade union involvement in Best Value Reviews is limited and restrictive. • Pay rises for senior management reduces morale among frontline and support staff. • ALMO attempts to move away from national terms and conditions. • ALMO refuses ballot in national pay campaign because it argues it is organisationally separate from local government.

Centre for Public Services, 2004.

6 Key demands when an ALMO is proposed

The following key demands should be used by tenants' organisations and trade unions to identify the critical issues where an ALMO is proposed. Tenants' organisations and trade unions should require unqualified answers, in writing at the start of the options appraisal process. The aim is to challenge the assumptions underpinning the ALMO model and to contribute to a strategic debate about the future of council housing.

Key demands

- There must be a full and proper tenant consultation with an independently adjudicated ballot.
- An ALMO should not be formally established until a two- or three-Star Best Value rating has been achieved (otherwise ALMOs will be established at substantial cost with a limited chance of achieving the required performance level).
- Clauses should be inserted into the contract/agreement with the local authority that ensure the ALMO will return to council control after 2010.
- The contract/agreement should have an anti-privatisation clause to ensure that the ALMO will not seek to obtain ownership of council housing and/or land.
- No attempt should be made or approval given for the transfer of other council services to the ALMO.
- Tenants organisations must be fully involved in the planning, phasing and design of the improvement programme.
- Full social, economic, equalities, environmental and sustainability impact assessments of all the options should be undertaken as part of the options appraisal.
- The Private Finance Initiative (PFI) or other privately financed projects should not be part of the ALMO agenda.
- There should be no outsourcing of services by the ALMO.
- There should be public access to all ALMO meetings and full disclosure of information.
- The ALMO should adopt the principles and procurement strategy/policy and protocols of the local authority.
- The council should undertake regular monitoring of ALMO performance, including:
    - Scrutiny of ALMO performance every three years with wide-ranging terms of reference and tenants' organisations and trade unions invited to submit evidence;
    - Quarterly reporting of ALMO performance;
    - Annual review of improvement/investment programme and Best Value Service Improvement Plan;
    - Budget review and approval by local authority; and
    - Monitoring of procurement strategy and policy and contract compliance.
- ALMOs must be required to be committed to the integration of social and economic regeneration with their improvement and investment programme.
- Sustainability should be focussed on the longer-term viability of council housing instead of the sustainability or economic viability of a housing company.

Organisational structure and accountability

There should be:

- A minimum of 51% tenant membership of the Board and on all sub-committees.

- Council representatives on the Board of elected members who have experience and commitment to council housing.
- Tenants' organisation and trade union approval of independent Board members.
- Tenant participation in all ALMO decision-making processes.
- Continued or new funding for independent Tenants' Federations and Associations.
- Resources for tenants on the Board to have their own technical advisers and training – funded by the ALMO, selected by and accountable to tenants' organisations.
- A requirement for the ALMO to work within the council's corporate policies and priorities.

The ALMO should be responsible for a range of housing services, limited to best practice housing management, investment strategies and reducing housing and social inequalities, not on ALMO self-sufficiency criteria.

Financial aspects

- An ALMO must not seek to obtain ownership of council housing assets.
- All surpluses should be retained for investment in council housing.
- There should be no trickle transfers or sale of estates/land without tenant approval.
- There should be no salary hikes for senior staff unless it is part of a package for all staff that addresses low pay and inequalities.
- The ALMO must comply with the council's standing orders and budget, and projects must be approved by the council.
- All changes to organisational and operational policies, working practices and opening hours should be negotiated with trade unions and tenants' organisations.
- Full financial disclosure including annual accounts, director's pay and major contracts.

Management practice

- The ALMO must adopt public service principles and ethos, not business values.
- Continued use of council support and repair and maintenance services.
- Maximum use of council specialist services and minimum use of external consultants.
- Tenant and staff representation in the change management process and Best Value Service Reviews.
- No relocation of headquarters to business parks or expensive offices.
- Tenant involvement in comprehensive monitoring of contractor performance in the improvement programme.
- Partnering agreements with contractors obtained through the council's procurement strategy/policy, with full tenant and trade union involvement and full disclosure of the partnership agreement.
- Full implementation of the CRE Rented Housing Code of Practice and the Equality Standard for Local Government.

Quality of employment

- Secondment of staff to ALMO rather than transfer.
- If staff are transferred then full application of Code of Practice on Workforce Matters and avoidance of two-tier workforce must be undertaken.
- Staff and trade union involvement in change management and Best Value reviews.
- All changes to organisational and operational policies, working practices and opening hours, are negotiated with trade unions.

These demands raise many fundamental questions about the role and functioning of ALMOs….

….If local and central government are truly interested in modernisation, not privatisation, they will have no problem in agreeing to the points and requests made.

7 Conclusions and way forward

The forthcoming Spending Review 2004 provides an important opportunity for the government to create a 4th additional investment option for the future of council housing. Without a fourth option, there will be fewer and fewer local authorities able to sustain direct housing management and they are likely to come under increasing government pressure to follow the ALMO, LSVT or PFI route. The future of council housing is under threat.

In theory, ALMOs could have been a short-term solution to access additional investment and then revert back to the stock retention model. However, although no local authority could openly profess this as a strategy, there now appears to be little chance of this happening. ALMO Boards and managers will surely strongly resist such a move.

ALMOs are clearly partial privatisation with the elements of a second stage already emerging. This could also mean the end of local authority housing repair and maintenance DSOs. A Labour Government could oversee the demise of DSOs which was a long-held but unfulfilled aim of Conservative governments in the 1980s and 1990s.

Less choice for tenants and fewer local housing organisations as a result of mergers and takeovers between housing associations and between associations and ALMOs is hardly the substance of sustainable communities or ‘democratic renewal’.

In future there could only be three tenure options in Britain, home ownership and renting from either a housing association or a private landlord. This is a substantial reduction in choice for tenants.

This report has demonstrated that in order to provide tenant’s choice, sustainable investment, democratic accountability and to safeguard the important role of council housing as a distinct tenure, then the government should immediately implement the 4th option. The case for increased council housing investment should be made on these points of principle and practice. The demand for a ‘level playing field’ only promotes further competition and marketisation.

References

Audit Commission (2004) Improvement Drivers in Local Authority Housing, London.
-------- (2003a), ALMO Inspections: The Delivery of Excellent Housing Management Services, London: Audit Commission (March).
-------- (2003b), ALMO Inspection Reports (Various), accessed 29/07/2003
Barker Review (2004) Review of Housing Supply, Final Report, HM Treasury, London.
Burgess, J & Leer, D (2003), 'Give council tenants a ballot', Hendon & Finchley Times, 20/10/2003
Centre for Public Services (2002), Our City is Not for Sale: The Impact of National, European and Global Policies, Newcastle City Council Trade Unions (September).
-------- (2003), Nottingham is Not for Sale, Nottingham: UNISON
-------- (Forthcoming), Procurement and Commissioning Briefing, Sheffield: Centre for Public Services.
Defend Council Housing (2003), 4-Page Broadsheet, June 2003, DCH: London - www.defendcouncilhousing.org.uk/dch_resource.cfm
-------- (2003) The Case for Council Housing, various contributors.
-------- (2004) Direct Investment in Council Housing, February.
Department for Transport, Local Government and the Regions (2002), A Decent Home: The Revised Definition and Guidance for Implementation, London: DTLR.
Department for the Environment, Transport and the Regions/Department of Social Security (2000), Quality and choice: A decent home for all, DETR/DSS (April)
Edgeware & Mill Hill Times (2003), Legal battle over housing, www.edgewaretimes.co.uk (04/12/2003)
HACAS Chapman Hendy (2003), ALMOs Now, London: HCH (February).
Highbury & Islington Express (2003), Ballot on ALMO is agreed – but can it be fair?
HM Treasury (2004) Budget 2004: Prudence for a Purpose: A Britain of Stability and Strength, HMSO, London.
House of Commons (2003) Select Committee on Public Accounts: 40th Report, Improving Social Housing Through Transfer, HC 590, London.
-------- (2003a) Select Committee of Office of Deputy Prime Minister: Written evidence from the Local Government Association, December.
-------- (2003b) Select Committee of Office of Deputy Prime Minister: Written evidence from the Local Government Information Unit, December.
-------- (2003c) Select Committee of Office of Deputy Prime Minister: Written evidence from UNISON, December.
-------- (2003d) Select Committee of Office of Deputy Prime Minister: Written evidence from ODPM, December.
Housing Signpost (2003), Housing Private Finance Initiative: The Third Bidding Round, Housing Signpost (Issue 17): ODPM, London
Housing Today (2003), We must allow council tenants a sensible choice: Karen Buck, 28/03/2003
Inside Housing (2002), Haringey ALMO plans grind to a halt over start-up costs, 15/11/2002
-------- (2003a), ODPM warns: No 'fourth way' for Camden, 12/09/2003
-------- (2003b) No hope of cash for no-star council, 28/11/2003
-------- (2003c), Anger as government delays ALMO freedoms, 28/11/2003
-------- (2004a) Birmingham looks beyond three options to meet decency target
-------- (2004b) Derby Homes looking for a bigger playing field, 20/4/2004
-------- (2004c) Super powers for ALMOs, 23/4/2004
Institute for Fiscal Studies (2004) The IFS Green Budget, London. www.ifs.org.uk
Local Government Association (2004) LGA Challenges Minister, Press Release 030/04, London.
Local Government information Unit (2003), Forthcoming Legislation, Queen's Speech, London: LGIU (26/11/2003)
Miles Review (2004) The UK Mortgage Market: Taking a Long-Term View, Final Report and Recommendations, HM Treasury, London.
National Audit Office (2003) Improving Social Housing Through Transfer, HC 496, Session 2002/03, London.
National Housing Federation (2003), Decent Homes Pilot Study Website – http://www.nhfdhs.co.uk accessed 09/07/2003.
Newcastle City Council (2002), Housing options Appraisal, Phase II Draft Report, 24th July
Newcastle Tenants Federation (2001) Stand Up for Council Housing: A Manifesto for Council Housing..
Office of the Deputy Prime Minister (2002) A Way Forward for Housing Capital Finance, London.
-------- (2003a), Housing Action Trusts, London: ODPM (www.odpm.gov.uk)
-------- (2003b), Review of the Delivery of the Decent Homes Target for Social Housing, London: ODPM (March)
-------- (2003c), Press Release: Fall in number of homes below Decent Home Standard, London: ODPM (21st July)
-------- (2003d), Sustainable Communities: Building for the Future, London: ODPM, available at: www.odpm.gov.uk/communities/plan/main/index.htm
-------- (2003e), Guidance on Arms Length Management of local authority housing, London: ODPM (March)
-------- (2003f) Housing Transfer: Removing barriers in the Transfer Process to Facilitate Innovative Private Finance and Deliver Successful Transfers: A Consultative Paper, London, (October).
-------- (2003g) Written Evidence to ODPM Select Committee, December, London.
Roof Magazine (2003), Risky Business, London: Shelter (January/February 2003)
Social Housing (2003a) Transaction Costs of Large Scale Voluntary Transfers, July.
-------- (2003b) Glasgow transfer unlocks public-private funding for £2.25 billion works, April.
This is Hertfordshire (2003), Stand up for Cash, www.thisishertfordshire.co.uk (7/10/2003).

About the Centre for Public Services

Our Services

The Centre for Public Services provides research, strategy, evaluation and planning services to national, regional and local government bodies, trade unions and community groups. Find out what we can do for you by visiting our website at www.centre.public.org.uk/services

Forthcoming from the Centre for Public Services

Procurement and Commissioning – a comprehensive guide to using procurement and commissioning strategy to achieve well being.

Also from the Centre for Public Services

Mortgaging Our Children's Future

A comprehensive guide to the privatisation and reform of secondary education with special focus on the political, social and economic agenda that underlies it. Separate sections analyse:

- Structural adjustment of public and private sectors
- The Private Finance Initiative
- Education Action Zones
- Diversity, Markets and Selection
- Excellence in Cities
- Specialist Schools, schools companies and City Academies
- Making markets and privatisation Local Education Authorities
- The European and Global context for education privatisation.

IBSN 1 897692 15 3 June 2003

Price £10.00 + £2 p&p.

The Investigator's Handbook :A Guide to Investigating companies, organisations and individuals.

"This is the new handbook for democracy. Order it now." Hilary Wainwright, Red Pepper

"This useful handbook provides easy paths to finding the information needed to investigate a company organisation, individual or quango", Labour Research

"This perfectly formed handbook lists hundreds of information sources – a gold mine for any investigator" Health Matters

The Investigator's Handbook is a unique guide to finding all you need to know about:

- Companies
- Public bodies and quangos
- Central, regional and local government
- Options appraisal and impact assessment
- PFI and partnership projects
- Developers and contractors
- International organisations and policies
- Education and community learning
- Potential appointees to public bodies

IBSN 1 879692 14 5 February 2003

Price £10.95 + £2 p&p

All our publications and details of how to obtain them are on our website at www.centre.public.org.uk/publications

Or

Affiliate to the Centre for Public Services to receive **all** our publications for free. See our website for more details: www.centre.public.org.uk/affiliation

Centre for Public Services
1 Sidney Street,
Sheffield S1 4RG
Tel. 00 44 (0)114 272 6683
FAX 00 44 (0)114 272 7066
Email: mail@centre-public.org.uk
www.centre.public.org.uk

The Centre for Public Services is an independent, non-profit organisation. Its is committed to the provision of good quality sustainable public services by democratically accountable public bodies implementing best practice management, employment and equal opportunities policies. The Centre was established in 1973 and operates nationally from a base in Sheffield.

Price

Local Authorities and Public Bodies:	**£15.00, 10 copies for £100**
Individuals, Tenants and Trade Unions:	**£7.50, 5 copies for £25**

£2 p&p