

LOCAL GOVERNMENT AND HOUSING COMMITTEE

MINUTES OF COMMITTEE MEETING

Date: Thursday 23 November 2000

Time: 2.00pm to 4.55pm

Venue: Committee Room 2, National Assembly Building

Attendance:

Members:

Gwenda Thomas Neath

(Chair)

Edwina Hart Gower

(Minister)

Peter Black South Wales West

(Deputy Minister)

William Graham South Wales East

Pauline Jarman South Wales Central

Peter Law Blaenau Gwent

Janet Ryder North Wales

In attendance:

John Perry Policy Director, Chartered Institute of Housing

Rhian Thomas	Policy Officer, Chartered Institute of Housing
Graham Findlay	Access Officer, Disability Wales
Roger Howard	Company Secretary, Welsh Tenants Federation
Owen Burt	Regional Director, South Wales, Shelter Cymru
Derek Gregory	President, Wales TUC Cymru
Nick Blundell	Wales TUC General Council
Pam Baldwin	Wales TUC General Council
Colin Meech	National Officer, UNISON
Darron Dupre	Research Officer, Wales TUC Cymru
Lynda Bransbury	Head of Social Affairs, Welsh Local Government Association
Judy Wayne	Expert adviser
Dylan Hughes	Office of the Counsel General
<i>Secretariat:</i>	
Martin Stevenson	Clerk
Phil Mulraney	Deputy Clerk

Introductory remarks

1. The Chair welcomed Members to the meeting, which provided an important opportunity to hear the views of a number of organisations on housing stock transfer as part of the ongoing policy review.

Item 1: Apologies and substitutions

2. Apologies for absence were received from Janet Davies and Tom Middlehurst. Pauline Jarman was substituting for Dai Lloyd.

Item 2: Declaration of interests

3. The following declarations were made:

- Peter Black said that he was a Member of Swansea City and County Council;
- William Graham said that he was a Member of Newport County Borough Council;
- Pauline Jarman said that she was a Member of Rhondda Cynon Taff County Borough Council;
- Janet Ryder said that she was a Member of Ruthin Town Council.

Item 3: Policy review of housing stock transfer: Oral consultation session

Chartered Institute of Housing

4. John Perry explained that he was the Institute's UK Policy Director, and that he had been a Member of the Welsh Office Working Party on 'Securing Additional Investment in Local Authority Housing through Private Finance'. He said that the Institute had three main concerns in relation to stock transfer:

- The large backlog of repairs required by council housing across Wales necessitated a massive investment, and it was important that the National Assembly should set a target for tackling it.
- The Institute wished to ensure that tenants and housing departments were able to select the most appropriate solution from a range of options, including some which enabled councils to retain ownership.
- The Institute felt that any vehicle which took over either control or ownership of the housing stock should be locally based and locally accountable.

5. John Perry said that the backlog of essential repairs and modernisation work to the council housing stock had been costed at around £750 million. He urged the National Assembly to produce a definitive assessment of the size of the backlog and to set a target of tackling it within a period of ten years, similar to the target which had been set in England. This would of course mean identifying how it would be resourced.

6. In discussion it was noted that there were three main options which would secure the investment necessary to improve the stock and allow the stock to remain in local authority control:

- The Private Finance Initiative approach. This allowed the council to retain ownership of the stock, but it was necessary to contract out maintenance and improvement programmes, and possibly management, for a period of 20 to 30 years in order to attract

the necessary private finance. In England eight 'Pathfinder' projects, which were all stock renovation schemes, were about to get under way.

- Resource accounting and budgeting, which would change the accounting treatment of council housing. In England resource accounting was being introduced for all remaining local authority housing from April 2001, together with a new Major Repairs Allowance for stock maintenance. With these arrangements, some councils with better quality stock might be able to generate sufficient investment to carry out the necessary repairs.
- Arms-length companies, which would be set up by councils to manage their housing stock. The proposal in the Housing Green Paper was that these companies would have the ability to raise investment funds, but this option was likely to be available only to a few authorities which were considered to be excellent performers. Furthermore, the investment would still score as public expenditure.

7. John Perry said that in many ways, conventional borrowing would be the preferred approach to securing the necessary investment, were it not for the sheer size of the backlog of repairs facing local authorities. There was, however, the possibility that the Private Finance Initiative or stock transfer options might be capable of delivering greater efficiency and improved services to tenants.

8. The following other points were raised in discussion:

- The Public Private Partnerships Programme (4Ps), an offshoot of the Local Government Association, had been heavily involved in proposals for Private Finance Initiative housing schemes and would be able to provide the Committee with detailed advice.
- In terms of evaluating the cost-effectiveness of the Private Finance Initiative option, John Perry said that there was no doubt that the Private Finance Initiative compared favourably against stock transfer in terms of the implications for the Public Sector Borrowing Requirement. This was a reflection of the fact that stock transfer was a more ambitious option, which involved financing the purchase of the stock and not just the necessary repairs. However, it was noted that any evaluation of the different models was sensitive to the assumptions made, particularly for the level of discount rates and the costs to the rest of the local authority's finances.
- The regeneration of the Penrhys Estate provided an example of what could be achieved within existing financial models by adopting a bottom up approach and ensuring that the local community was fully involved in regeneration projects.
- The treatment of overhanging debt after stock transfers had taken place would be of particular importance for Wales. It was noted that in England the Department of the Environment, Transport and the Regions had agreed to make one-off special payments to enable local authorities to redeem their debt.
- John Perry said that it was not yet clear whether Urban Regeneration Companies might have a role in improving the council housing stock. The companies which had been established in England had been focused on the regeneration of commercial areas rather than housing.

9. The Chair thanked John Perry and Rhian Thomas for their contribution. She said that she would consider the suggestion that the Public Private Partnerships Programme might be invited to give their views to the Committee.

Disability Wales

10. Graham Findlay outlined the major areas of concern for disabled people in relation to the emerging stock transfer model. These were:

- The paucity of information on the availability of accessible housing, both in the private and social sectors. Better information on the supply of, and demand for, accessible housing was required. Stock condition surveys which had to be undertaken prior to any transfer provided a good opportunity to conduct accessibility audits.
- Stock transfer provided a good opportunity to enhance poor accessibility to older dwellings through the incorporation of some of the lifetime homes standards.
- Disabled people should be invited onto the Boards of stock transfer organisations in order to ensure that housing issues affecting disabled people were kept under active consideration.
- Whatever stock transfer models were adopted, it was vital that disabled people's organisations were fully consulted at the community level.
- The strategic role of local authorities was crucial in encouraging the assessment and quantification of housing need relating to disabled people. The role of the local authority was particularly important in relation to the development of accessible housing registers.

Graham Findlay felt that the implementation of these suggestions would contribute towards the achievement of the target to 'Adapt homes for disabled people and help many to continue to live independently' set out in *betterwales.com*, the National Assembly's strategic plan.

11. The following points were raised in discussion:

- Members endorsed the suggestion that accessibility audits should be undertaken as part of stock condition surveys. They also supported the adoption of lifetime homes standards so far as possible during the stock transfer process. It was noted that in terms of accessibility, the design of estates was relevant as well as the design of individual homes.
- The Committee felt that it was important that all groups should be represented on the tenant side of any management system.
- It was suggested that stock transfer organisations should be required to fund adaptations for disabled people, so that those involved did not have to rely on the Disabled Facilities Grant.
- Another suggestion was that local authorities might be asked to identify dwellings

suitable for occupation by disabled people, which would then be exempt from stock transfer, in the same way that they had identified similar exemptions from the Right to Buy programme. This would help to maintain the stock of accessible housing.

12. The Chair thanked Graham Findlay for his contribution.

Welsh Tenants Federation

13. Roger Howard explained that tenants generally feared change and had to be convinced that they would benefit from any changes. There were three main areas which had to be addressed if the stock transfer model was to gain the confidence of tenants:

- Stock condition surveys carried out prior to transfer were not sufficient. A more complete tenant and community impact report would give a fuller picture of housing need and provision, and of the facilities which were needed to ensure the viability of the community.
- Tenants must be empowered. They must be involved at all stages of the process, including in the appointment of the independent tenant advisor. There was also a need to ensure that all tenants were involved, not just those who were active in tenant organisations.
- Transfers had to be small-scale and community based rather than involving the whole council stock. This approach would facilitate the National Assembly's aims in relation to community regeneration.

14. The following points were raised in discussion:

- Members felt that it was essential that in any stock transfers there were safeguards on tenant involvement and objectivity of advice. Special efforts should be made to ensure that tenants in vulnerable categories, for example, the elderly, were provided with objective information and advice.
- It was important for tenants to be consulted from the start of the options appraisal process, and not just when a decision had been made to carry out a stock transfer.
- There was support for the work which was in hand to develop a Tenant's Charter. It was noted that this was addressing the issue of how to monitor the delivery of commitments made by landlords.
- Tenants were less concerned with processes than with outcomes. It was the management rather than the ownership of social housing which was their prime concern (and hence there was no automatic preference for a Private Finance Initiative scheme rather than a stock transfer). On the whole tenants were reasonably satisfied with the performance of local authorities and would need to be persuaded of the benefits of

taking either the management or ownership of the stock out of their hands.

- It was suggested that there should be a requirement on stock transfer organisations to include in their proposals an element of community development.

15. The Chair thanked Roger Howard for his contribution.

Shelter Cymru

16. Owen Burt said that the starting point for Shelter Cymru in examining any option for local authority housing was that:

- There should be real choices for tenants and prospective tenants.
- There should be the best possible provision of suitable, affordable homes for people in housing need.

For real choice to be exercised by tenants, it was important that there should be a level playing field between social housing providers. This would require a change in the local government finance system, to allow authorities to establish local housing corporations which could borrow money from the private sector without it scoring against the Public Sector Borrowing Requirement.

17. Stock transfer did raise a number of issues, including the capacity to raise finance; the efficiency of management; the controls over allocation and rents; and the question of accountability to tenants and the local community. For existing tenants, there were concerns that a transfer could lead to higher rents and less security of tenure. It was also important to bear in mind the interests of prospective tenants. There should be a good supply of affordable housing, with rents levels for new tenants the same as for existing tenants. Independent advice should also be available to tenants, both on an ongoing basis and in the context of any proposals to transfer the stock.

18. Owen Burt said that Shelter Cymru felt that the case for increasing investment in social housing was inescapable, in order to ensure that everyone in Wales had a decent home within a reasonable timescale. It was important to recognise the central importance of good housing to other policy areas, particularly health and education.

19. The following points were raised in discussion:

- There was concern about the impact of stock transfer on rent levels. Owen Burt said that Shelter Cymru were keen to see rents which were affordable to people on low incomes. He felt that rents levels should be the same between local authority and housing association sectors.
- There was some discussion about whether stock transfer organisations should

undertake strategic housing functions, such as managing the waiting list or the provision of advice services, on behalf of local authorities. Owen Burt felt that, provided democratic accountability was being maintained through tenant involvement, what really mattered was the standard of service rather than who was providing it. It was noted that the standards of service for any strategic functions managed by a stock transfer organisation should be covered by a protocol with the local authority.

- There was concern about how best to ensure that the views of the homeless were taken into account by local authorities during the options appraisal process. Owen Burt said that the homeless were not a homogeneous group, but part of the local community. Ideally they should be included in whatever consultation processes were in place locally, although it was recognised that responding to consultation exercises was unlikely to be a priority for homeless people. Owen Burt said that Shelter Cymru would be willing to contribute to any consultation exercises, although they would not be in a position to represent local communities.
- Members expressed concern about the impact of homelessness on children in particular. Owen Burt felt that the consequences were severe and widespread. He said that in England Shelter had included children in consultation exercises, and he saw no reason why this should not be repeated in Wales.

20. The Chair thanked Owen Burt for his contribution.

Wales TUC Cymru

21. Derek Gregory thanked the Committee for the opportunity to expand on the views in the written submissions which had been made by UCATT and UNISON, explaining that the Wales TUC was against stock transfer in principle. They believed that local authorities had served their communities well in terms of social housing. Although there had been a problem of under-funding over many years, it was felt that this was largely attributable to the inadequacy of the Public Sector Borrowing Requirement as a measure of public sector debt. The Wales TUC did recognise the need to address the backlog of repairs and essential modernisation for council housing, but their preferred option was to change H M Treasury's rules in order to give local authorities greater freedom to borrow.

22. The Wales TUC were also concerned about the considerable job losses which could result from stock transfer, and they had estimated that up to 6,000 jobs were at risk both in Direct Service Organisations and housing administration. Many of these jobs were in West Wales and the Valleys, and their loss would make it difficult to achieve the targets in the Objective 1 Programme Document. Pam Baldwin expressed concern about the impact of stock transfers on staff, particularly the gradual erosion of terms and conditions over time, even though they had been protected initially under the TUPE regulations.

23. The Wales TUC was also concerned about the wider impact of stock transfer on democracy and accountability. Nick Blundell felt that the presence of tenants and local

authority representatives on the Board of the stock transfer organisation provided only a limited safeguard. In practice the organisation would be at the mercy of the lending institutions, and the Board would always have to put the interests of the organisation ahead of any social considerations. There was also a concern that the tenant and local authority representation would be eroded with any subsequent split transfers.

24. Colin Meech said that the stock transfer process was being underwritten by public money, for example, with higher rents largely being paid for by housing benefit, grants to clear overhanging debt, consultants and legal fees, debt brokerage costs. There were also concerns about the extent of tenant participation in the process, as tenants were being consulted only after a decision had been made to proceed with a stock transfer, rather than at an earlier stage when alternative options were under consideration.

25. The following points were raised in discussion:

- It was suggested that councils should consult tenants at an early stage in the options appraisal process. Tenants should be given the opportunity to express a preference between a range of alternatives, rather than just being given one option.
- Similarly Members felt that it was important for staff to have the opportunity to make their views known at an early stage in the options appraisal process.
- It was noted that the TUPE regulations protecting terms and conditions would apply only to those staff who transferred to the stock transfer organisation, and not new staff. Colin Meech said that this led to the development of a two-tier workforce. In addition, there had been instances where pressure had been brought to bear on transferred staff to sign new contracts.
- One other concern with stock transfer was the fact that new tenants could pay significantly higher rents than transferred tenants, who would benefit from whatever guarantees had been given at the time of the transfer. The development of a two-tier rent structure could become socially divisive.
- It was noted that a consultation exercise on the Private Finance Initiative had recently been undertaken. This approach would allow the local authority to retain ownership of the housing stock, although it would no longer be responsible for housing management. The Wales TUC said that they were opposed in principle to the Private Finance Initiative, given that it was more expensive than other forms of finance in the long-run. There were also negative implications for staff working in the public sector.
- Derek Gregory suggested that stock transfer was in danger of undermining the National Assembly's work to tackle social deprivation, in that stock transfer organisations would be driven by financial considerations rather than the social agenda.

26. The Chair thanked Derek Gregory and the other members of the TUC team for their contribution.

Welsh Local Government Association

27. Lynda Bransbury said that the Welsh Local Government Association's position was that there had to be viable alternatives to stock transfer, not least because ways had to be found to improve the housing of tenants who wished to keep the local authority as their landlord. Alternatives were needed which not only allowed local authorities to retain ownership but also the management of their housing stock and secured the additional investment required for repairs and improvements. The majority of local authorities considering stock transfer were doing so because they could not find any alternative ways of funding the necessary investment. The Association felt that the National Assembly should be seeking some relaxation of H M Treasury's rules, so that local authorities could operate on a more even footing with registered social landlords.

28. The Welsh Local Government Association supported the kind of arms-length housing companies which the Chartered Institute of Housing had described in their presentation. It would not want such an option to be limited to the 'best performing' authorities, as had been proposed in the Housing Green Paper. The establishment of arms-length companies would be worthwhile in Wales only if it included mechanisms that allowed the majority of authorities access to additional finance for repairs and improvements.

29. The Association felt that the Private Finance Initiative was more attractive than stock transfer, because local authorities would retain ownership of their stock. However, where private finance resulted in management control being transferred for many years, the implications for staffing and democratic accountability would be comparable with stock transfer. In addition, there was concern about the long-term cost implications of Private Finance Initiative schemes, although the Association was hopeful that the outcome of the English pilot schemes might result in a more cost-effective process.

30. Lynda Bransbury said that the Welsh Local Government Association was committed to increasing tenant involvement in housing issues, and they had supported the development of Tenant Participation Compacts. The Association felt that these Compacts should form the basis for an on-going dialogue with tenants, including consideration of appropriate ways to invest in repairs and improvements. They felt strongly that local authorities and their tenants should be free to decide what arrangements would work best locally, so that it was not appropriate to impose a national model for stock transfer.

31. The Association also considered that the current levels of prescription in the National Assembly's stock transfer guidelines were inappropriate and that tenant-led initiatives would be encouraged if there were more freedom for local decision making on the size and type of any transfer. It would be useful for the Committee to look at how the development of tenant-led regeneration in Rhondda Cynon Taff was being affected by the stock transfer framework put in place by the National Assembly.

32. The following points were raised in discussion:

- There was some discussion about whether there should be any restrictions on how a local authority might use any surplus capital receipts arising from a stock transfer. One possibility was that there would be a requirement for the surplus receipts to be reinvested in local communities. Lynda Bransbury said that she would consider this point and write to the Committee.
- The Welsh Local Government Association wished to look more closely at the proposals in the National Assembly's draft housing strategy, such as resource accounting and the Major Repairs Allowance. They felt that these developments would be advantageous only if they brought new money for investment in the housing stock and did not simply result in existing resources being recycled differently.
- Lynda Bransbury suggested that the most important priority for the National Assembly was to clarify quickly which financial options were and were not viable and then for local authorities to have a period of stability and certainty regarding those options. Otherwise, the action required to secure the necessary investment would continue to be delayed. There were two main factors which were causing authorities to delay making decisions. First, it remained unclear whether certain options would fall within H M Treasury's rules (one example was securitisation, on which at least at least one authority in Wales had undertaken a lot of work). Second, some of the options in the draft national housing strategy might encourage authorities to wait and see whether they could find an alternative to stock transfer.

33. The Chair thanked Lynda Bransbury for her contribution.

Committee Secretariat December 2000