

Evidence for the Council Housing Group Inquiry from Leeds Tenants Federation

Background

There are around 58,000 council homes in Leeds managed through three ALMOs. The ALMOs are due to complete improvement works under the decency standard by mid 2011 having spent in excess of £1bn in the process. In addition three areas of Leeds council housing are now subject to PFI schemes and a bid for a further scheme for lifetime homes across the city has been submitted to the HCA.

Resources required to fund the management, maintenance, repair and improvement of stock

In capital investment, Leeds City Council received in 2008/09 a Major Repairs Allowance of £37m with additional investment resources under the decency programme of £36m. It is anticipated in a Council Executive Board report in January 2009 that after 2010/11 capital resources available to maintain Council housing will fall to around £50 million as compared to in excess of £150 million at the peak of the decency programme. The report points out that there is a need to deliver on wider investment needs such as lift replacement and statutory works such as aids and adaptations. It is also important to note that the decency funds could only be spent on the homes themselves and there is a pressing need for spending on the environment of council estates – boundaries, paths, parking. Leeds ALMOs did not have sufficient resources to adopt a ‘decency plus’ standard, of the sort seen in stock transfer organisations. Therefore only homes with deficient *and* old kitchens and bathrooms got replacements and central heating systems were installed at a cost to the tenant, to be paid for in a lease agreement taken as extra rent.

In revenue the Management and Maintenance allowance per council home for Leeds is set at £1,645.35. This means that with a guideline rent of £2,799.03, every council household paid the government £1,153.68 in negative subsidy (daylight robbery) last year. Rents themselves are expected to rise to over 6% this year, based on the government’s guideline rent. Leeds Tenants Federation has grave concerns about the affordability of social housing rents. Research sponsored by local housing associations shows that the lowest paid work council tenants spend 42-53% of their weekly income in rent. For households at the bottom end of the wage scale, there is a real issue of affordability in the social housing sector. Both council and housing association homes are becoming unaffordable to those on the bottom 10% of earnings. High rents mean that social housing tenants are forced into the poverty trap. If they depend on housing benefit to pay their rent, they may be unable to afford to keep their home, once they get a job. There is a real danger that soon the only way someone can afford a council or housing association home is by being on benefit.

Building new council housing

At present only a handful of social rented homes are being built in Leeds. Last year only 27 social rented homes were built through Section 106 agreements, while the Housing Corporation's Approved Development Programme for 2008/11 will fund the development of a mere 218 social rented homes over the next three years.

There has been a policy bias towards building homes for sale, through low cost home ownership, homebuy and shared equity. The majority of all new affordable homes built in Leeds have been of this type and for every one new social rented home developed, eight publicly subsidised homes have been built and sold to home owners.

Despite this Leeds City Council has been keen to show they can build new council homes. They plan to develop 27 new council homes using Section 106 money from commuted sums and capital receipts from land sales, with the involvement of an RSL partner and HCA grant funding.

It should be clear from the complex financial intricacies of this development that the only way that Leeds City Council could develop council homes on any significant scale would be if the housing subsidy settlement was to be significantly changed or if it were to be able to bid with any likelihood of success for development grant, and this would again mean major changes to the approved development programme.

It is unlikely that the removal of negative subsidy and the ability to keep its rents would provide enough revenue for Leeds council to build council homes within government prudential borrowing rules. In addition the council is unlikely to generate much in the way of capital receipts in this current recession and commuted sums raised in the past have all been allocated. Therefore only a housing revenue subsidy that provided additional resources to Leeds on top of its rental income would support the borrowing required for housing building on any real scale.

The other route to building is through the HCA's approved development programme but only if this is opened to bids from 1 and 2 star ALMOs. Furthermore the current restriction of grant to only 40% of the development costs would need to be lifted, because ALMOs are unable to borrow the remainder from the private money market. It should be noted that the HCA is continuing to call for the same efficiency measures that have led to the merger of housing associations, and the creation of a super-league of developers and that the approved development programme remains as competitive and restricted as it was. Government concern to create so-called 'mixed communities' mean that the approved development programme is still not producing a majority of social rented homes and that public subsidy is going to create intermediate market renting while the collapse of the housing market rules out the development of homes for direct sale.

Conclusion

Leeds City Council needs at least £100m in capital resources to maintain its council stock but will only have £50m from 2011. Furthermore it loses over £1m in rent per

household every year. To continue decency work to the standards expected by tenants and to make any improvements to our neighbourhoods, the council would require in excess of £150m each year.

To build more than a token number of new council properties would require the return of the sort of central government housing subsidies seen at the height of the post-war building programme. We need at least 2000 new affordable homes to be built each year in Leeds to meet the needs of the growing population. Shelter's assessment of unmet need raises this to a much higher figure. This year we will be lucky if 300 affordable homes are built.

At the height of the 1945-1970 council house building programme, over 170,000 council homes were being built in the UK each year. Last year we saw only 20,000 social rented homes built. No tinkering with the current system is going to address our housing crisis. We need a council house building programme on a post-war scale and we need it yesterday.

Leeds Tenants Federation February 2009