

## 5 Housing

As in education, the government has sought to control local authorities in order to implement its housing policies following the 1987 general election. The legislation is designed to alter the role of local government as a housing provider in a fundamental way. Previous legislation could reduce local authorities' housing stock only by tenants exercising the right to buy. The 1988 Housing Act allows local authority stock to be transferred to other landlords. The 1989 Local Government and Housing Act complements the change by moving council house rents more toward the market level, thus creating a financial incentive for transfers. The aims of the reform are to increase consumer choice in housing and reduce the dominance of the local authority as a provider of rented property. Though these aims are clear, achieving them has not proved easy.

Initially it appeared that Housing Action Trusts (HATs), with the remit of acquiring and redeveloping housing in particularly run-down urban areas, would be an important part of the policy. The trusts have powers to take over local authority housing stock. Like urban development corporations on which they are modelled, HATs fit into the general pattern of creating new institutions to carry out what were formerly local government functions.

The HATs' effect on local government has so far been limited. Only five have been designated, though others may follow. Tenants have been given the right to vote on whether to accept them, but surveys show most to be opposed,<sup>2</sup> and few HATs are likely to be

approved. Tenants in Leeds and Sunderland voted against proposed HATs, and the Department of the Environment has abandoned HAT plans for Sandwell. There is no provision for Housing Action Trusts in Scotland, largely because of the proactive role envisaged for Scottish Homes, a new housing agency created through the merger of the Scottish Special Housing Association and the Housing Corporation in Scotland.

The second, and potentially more far reaching, element of the Act is tenants' choice, the measure which allows groups of tenants of a local authority to change their landlord to a housing association, a tenants' cooperative or a private landlord, all of which need to be approved by the Housing Corporation. This is decided by a majority in a ballot of the residents, with abstainers counted as being for the transfer. Turn-out must exceed 50 per cent.

The impact of the legislation depends on the extent to which property is transferred to private or other landlords, but at this stage the extent of transfers cannot be predicted. If there are substantial transfers, the housing role of local authorities will diminish greatly, continuing or accelerating the trend since 1980. They will come to cater mainly for homeless people and for specialist housing needs, together with the remaining low quality public housing.

A third part of the 1988 Housing Act allows local authorities themselves to transfer their property to housing associations or private landlords. There are some central controls on this activity. A local authority needs to gain the consent of the Secretary of State under the Housing and Planning Act, 1986. A key factor is that the organisation should be independent of the local authority. There should be no council membership or shareholding and no commercial agreements with the council.

Some local authorities favour voluntary transfers because they prefer to have a new landlord who is sympathetic to themselves as well as to their tenants. Transfers may avoid spending controls, and authorities may use the receipts as security for private loans for further building. They will, however, have to use 75 per cent of the receipts to repay debts. By February 1990, three local authorities had transferred their stock – Chiltern, Sevenoaks and Newbury – and a further seven had positive tenant ballots. In 16 other areas the tenants had rejected their councils' proposals for transfer. Partial, as distinct from total, transfers of local authority stock may gain in popularity as

they can be adapted to local circumstances and needs, and are therefore less likely to be rejected by tenants in a ballot.

Local authorities can, to a certain extent, use their experience and local influence to bring about transfers to what they see as responsible landlords. Local authorities seem to be able to exercise an enabling function under the transfers, securing nomination rights for their tenants. When local authorities' own employees are formed into a housing association running the transferred housing, links may be maintained between the authority and the housing association. On the other hand, unlike the education reforms, local authorities do not retain a statutory role for housing that has been transferred to new landlords, other than their functions concerning housing conditions and tenancies. Other than through voluntary agreement, they cannot secure nomination rights for homeless persons once the property has been transferred.

### **Housing finance**

Another influence on transfers, and one which will become more marked over time, is the reform of local authority housing finance. The government has argued that the earlier system of subsidy – with housing subsidy, rent rebate subsidy and rate support grant – led to too great a variation in the level of subsidy among authorities. To simplify the system the Local Government and Housing Act, 1989 introduced controls on the housing revenue account – the account into which rents are paid, and from which expenditure on repairs and maintenance are drawn.

A new housing revenue account subsidy replaces the three earlier subsidies. This is paid into the local authority's housing revenue account, which is more tightly defined than in the past to separate it from other local authority functions. The only other permitted source of income is rents net of rebate. Authorities continue to be required to avoid a deficit on the housing revenue account. They are not permitted to transfer funds from the general rate fund to the housing revenue account.

The aim is to promote accountability by making the rents of local authority housing reflect the cost of providing it. Local authority tenants, it is argued, are now able to make more direct comparisons with other landlords, and will be more disposed to transfer to them. In this way, rent rises, as they occur in the long run, may help to

implement the transfer provisions of the Housing Act. An additional argument for the change is that, whether tenants decide to transfer or not, housing authorities will be under greater pressure than at present to improve their performance.

Central government's hold is enhanced by the power of the Secretary of State to reduce the level of subsidy to a local authority's housing revenue account. This can be done when the account shows a surplus. An authority may also be required by the Department of the Environment to achieve a specified surplus in its housing revenue account. Depending on how these provisions are implemented, they could give a further impetus for a change of landlord on the part of local authority tenants.

In Scotland there appears to be a more centralised approach. The housing reforms have been introduced by the Housing (Scotland) Act 1988, which gives central government the power to limit contributions from the rate fund account to the housing revenue account, and also gives the Secretary of State powers to sell council houses. As in England and Wales, the early impact has been limited. In March 1990 only 3,500 homes out of 774,000 had been transferred to other landlords, mainly housing associations and tenant cooperatives.<sup>3</sup>

The reforms in housing continue the trends of previous years. Central government has acquired increased powers over local government: to create HATs, to approve transfers and to control rents and housing subsidy. Local authority discretionary powers are restricted: they lose their capacity to subsidise the housing revenue account, they are required in certain circumstances to transfer their stock, and capital controls are more stringent. Local authorities will become less important as landlords housing associations and others will become more important with the Housing Corporation playing a crucial role.

It is not clear at present what the role of local housing authorities will eventually be. The extent to which the reforms succeed depends on factors such as the popularity of tenants' choice and the rate at which resources are deployed from the private sector to finance housing associations and other social housing agencies.<sup>4</sup> Transfers have not, as yet, been extensive, and where they occur local authorities can have some say over the terms. Even when they own less housing stock, they may be able to exercise some housing functions through the agency of other organisation as when they nominate homeless

people for housing association property. They also retain their responsibilities towards the private sector, for example through the regulation of tenancies. Local authorities may in the future increasingly play an enabling role, collaborating with other agencies in new housing schemes. But how far this will happen is, again, not certain.

### **References**

1. For further details see N. Rao, *The Changing Role of Local Housing Authorities*, London, Policy Studies Institute for Joseph Rowntree Memorial Trust, 1990; also K. Spencer, 'Local government and the housing reforms', in J. Stewart and G. Stoker (eds.), *The Future of Local Government*, London, Macmillan, 1989.
2. For example a survey by Market Opinion Research International (MORI) in 1989 in the proposed HAT areas in Lambeth found a majority of seven to one against.
3. Shelter (Scotland), *Local Authorities' Response to the Voluntary Transfer Scheme*, Edinburgh, Shelter, 1990, pp.11-12.
4. See Spencer, *op.cit.*, p.98.