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Council housing is being transformed by a mix of policy processes, such that it is highly likely that it may no longer exist by the year 2020. This article looks at the reasons why, and the impact of these processes on the regional policy map.

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Council housing is still some way from reaching its centenary, accepting that it was the 1919 Housing and Planning Act that initiated the first major council house building programme. Yet it is quite feasible that council housing, in England at least, will disappear by 2020 (Malpass and Mullins, 2002), or perhaps even earlier if more recent, post-1988 housing policy initiatives continue to impact on council housing in the way that they have in recent years.

This article sets out to review the reasons for the post-1988 changes, and their impact in the Yorkshire and Humber region, before considering some of the issues that continue to hang over the future of what remains of council housing.

De-municipalization of social housing

As recently as 1980, council housing reached its zenith with around six million council tenancies and which accounted for nearly one third of homes within England (Malpass, 2000). Since then, and in every successive year, the number of council homes has been in both relative and absolute decline. In 1970, councils were still producing a total of 172,000 new council homes (LGiU, 2004), but since the early 1980s council house building has all but ended.

The introduction of the 'Right to Buy', in the 1980 Housing Act, accounted for the transfer into owner-occupation of more than 2.5 million homes (LGiU, 2004). But, since 1988, the whole scale transfer of entire housing stocks or on other occasions, the transfer of large estates, has seen the further de-municipalization of large swathes of council housing to the housing association sector.

Finally, recent years have also seen the development of 'arms-length companies' to oversee the management of much of the remaining areas of council housing.

Having successfully implemented and seen a large scale take up of their Right to Buy policies in the early 1980s, the Conservatives had by the mid-1980s moved onto considering the wider eradication of council housing as a principle form of housing provision.

The response to what became the 1989 Local Government and Housing Act was a major influence on policy development at the local level. In 1988, Chiltern District Council became the first local authority to transfer its entire housing stock to a new landlord.

Large scale voluntary transfer

At the end of 1991, some 16 councils had followed the route of what became known as 'large scale voluntary transfer' (LSVT), all of which were rural or semi-rural district councils and generally located in the south of England — but with one notable exception. Ryedale District Council broke the mould in becoming the first northern local authority to transfer its housing, establishing a new housing association (Ryedale Housing Association) to receive its 3,353 homes, at a transfer value of £28.3million.

The development of LSVT has been seen as a local initiative initially but which, by 1992, had become mainstreamed into central government policy with the establishment of an annual transfer programme and detailed procedural guidelines and advice.

Nevertheless, the period up to the Labour Government coming to power in 1997 led to a continuing scepticism about the process, whilst many larger, urban authorities held on to see if a new political regime would support stock retention.

The obvious reticence about council housing and indeed, the continuing support for de-municipalization from the incoming Labour Government, saw an increased acceptance of LSVT as a local policy 'choice', this time impacting more noticeably in the Midlands and the North. By 2003, transfers had been completed in major urban areas such as Coventry, Sunderland and Walsall, as well as more locally in Bradford.

By May 2005, there had been some 146 completed stock transfers (House of Commons Council Housing Group, 2005) with another 40 considering transfer. In addition to Ryedale and Bradford, this region had also seen whole stock transfers take place in Hambleton, Calderdale, Craven, Scarborough and, most recently, Wakefield.

But the requirement for a tenant vote, and the need for a clear majority of those voting, has meant that the process has not always gone smoothly. There have been significant 'No' votes, with the largest and the greatest impact being that in Birmingham in 2002. This vote produced a temporary hiatus with many LSVT proposals. In this region, Harrogate remains the only negative vote.

ALMOs

Under some internal party pressure to offer an alternative to LSVT, New Labour did introduce the arms-length management organisation (ALMO) option. Here the Government (potentially) made additional capital allocations available to a landlord council, but with the linked conditions of the arms-length constitution, essentially requiring the creation of a new local authority-controlled company and the necessity to achieve a 2* 'likely-to-improve' Housing Inspectorate rating before any of these additional funds could be drawn down.

Nevertheless, ALMOs have proved attractive to some local authorities as they offer extra funding without the need for transferring ownership. Twenty mainly larger urban councils had established ALMOs by the end of 2002/03, rising to 44 by May 2005.

In this region, Leeds, Kirklees and Barnsley established ALMOs but again, as with LSVT, the new ALMOs have not progressed without problems.

Achieving the necessary 2* rating has also proven problematic. A number of the six new Leeds ALMOs took more than one attempt to gain the grade and other ALMOs such as at Salford and Bassetlaw have struggled to progress beyond 1* and so have not been able to access the additional ALMO funding.

Achieving decent homes

In 2000, the Government set out in its Green Paper, *Quality and Choice: A Decent Home for All* (DETR 2000a), its proposals for raising the quality of social housing and providing social tenants with a 'decent home'. These proposals were further confirmed in *Quality and Choice:*

A Decent Home for All: The Way Forward (DETR, 2000b).

The initial decent homes standard (Table 1) has been subject to some modest review and refinement (ODPM, 2003.

Whilst providing a minimum baseline, what the decent homes standard particularly fails to provide for are, in terms of the individual home, improvements related to general insulation (e.g. it does not require the installation of double glazing or wall insultation, only loft insulation), home security, enhanced electrical and related installations, or modern space standards. It is certainly not providing a modern day equivalent of the long since abandoned 'Parker-Morris' standard.

More significantly the standard does not provide any focus at all on the built form and external environment. As such, there is little to enhance the living environment of those residing in low demand deck access or multi-storey flats, older sheltered housing, 1970s 'Radburn-style' estates or indeed any of the issues that significantly impact on the liveability of some council housing and which continue to contribute to low demand problems for many local authorities.

Nor does the standard assist with problems of accessibility for disabled people, or in overcoming other environmental problems not currently included in 'fitness' standards (e.g. potential for flooding, overhead high voltage pylons, *et cetera*).

Realistically, expectations for the twenty-first century of both landlord and tenant will often be higher than this minimum. Even the government recognises that "*most social landlords aim to have higher standards and do work to achieve this*" (ODPM, 2003 p.20), confirming the approach that many councils have taken in seeking to agree their own localised standard that goes beyond this minimum.

Nevertheless the challenge in meeting even this low standard is great. The Green Paper noted that "*past investment in social housing was not sustained at adequate levels. The 1996 English House Condition Survey identified a £10 billion backlog of disrepair in the local authority housing sector alone*" (DETR, 2000a, p.58). Equally, at April 2001, there were still 1,200,000 non-decent council homes (ODPM, 2003, p.15) and, by November 2002, it was estimated that there were 100 local authorities at risk of not meeting the 2010 decent homes target (ODPM, 2003, p.16).

In June 2003, the ODPM outlined to local authorities the requirement to undertake a comprehensive option appraisal to assess the investment needs of their council housing and to consider options to ensure that the decent homes standard could be met. A deadline of July 2005 was set for completion of the appraisal and for a final 'sign-off' by the relevant Government Office.

Option appraisal

The four principle options that local authorities were expected to consider were, in outline:

- transferring the ownership and management of homes to a housing association (i.e. LSVT) to enable freedom to borrow against the asset base of the transferred stock;

- establishing an ALMO to provide the housing management service and to bid for additional funding approvals from Government, but dependent upon achieving the minimum 2* rating from the Audit Commission;

- raising money through a private finance initiative (PFI) which, in essence, provides capital investment via a private company or consortium and which in turn receives a 30 year contract and revenue return from the council; or

- stock retention with the necessary financing to be achieved from existing financial resources aided by whatever level of additional 'prudential' borrowing and capital receipts could be raised.

In addition, a mixed solution utilising elements of each as appropriate could be considered and developed.

But underlying this 'neutral' option appraisal process has been a very clear message from the Government that it wished to see a "*a range of investment and management measures to bring all social housing up to a decent standard by 2010*" (DETR, 2000b, p.4) and "*a progressive shift in ownership so that the stock is more widely owned by a range of different organisations, including housing associations, local housing companies and tenant-led organisations*"(DETR, 2000a, p.17).

More specifically the Government remained committed to the ideas put forward in the Green Paper (ODPM, 2000a, p.11) of:

- "*supporting the transfer of up to 200,000 homes each year from local authorities to registered social landlords, where proposals are supported by tenants; and*

- *encouraging the creation of new arms-length companies to manage local authority owned housing*".

The key elements that the stock option appraisal process required were a review of stock condition, a financial appraisal and a 'test of tenant opinion'. The ODPM guidance indicated that tenants should be at the centre of discussions and as part of this, local authorities were required to appoint an 'independent tenant adviser' (ITA) to assist local tenant's representatives, and the wider tenant body, to help them

A IT MEETS THE CURRENT STATUTORY MINIMUM STANDARD FOR HOUSING
Dwellings below this standard are those defined as unfit under section 604 of the *Housing Act 1985* (as amended by the 1989 *Local Government and Housing Act*).
B IT IS IN A REASONABLE STATE OF REPAIR
Dwellings which fail to meet this criterion are those where either: • one or more of the key building components are old and, because of their condition, need replacing or major repair; or • two or more of the other building components are old and, because of their condition, need replacing or major repair.
C IT HAS REASONABLY MODERN FACILITIES AND SERVICES
Dwellings which fail to meet this criterion are those which lack three or more of the following: • a reasonably modern kitchen (20 years old or less); • a kitchen with adequate space and layout; • a reasonably modern bathroom (30 years old or less); • an appropriately located bathroom and WC; • adequate insulation against external noise (where external noise is a problem); • adequate size and layout of common areas for blocks of flats. A home lacking two or less of the above is still classed as decent therefore it is not necessary to modernise kitchens and bathrooms if a home passes the remaining criteria.
D IT PROVIDES A REASONABLE DEGREE OF THERMAL COMFORT
This criterion requires dwellings to have both effective insulation and efficient heating.

Table 1. The Decent Homes Standard *ODPM (2004, p.7)*

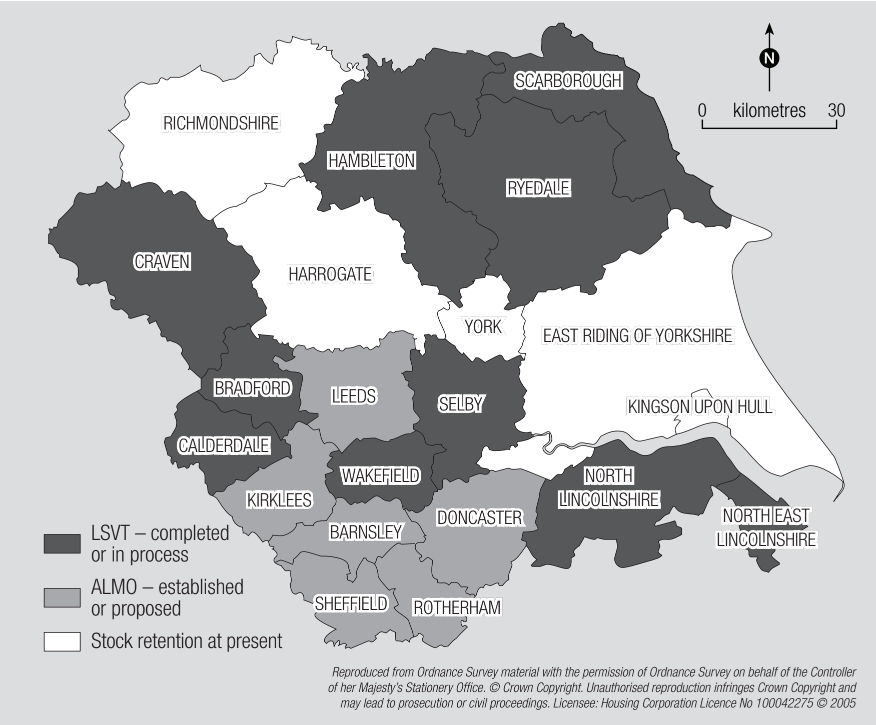

Figure 1. Provision of housing by local authority area

receive information and advice on the process and the issues, this test being, in part at least, to try to avoid the unexpected negative response that was previously seen in Birmingham.

But for many commentators, this process has seen the continuation of a illusionary 'choice' for tenants, given the extent to which the alternative options of LSVT and ALMO provide the only real means of accessing the required level of investment that many local authorities require for their housing stock.

At the centre of the financial problem for council housing are the public sector borrowing restrictions, in which capital spending on social housing is deemed to be public expenditure, whilst that by housing associations is not. For a Chancellor struggling to maintain the public sector borrowing requirements (PSBR) within his own targets, housing has remained a softer target for financial prudence than that of health or education, just as it had been with previous political regimes (Malpass, 2004).

More specifically, for some time and certainly since the 1989 legislation, council housing had been financially managed from the centre as a national pool in which "*council housing might more accurately be labelled 'national' housing*" (Audit Commission, 2005, p.1).

Essentially, the housing revenue account (HRA) operated by local authorities includes a mechanism which enables the Government to withdraw 'notional surpluses' in rental income from one local authority and redistribute this to other areas.

Negative subsidy

In general terms, this produces a shift in rental income from shire authorities, and to a lesser extent some urban authorities, to the London Boroughs and a limited number outside London. Those housing authorities making such notional surpluses are said to be in 'negative subsidy' — a euphemism for cross-subsidising other authorities who have a notional deficit.

Overall, 82 per cent of councils, managing some 63 per cent of council housing, are in the position of having a negative subsidy, thereby making contributions to the national system out of their rent income (Audit Commission, 2005).

To put this into context, the estimated HRA 'subsidy' for Harrogate Borough Council for 2005–06 shows a net withdrawal in real terms of just over £2 million, i.e. around 18 per cent of the initial total income, or approximately £9.66 per tenant per week. This is a little untypical for the Yorkshire and Humber region overall where the average contribution is estimated at £3 per week, but reflects the greater impact of negative subsidy on shire authorities.

The two principle options available to councils are either to totally avoid this financial penalty, by transferring outside the system (i.e. LSVT), or to reduce the impact by effectively retaining a greater proportion of the rent to fund the additional borrowing permissions (ALMO). Those councils that choose stock retention continue to face the penalty of the HRA subsidy system.

Arguably then, the stock option process was heavily skewed towards the further de-municipalization of social housing which, as we have seen, is a process that had already been gaining momentum since the late 1980s.

Current regional position and the future

Taking the historical position, together with the current indications from the July 2005 stock option submissions, we can summarise the current regional position with regard to the provision of council housing in Table 2.

In mapping the geographical impact (Figure 1), the picture is even more dramatic. Yet perhaps the most noteworthy point is that, other than those who are close to or part of the housing policy arena, this is a step-change that is rarely identified, acknowledged or appreciated. Were this scale of transformation to have taken place in the education or health field there can be little doubt that the public debate would have been greater, which in itself reflects the position of council housing vis-à-vis the welfare state (Malpass, 2004).

For some, the process of de-municipalization changes represent a major challenge for the defence of council housing (see *www.defendcouncilhousing.org.uk*), but increasingly this seems to be a cry in the wilderness. We are now into the third successive Labour Government, and there have been twice as many council homes subject to transfer in the eight years of labour control than the corresponding period under the Conservatives (NHF, Nov 2005).

For others, it is argued that the time has come for the remaining council housing stock to face compulsory transfer, rather than continue this illusory choice process and for the Government to continue to oversee an increasingly 'rump' council housing sector (Zitron, 2004).

There remains however a number of issues and concerns about where the process has currently taken housing policy, and what this implies for the future.

Firstly, the current processes and mechanisms for either transfer or the establishment of an ALMO are costly and remain uncertain in the light of a potential tenant veto. The typical cost of transfer is in the order of £3–4 million whilst even creating an ALMO can be as much as £1.5 million. There seems to have been little progress in gaining cost efficiencies within what should by now be a tried and tested administrative process and the

LSVT (& DATE)	APPROX. STOCK AT POINT OF TRANSFER (VARIOUS SOURCES)	TO
Ryedale BC (1991)	3,353	Ryedale HA (now part of Yorkshire Housing Group)
Hambleton (1993)	4,242	Broadacres HA
Calderdale MDC (2000)	13,220	Pennine Housing 2000
Craven DC (2003)	1,600	Craven Housing (part of Yorkshire Housing Group)
Bradford CC (2003)	25,550	Bradford and District Housing Trust
Scarborough (2004)	4,700	Yorkshire Coast Homes
Wakefield MDC (2005)	33,000	Wakefield and District HA
North East Lincolnshire DC (2005)	8,700	Shoreline HA
Selby DC (proposed)	3,080	Town & Village HA
Sheffield (proposed – part transfer)	3,325	Not determined
North Lincolnshire DC (proposed)	10,150	North Lincolnshire Homes
ALMO	**STOCK NUMBERS (ODPM 2005)**	**TO**
Kirklees MDC	24,484	Kirklees Neighbourhood Housing
Leeds CC	61,823	Leeds NE Homes
		Leeds SE Homes
		Leeds W Homes
		Leeds S Homes
		Leeds NW Homes
		Leeds SW Homes
Barnsley	20,816	Berneslai Homes
Doncaster	22,509	St Leger Homes
Rotherham	22,460	2010 Rotherham
Sheffield (part only)*	52,740	Sheffield Homes*
STOCK RETENTION STRATEGIES	**STOCK NUMBERS (ODPM 2005)**	**TO**
East Riding	11,515	-
Harrogate	3,909	-
Hull	29,888	-
Richmondshire	1,672	-
York	8,150	-

* Sheffield total stock listed here. As a 'mixed solution', only a proportion are proposed to pass over to the new ALMO.

Table 2. Current regional position for local housing authorities

processes remain quite unwieldy.

Secondly, and most specifically, there is a remaining issue about those councils that do not choose ALMO status yet are quite clearly a high performing council (such as LB Camden which is now at 3*) but are still unable to access additional funding. As noted earlier there remain a number of ALMOs that may yet struggle to achieve 2*. Even where ALMOs do progress, some of the financial pressures on the housing revenue account can still remain, as indicated by Leeds Council seeking to merge a number of its current six ALMOs, even though they were only created less than three years ago.

A much greater issue for ALMOs is what there long-term future and standing is going to be beyond the current life expectancy of 2010. The matter is clearly vexing the Government policy-makers as an ODPM report on the future of ALMOs has been significantly delayed and, at the time of writing, is still awaited. It seems highly unlikely that either the Government or the ALMOs will wish to reintegrate back into the council post 2010. Again, for critics such as Defend Council Housing, ALMOs are then seen as a mere staging-post to eventual transfer.

More centrally is the question remaining over the national housing revenue 'pool'. Current policies in favour of transfer are clearly pointing towards a crisis if this results in a reduction of the cross-subsidisation that currently exists, as more 'negative subsidy' LAs transfer out of the system.

Then there is the question of what transfer, and to a lesser extent ALMOs, means in terms of local accountability. On one hand, the constitutional arrangements for both LSVT and ALMOs bring tenants onto the board of management and therefore into the formal decision-making arena which then has the potential to enhance accountability in a way that the council democracy does not.

The counter view notes increasing evidence of the rationalisation of the housing association sector, with further mergers and formalised alliances, which may over time serve to reduce localised accountability in favour of managerial and organisational efficiency and strategic growth. Within this region the incorporation of the former Ryedale and Craven housing stock into a wider housing association group structure presents such challenges.

Then there are the challenges that face the transferring housing authority in terms of continuing to provide for its residual housing functions post-transfer (i.e. mainly homelessness and housing strategy work) without a substantial housing department and a core of professional housing staff. This is clearly much more of an issue for the smaller shire authorities with limited numbers of personnel where they are struggling to retain an organisational 'critical mass'.

Conclusion

This article provides a review of specific policy progress within the council housing sector, reflecting upon change nationally and more directly on its regional impact. The direction of change is undeniable, but what remain much less clear are the longer-term implications for several wider Governmental agendas. What will these processes eventually achieve in terms of either the quality or the quantity of affordable and accessible housing for all sectors of our society? And what might it mean for the future of local government at a time when Ministers are looking for "*a focus on the neighbourhood level*" (Miliband, 2005)

Perhaps most importantly, what does this transformation of the social housing sector imply for the remainder of the welfare state? Does this example provide a road-map for a "*new settlement of the welfare state*" (Malpass, 2004, p. 224). For a policy area that remains largely outside the radar of the general public, public housing policy may yet prove to be a litmus test for many of the policy debates that are yet to be held.

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The £60k home: building to a price that people can afford

The promotion of home ownership as a tenure of choice appears to be rising up the Government's agenda. This article highlights the Deputy Prime Minister's Design for Manufacture Competition (the £60,000 house) and its potential as a tool to further home ownership, drawing attention to the need to develop new business models and practices as a means of enhancing the efficacy of the competition.

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Northern Edge

The Design for Manufacture Competition, which was announced in the spring of 2005, was not without its critics. The competition was challenged largely for its use of design codes which, in turn, have been criticised because of their potential to restrict freedom of architectural design.

The competition, however, captured the imagination of many and proved that it is possible to construct a three bed family home for less than £60,000. With six of the nine stage-two winners allocated land and the first builds due to commence early this year, the true results of the competition are yet to be realised.

The competition itself was conceived in part as a bid to tackle build cost inflation, by promoting the use of modern methods of construction (MMC). As skill shortages and high demand for traditional labour in the construction industry continue to drive up costs, a focus on MMC and a shift towards off-site construction has the potential to bring down development costs for many home builders.

Even with the £60,000 being set to cover build cost only and not including additional costs such as land purchase and remediation, developers have achieved significant savings which may go some way to achieving the aim of tackling build cost inflation.

Who saves what?

The next steps must surely revolve around examining how developers are able to pass some of those savings on to home buyers. By encouraging or enabling developers to do so, the benefits of the Deputy Prime Minister's competition may be brought forward to marry with broader national and regional agendas such as the Northern Way initiative and at a more local level, within the sub-regional Housing Market Renewal Pathfinders (HMRP). There is a clear link to be developed here, between driving down development costs and the affordable housing agenda.

Evidently, the existing system of using Section 106 to encourage private developers to include affordable housing in otherwise market-led developments is not without its limitations. It is through section 106 and through control over the planning system that local authorities are able to deliver affordable housing.

In a recent report, the National Audit Office and the Audit Commission (2005) identified a number of recommendations aimed at improving increasing supply of affordable housing through the Section 106 route. These included addressing the variation between local authorities in time taken to settle 106 agreements (between 60 and 13 weeks according to the report), and suggesting that developers must familiarise themselves with the varying approaches to affordable housing adopted by different local authorities, the latter bestowing responsibility on the part of developers themselves in terms of taking the initiative in presenting acceptable proposals for affordable housing.

A lack of affordability is clearly exacerbated by a thriving housing market. The Barker report (Barker, 2004) outlined the need to build more homes in response to the pressures of supply and demand, but it will be some considerable time (if ever) before increasing the supply of housing pushes overall prices to within the reach of newly qualified nurses, teachers and other professions which have historically enabled access to the property ladder. Affordable housing and enabling access to a rising market, in the mean time, revolves around the promotion of a range of 'low cost home ownership' (LCHO) schemes and the courting of the so-called 'intermediate