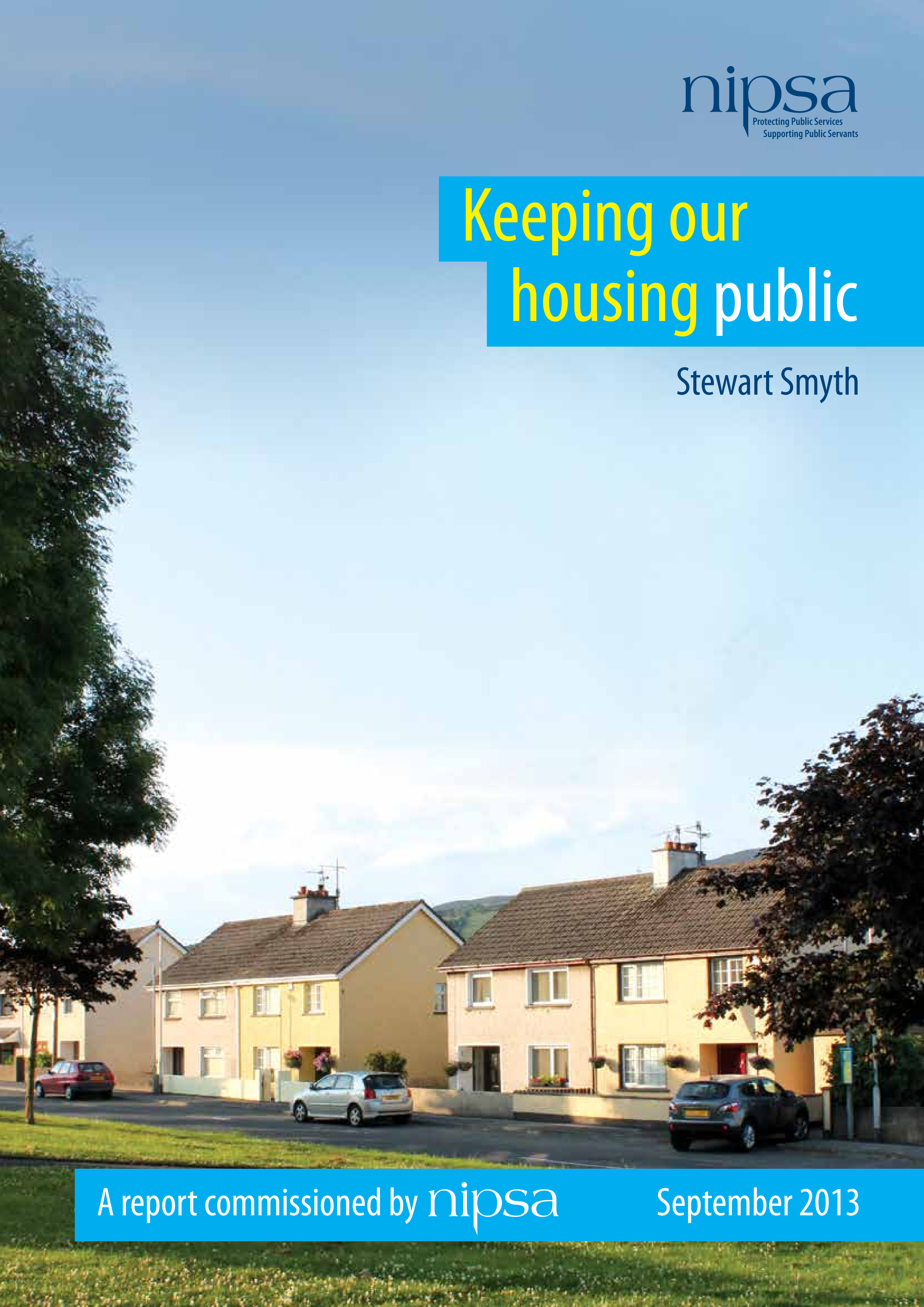

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Protecting Public Services
Supporting Public Servants

Keeping our housing public

Stewart Smyth

A report commissioned by nipsa

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Keeping our housing public

About the Author

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A housing crisis is not a natural phenomenon.
Housing systems are man-made, and can be remade[1]

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Executive Summary

In January 2013, the Minister for Social Development, Nelson McCausland, announced a "Social Housing Reform Programme". While he stated this was "agreed" by the Northern Ireland Executive, it appears that for the majority of MLAs what was "agreed" was simply a period of reviewing the future delivery of public housing. The Minister however, has stated that the current model is "simply not sustainable", signalled the abolition of the NIHE and by taking the landlord function 'outwith' the public sector, is privatising public housing in Northern Ireland. He is doing so in an economic context of: austerity's adverse impact on low and middle income earners; public service/welfare cuts described by the Institute of Fiscal Studies as "unprecedented"[2] and despite the experience of the past decade which shows that the private market cannot supply decent affordable housing for all in our society.

NIHE history

The NIHE's achievements and service over 40 years has been widely recognised. As a PricewaterhouseCoopers (PwC) report stated:

> NIHE is one of the success stories from Northern Ireland's recent history. Since its introduction nearly 40 years ago it has delivered significant social benefits throughout Northern Ireland with the quality of the housing stock having moved from one of the worst in Western Europe to what is now regarded as best quality stock. It is rightly regarded nationally and internationally as a leading authority on 'best practice' on both housing management and community building.

It is this history and legacy that the threat of privatisation risks dismantling.

It is essential therefore that the NIHE is maintained as a housing landlord within the public sector that is publicly funded and democratically accountable.

Housing transfer is privatisation

The Housing Executive housing stock is valued at £3.3 billion; this is an asset held for the public benefit. The Minister of Social Development's transfer proposal would mean handing this valuable public asset over to private housing associations. Based on the experience in England, these transfer housing associations are set up as private limited companies run by a board that has little or no democratic accountability.

The transfer housing associations raise funds by borrowing from private financial institutions. The central motivation of the stock transfer policy is to allow private finance access to public assets and income streams which can then be exploited to generate profits. As one housing worker commented about transfer housing associations: "there are two things for sure; they are certainly not public sector organisations and nor are the banks they borrow from".

Higher rents

Housing association rents are considerably higher than equivalent NIHE homes; the current average difference is £30 per week. A recent transfer of Housing Executive homes to a housing association resulted in rent rises of 28.5 per cent and more.

Based on the experience in England, Scotland and Wales the higher rents are used to fund fat cat executive salaries, plush new head offices and to repay higher borrowing costs. Housing associations as private bodies cannot borrow at the same low rates as public bodies. Further, by using the housing stock as collateral, transfer housing associations undermine local democratic accountability by prioritising the needs of the finance providers over tenants and the public.

Discredited policy

In Britain there has been nearly thirty years of this type of stock transfer. It is a policy that has been brought into disrepute, pursued dogmatically, lacks democratic credentials and results in significant rent rises.

Furthermore, the policy does not represent value for money for the public. Research shows that in England public housing has 'lower management costs than housing associations; rents for new lettings are on average £12 lower; average weekly housing benefit payments to tenants are some £9 lower'. To make the housing stock attractive to the housing association and private finance sectors, there are huge public subsidies paid; totalling £5.7 billion up to 2010 in England alone.

Following this discredited policy is not inevitable and does not have to be implemented in Northern Ireland. Instead, the Minister and his colleagues in the Northern Ireland Executive should look to develop a policy that is innovative and fits the unique circumstances of Northern Ireland.

Alternatives

To aid this development, the research report outlines three alternative and complementary policy options:

The level playing field

This alternative looks to put the NIHE on the same footing as council housing in England, Scotland and Wales. The PwC report notes that the Housing Executive's landlord function is already financially sustainable. There is a need to borrow a modest amount over a thirty year period to maintain the current housing stock. By adopting the Prudential Borrowing Framework, that councils in other jurisdictions have access to, the NIHE does not need to be removed from the public sector.

Change the borrowing rules

HM Treasury and the Westminster government use a measure of public borrowing that includes public housing organisations (such as the Housing Executive) but excludes housing associations, which are free to borrow from the private markets. This measure is out of line with international practice, where public corporations are allowed to borrow without counting as government borrowing. The Westminster government is also out of line with most of the housing sector (including the Chartered Institute of Housing) and many finance providers, who have been seeking a change in the borrowing rules. The Minister and the Northern Ireland Executive should be devoting the necessary time and energy to change these rules.

Invest in the future

There is a need to change direction on macroeconomic policy and for the government to invest in infrastructure projects. This alternative makes the case for direct public funding in building a new generation of first class public housing. Public funding of this type generates economic activity 2.8 times greater than the initial investment; and each pound invested has a net cost to Treasury of just £0.44. There is a strong economic and social case for the development of this policy approach.

The real challenge on housing

The message is simple – the Northern Ireland Housing Executive does not need to be privatised. The above options show that alternatives are available to the Minister and the Northern Ireland Executive. Developing a truly new, innovative public housing policy that fits the circumstances of life in Northern Ireland, is the real challenge for the Minister, his colleagues in the Northern Ireland Executive and the Assembly.

Keeping our housing public

This is all about political ideology. This is not about better homes and stronger communities. It is PFI by the back door. It is a sell-off – it's Railtrack all over again.

Glasgow tenant, Scottish Television, February 2002[3]

Introduction

In January 2013, the Minister for Social Development, Nelson McCausland, announced a "Social Housing Reform Programme". While he stated this was "agreed" by the Executive, it appears that for the majority of MLAs what was "agreed" was simply a period of reviewing the future delivery of public housing. The Minister however, has stated that the current model is "simply not sustainable", signalled the abolition of the NIHE and by taking the landlord function 'outwith' the public sector, is privatising social housing in Northern Ireland. He is doing so in an economic context of: austerity's adverse impact on low and middle income earners; public service/welfare cuts described by the Institute of Fiscal Studies as "unprecedented"[4] and despite the experience of the past decade which shows that the private market cannot supply decent affordable housing for all in our society.

The Social Development Minister states that the current structure of the Northern Ireland Housing Executive (NIHE) is unsustainable and that to "do nothing" is not an option. This report rejects that analysis and the assumptions upon which it is based.

These assumptions include neo-liberal priorities that preference the private sector and market relations for public services delivery; and a default belief among our politicians that everyone aspires to be a home-owner. These beliefs have informed the Right to Buy policy[5] and, in Britain, Large-scale Voluntary Stock Transfers[6] (LSVTs) in housing. It is the latter which the Minister wants to visit on the NIHE.

The central motivation of the LSVT policy is to allow private finance access to public assets and income streams[7] which can then be exploited to generate profits[8].

Recently public housing has also come under attack from the welfare reforms of the UK government that have included the bedroom tax[9] and caps on benefit payments. Despite the government's rhetoric of fairness and "we are all in this together", these welfare reforms aim to make those on low incomes pay for the economic crisis. Although not yet implemented in Northern Ireland (NI), the bedroom tax is already causing chaos in England, where a group of 10 landlords reported in June that '... 53 per cent of tenants affected by the bedroom tax are now in arrears - up from 35 per cent in March'[10].

This is in addition to the on-going failure of the private housing market. For example house prices in NI have fallen by 56 per cent from their peak, and show little sign of recovery.[11] In addition, mortgage debt arrears continue to grow, with repossession court cases in NI increasing by 19 per cent in the last year[12].

A failing housing market, the introduction of welfare reforms combined with the break-up and privatisation of the NIHE, will generate huge suffering for tenants and runs the risk of organisational and policy failure.

In these circumstances, the aims of this report are twofold; first, to review and analyse the experience in Britain of twenty five years of stock transfers. Second, to set out a number of alternative policy routes the Minister and the NI Executive government could pursue. These alternatives have the benefit of keeping the Housing Executive in the public sector, which in turn leads to lower rents, greater value for money (for tenants and taxpayers), full political accountability and increased economic activity.

History

Public housing in these islands has developed in a distinctive manner when compared to the rest of Europe. In many continental countries the dominant emphasis on owner occupation that our current politicians possess, does not exist. Instead there are greater access and rights for those who rent their homes. However, the owner-occupier model has not always been as dominant as in the past thirty years. For example, in Britain, from the development of the first council estate (the Boundary Estate in the east end of London opened in 1900) through to the 1970s, council housing provided decent, affordable housing available to all. For many in the 1930s and after World War II, council housing was a tenure of choice; an escape from the tenements and slums that dominated housing in many cities[13].

Public housing in NI similarly developed from its own distinctive circumstances; a combination of decades of underdevelopment[14] and the impact of the civil rights movement[15] of the late 1960s. The NIHE's achievements and service over 40 years has been recognised by PricewaterhouseCoopers LLP (PwC) in their review of the Housing Executive, when they state that the:

> NIHE is one of the success stories from Northern Ireland's recent history. Since its introduction nearly 40 years ago it has delivered significant social benefits throughout Northern Ireland with the quality of the housing stock having moved from one of the worst in Western Europe to what is now regarded as best quality stock. It is rightly regarded nationally and internationally as a leading authority on 'best practice' on both housing management and community building.[16]

PwC are not the only ones to recognise the good work done by the NIHE; the Savills report into the condition of the housing stock, in 2009 stated:

> **the NIHE stock is by far the best quality housing stock that we have inspected. NIHE has maintained the stock to a high standard and the work undertaken has been completed to a high quality[17].**

In 2010, the Independent Commission on the Future of Housing in Northern Ireland, (The Best Report) commented about the NIHE that 'the presence of this highly significant player greatly enhances Northern Ireland's capacity to tackle the housing issues faced here...' and 'this Commission notes that over a period of nearly forty years, the Housing Executive has undertaken its responsibilities to widespread acclaim'[18].

It is this legacy that is currently under threat from the stock transfer proposals of the Northern Ireland Executive.

This report is structured into three sections. Section 1 analyses the Minister's proposals for the NIHE, including a critique of the evidence used, and argues that, despite claims to the contrary, stock transfer is a form of privatisation. Section 2 then analyses the experience of LSVT policy in Britain showing that it has been brought into disrepute, pursued dogmatically, lacks democratic credentials and results in significant rent rises.

Section 3, develops a number of alternative policy directions building on the work of the NIHE over the past forty years. This starts by noting that the current NIHE landlord function is financially sustainable. From this the key issue then becomes one of changing government rules on borrowing. In the case of the NIHE this is not as difficult as is often presented. It is within the Minister's control to put the Housing Executive on the same level playing field as council housing with local authorities in England, Scotland and Wales.

The report concludes by setting out a challenge to the Minister, the NI Executive and the Assembly to stop mimicking the discredited policies of other jurisdictions, drop the current privatisation plans and develop a sustainable publicly funded, publicly delivered first class housing service that we can all be proud of. In short, a solution that fits Northern Ireland's unique circumstances.

Section 1

Privatising the Housing Executive

The Proposals

In January 2013, Minister McCausland issued a statement announcing that the Housing Executive is to be taken 'outwith' the public sector. Later he made clear why he is privatising the NIHE, when he told the Assembly: '...it is important that we make sure that, whatever form it takes, the landlord function has the confidence of the financial institutions so that we get the benefit of drawing in private sector money'[19].

The Minister, apparently backed[20] by all other parties in the Executive, has a vision of mortgaging NIHE homes to private finance, by transferring the NIHE housing stock to housing associations. These kinds of transfers are well established in England (and to a lesser degree in Scotland and Wales). Based on those experiences the proposed NIHE transfer will mean that:

- Rents will rise for tenants. For example, English council rents are lower than housing association rents for equivalent housing. In Northern Ireland in 2010/11, the difference between average weekly NIHE and housing association rent was nearly £30[21];
- The NIHE housing stock (currently valued at £3.3 billion[22]) will be used as collateral to borrow money from the private financiers;
- A loss of democratic accountability as even if tenants are represented on the boards of the new landlords, they are legally obliged to act in the best interests of the housing association (in much the same way as directors of private companies).

Minister McCausland says there will be "full consultation" on these proposals but when discussing his transfer policy, at no point did he mention tenants as part of that consultation[23]. Furthermore his policy is based on a PwC report[24] that, claimed to have consulted widely among NIHE stakeholders, despite both tenants and trade unions not being involved appropriately or in advance of the report's publication.

The Minister's announcements in January and February, lacked details about the form or formation of the new landlord(s). However, the new chairman of the NIHE, appointed by the Minister, Donald Hoodless, has revealed some of the planned detail[25]; despite the Chairperson of the Committee for Social Development re-iterating on several occasions, 'the Minister's confirmation that there are no predetermined outcomes for the precise model for the delivery of the landlord function'[26]. According to Mr Hoodless, the NIHE housing stock (of 90,000 homes) will be split among 5 to 7 new transfer housing associations.

These associations will be set-up specifically for the purpose which could require the multiplication of many backroom services resulting in increased costs, further driving up rents.

There is also the probability that any new housing associations will be run by big British social housing groups. In June 2013 the Minister stated:

> ...it is wrong to conclude that...housing associations as we know them now in Northern Ireland will somehow or other take on the landlord role under some future restructuring. That has not ever been said to be the case.[27]

As is shown below (see Case Study 1) many British housing association groups act more like big business with an emphasis on making surpluses, 'fat cat' salaries for executives[28], paying board members[29], and experimenting with high risk financing schemes (see below). All of which takes the NIHE housing away from being a service for the public, to be replaced by a "business" where its assets need to generate a return for executives and private finance providers.

To Do Nothing Is Not an Option

One of the mantras from Minister McCausland has been that reform of the NIHE is inevitable and to do nothing is not an option[30]. However, the changes proposed by the Minister and in the PwC report do not put the NIHE on a sustainable financial footing but are being used to justify privatisation.

First, they argue that the current structures lead to: 'Sub-optimal delivery of strategic and landlord functions'[31]. This assertion is then used to justify splitting these two functions into independent bodies. Reforms like this have been used for over thirty years in the public services; however, there is little evidence that they improve performance. For example, there is clear research evidence that: 'the local authority sector has outperformed all other sectors (housing associations, private landlords and owner-occupiers) in achieving the [Decent Homes] standard'[32]. Further local authorities in England, who have a structure closer to the NIHE than other sectors, provide better value for money.

Public housing is more efficient. The English Experience.

> "Councils have lower management costs than housing associations; rents for new lettings are on average £12 lower; average weekly housing benefit payments to tenants are some £9 lower."[33]

In the case of the NIHE, splitting the functions will have a perverse effect on services such as homelessness. Currently, as one body has responsibility for both landlord and homelessness functions there is no benefit in making a tenant homeless, as another department within the Housing Executive has to find short-term temporary accommodation, which is usually more expensive. However, with different bodies responsible for these functions the landlord does not need to take into consideration what happens to any tenants they evict, i.e. it becomes someone else's problem.

The result of breaking up the NIHE, is that clear lines of democratic accountability and control are lost in a web of multiple organisations and regulators; raising the prospect of no one being held accountable when something goes wrong or targets are missed. Further such a division in the context of the political sensitivities around housing in Northern Ireland means that careful consideration must be given to the scrutiny and accountability of a range of functions currently carried out by the NIHE.

Second, the Minister and PwC argue that the NIHE's current funding model is not sustainable. Yet, the PwC report states that the landlord function within the current NIHE makes a surplus; estimated to be £40 million in 2010/11[34]. Currently these surpluses are being used to cross-subsidise other NIHE functions including repaying its historic debt. In the past two years the NIHE has repaid over £150 million in debt to the Department of Finance and Personnel[35]. The day-to-day, revenue operations of the NIHE are sustainable.

This leaves the one area where there needs to be a change, accessing capital funds to carry out maintenance, improvements and to build a new generation of first class public housing. Here, the Minister, the PwC report and many others accept there is nothing that can be done about the HM Treasury and NI Executive government's restrictions placed on the NIHE in relation to borrowing. This means they look to privatisation as the only way to raise the capital funds needed.

There is no need to accept this fatalistic move to privatisation. As an alternative, Section 3 outlines possible routes, including calling for a level-playing field with councils in England, Scotland and Wales, challenging the borrowing restrictions and investing in the future.

Since the last election, a number of stories have emerged about issues in the NIHE[36]. Each time the Minister appears to be of the opinion that if his proposals were in place, the housing associations would not make the same mistakes. However, the housing association sectors in Northern Ireland and Britain have had their own problems. For example in January 2012, Minister McCausland reported the results of an investigation into Helm Housing Association that included:

- Procurement procedures not being followed;
- Breaches of statutory approvals;
- Incorrect use of consultants;
- Incorrect procedures for procurement of land;
- Non-compliance with Housing Association Guide;
- Use of middle men/site finders.[37]

Around the same time, Helm was also alleged to have been involved with a property deal that saw up to £10 million of taxpayers' money used to finance the purchase of a plot of land via a third party registered in the Isle of Man in 2007. Five years later the land was being used as a car park, with not one house built[38].

The Helm case is not an isolated incident. For example, in June 2011 the BBC reported that 7 out of 30 housing associations in Northern Ireland were suspended from receiving public money for development[39] due to mismanagement and governance issues. For example, Habinteg Housing Association (Ulster) Ltd., was investigated by the Department for Social Development (DSD) for an alleged corruption and fraud; the report that followed '...also reviewed how the association was faring overall and gave the damning verdict of 'no assurance' – the lowest rating. The same grade was applied to the Association's financial management, property development and corporate governance and management departments'[40].

These problems are not confined to Northern Ireland but have occurred in Britain as well. In January 2008, Ujima Housing Association defaulted on loans and effectively disappeared as it was taken over by another larger housing association[41]. Earlier this year Cosmopolitan Housing Group (CHG) was rescued from bankruptcy through a takeover by Sanctuary Group[42]. Significantly, in 2011 CHG merged with Chester and District Housing Trust, a housing association set-up following a stock transfer from Chester City Council in 2000[43].

Case Study 1: the journey of a stock transfer housing association

November 2000

Chester and District Housing Trust (CDHT) is incorporated following a stock transfer from Chester City Council.

July 2003

CDHT is put into regulatory supervision as financial backers (the Halifax) refused to sign a revised business plan; pre-transfer assumptions had been inaccurate.

February 2004

CDHT again put under regulatory supervision, this time for governance issues.

December 2011

CDHT merges with Cosmopolitan Housing Group (CHG).

June 2012

CHG is bailed out by the regulator while a rescue plan is developed. The regulator stated at the time that the 'group's approach to risk was based on an over-simplification of presenting issues, coupled with too little scrutiny of new deals taking place after the merger [in December 2011 with Chester and District Housing Trust].

This, alongside an inadequate control environment, especially in relation to the development function, exposed the group to unacceptable levels of risk.'[44]

February 2013

CHG is "rescued" in a takeover by Sanctuary Housing.

It is clear from these examples that the problems at the NIHE are not unique. However despite this evidence, the Minister appears to prefer to focus on its recent problems and by default undermine the good work it has done over four decades. In short, negative publicity in the NIHE case is being used to justify the Minister's privatisation plans.

This is Privatisation

Whether stock transfers are a form of privatisation is a contentious issue that goes to the heart of the ideological and propaganda battle over the future of public housing. Those who argue that stock transfers are not privatisation do so because the housing stock ends up in a not-for-profit company. In effect they look to the legal form of the transfer and see that it is not a profit-making private company and conclude this is not privatisation. This is a very narrow perspective on privatisation and whether transfer housing associations are in the private sector or not 'there are two things for sure; they are certainly not public sector organisations and nor are the banks they borrow from'[45].

The central purpose of a stock transfer is to raise private finance, using the housing stock as security. This means there is an element of profit making via a third party, whether that is a bank or other finance provider.

There is an increasing trend among the larger housing associations to raise funds by issuing bonds in the capital markets[46]. In the first four months of 2012 over £1 billion in capital was raised in this manner; that was more than the whole of 2011[47]. Nor is this confined to big housing associations. In May 2012, Saxon Weald a stock transfer housing association in southern England, re-financed by issuing a £225 million bond[48]. In addition, the very biggest not-for-profit associations are finding ways of gaining access to funds through listing on the stock markets[49].

As a result housing associations must act like a business, rather than a public service. An extension of this process concerns the governance of housing associations, with a board that acts in a fiduciary manner and in the best interests of the organisation. In practice this means prioritising the interests of the finance provider ahead of the tenants (see Section 2).

Privatisation

"We always call it privatisation. But the supporters of the system said it wasn't privatisation, it was social ownership. But of course it wasn't really because the housing associations are companies, actually under company law...

...profitability is the more important aim, rather than accountability. So they can make as many promises as they want about tenants being represented and being consulted and sitting on the Board and all of that. But those representatives...can't vote against general interests of the company as a company…I think the privatisation label is well justified."

(Austin Mitchell, MP Chairperson of the House of Commons Council Housing Group)[50]

The housing association sector operates along market lines, there are mergers and takeovers. One study reported that a third of all housing associations have been engaged in merger, restructuring or deregistering activities in the six years up to 2007[51].

While mergers and takeovers make sense for the housing associations as they benefit from economies of scale; **they lead to difficulties in holding the landlords to account.** For example, where a housing association is taken-over, the promises made to tenants before the transfer no longer hold and therefore do not have to be complied with.

To summarise, giving priority to private finance, the business nature of housing association governance and the market characteristics of the sector, all lead to one conclusion 'that stock transfer represents the wholesale privatisation of council housing'[52].

Section 2

A Discredited Policy

Stock Transfer - a process of "bias" and "disrepute"

The stock transfer process in Britain has been much criticised. The House of Commons Council Housing Group (HOCCHG) prepared a report based on evidence and testimony from council tenants, trade unionists and academics. The report sets out '... the biased nature of the stock transfer "consultation" process'[53]. For example, in South Cambridgeshire a local councillor described the threats of cuts in services if their transfer was not agreed as 'bullying pure and simple'. A number of complaints have been upheld by the Advertising Standards Agency that pro-transfer literature was misleading (for example, Clapham Park Homes in 2006)[54]. On two occasions, Government auditors found that public money had been unlawfully used to promote 'unbalanced, one-sided and misleading' material[55].

There are also structural resource and information asymmetries built into the process. For example, 'a council will typically spend around £500,000 to promote a large-scale stock transfer'[56]. A case outlined in the HOCCHG report concerns Salford council which budgeted to spend £10 million on its stock options process. In Edinburgh, where the tenants voted against stock transfer, the city council spent over £2.6 million on the transfer process, including publicity materials.

In contrast, anti-transfer campaigns are not allowed access to public funds and so are reliant on fundraising and donations. Here is an example of using public money to smooth the transfer of public assets out of public control.

A second asymmetry concerns access to the addresses of those homes that are covered by the proposed transfer. Initially, anti-transfer campaigners were not allowed access to this information, presenting an obvious hurdle in delivering anti-transfer publicity to the relevant tenants. Two cases[57], brought under the Freedom of Information Act, eventually set the precedent that anti-transfer campaigners were allowed the addresses. Despite these precedents, councils continue to restrict access, even willing to have Information Commissioner Judgements against them[58].

These examples (and others) have forced the government to conclude that '... the whole process has brought the system into disrepute'[59]. They also raise the question of how such an unequal and undemocratic process is supposed to produce a more democratic, participatory and engaged landlord.

Rent Rises

Stock transfers mean that tenants pay increased rents. In Britain council rents are lower than equivalent housing association rents[60]. This is also the case in Northern Ireland, where the gap between average weekly NIHE rents and equivalent housing associations is bigger than most British regions. In 2010/11 the average weekly Housing Executive rent was £52.76; as opposed to £81.69 for housing associations[61].

Because this position is widely known amongst tenants, most stock transfer proposals include a *Rent Promise*. This promise is designed to reassure tenants that there will not be excessive rent rises post-transfer. However, a review of the research on this issue found that there are a number of qualifications in rent promises that 'have provided scope for rents to rise at rates somewhat in excess of those implicit in headline ballot commitments...without any technical breach of undertakings'[62].

An example of this is provided by a partial stock transfer in Manchester. The rent promise stated: 'This means that if tenants vote for stock transfer, the rent you will pay…will be the same as the rent you would pay to the Council if the transfer does not go ahead'[63]. Between 2008-10 the Westminster Minister for Housing halved the expected rent rises to 3.1 per cent[64]. However, the transfer housing association did not follow suit; instead the rents increased by 6.4 per cent in 2008/09 and by a further 7.5 per cent in 2009/10[65].

Significantly, no one held the housing association to account for apparently breaking their pre-transfer promise, even though the transferring local authority is supposed to monitor whether the pre-transfer promises are being kept.

In the one stock transfer to go ahead in Northern Ireland there was no equivalent rent promise, but a *guarantee* that the rents would increase dramatically; and even those rent rises have been exceeded (see Case Study 2). In November 2012, the NI Strategic Investment Board noted that if the Minister's proposed transfer went ahead in the long term '...rents would converge at Housing Association levels'[66].

Case Study 2 Creggan / Apex Transfer

In early 2011, the NIHE transferred 55 homes on the Creggan estate to Apex Housing Association. The motivation for the transfer was purely financial – it was argued that the NIHE did not have the resources available to refurbish and rebuild the homes. However, Apex Housing Association 'is funded in a different way ... It will seek to pay for the cost of the of the improvement work using a loan from a commercial bank, and for the new-build scheme using a mixture of public funding and a loan'[67].

Apex promised to make significant improvements including extending or refurbishing kitchens, electrical re-wiring, new gas central heating, as well as some new builds. However, these improvements were to cost, as the 'rent charge (and rates) of your home will increase as result of the transfer'[68]. The planned rent rises were huge and significantly more than if the NIHE had been allowed to carry out the works. For example, the pre-improvement NIHE rent for a 3 bed house was £52.43 per week.

If the NIHE had carried out the work that rent would have increased to £53.93 per week.

The Apex post-improvement work was planned to be at least £65.60 per week[69].

The actual rent rises have been even bigger being at least 28.5 per cent[70].

So not only was the Creggan transfer motivated solely by accessing private finance, it was also planned to be less value for money (more expensive), than allowing the Housing Executive carry out the works.

Losing our accountability

A major criticism of the stock transfer process is the loss of democratic accountability. In Britain council tenants have an accountable landlord, as they can vote to change the councillors (their landlord) at the next local elections. This ability is removed with a transfer housing association, which operates private sector corporate governance structures[71]. In England, transfer housing associations are run by a board which is usually constituted of one third tenants, one third local authority nominees and one third independent experts.

Supporters of stock transfer point to tenants being board members, as an example of improved tenant involvement and participation. What the supporters omit to say is that, according to legal provisions and regulatory guidance, those tenant board members are not allowed to act as representatives. Instead they have a fiduciary responsibility to the association, which in practice means that legally, they must act in the best interests of the association, ahead of any concerns of the tenants.

The loss of accountability goes further in that, with the move to a housing association the regulatory landscape changes. 'Council housing has a web of regulation, at the heart of which is the relationship between tenants and their landlord, the local councillors. The ultimate sanction that tenants can exercise is the removal of their landlord through the ballot box'[72]. A transfer housing association is subject to a housing regulator and the transferring local authority is contractually obliged to monitor compliance with the promises made during the transfer process. However, comparing the two systems it is clear that the 'tenants as a collective body fall out of the regulatory web and are replaced by a regulator and a contract'[73].

The relevance of this is highlighted by the rent rises example given above. Because of the democratic accountability that tenants can exercise, they along with local councillors and backbench MPs could exert pressure on the Housing Minister who halved the proposed rent rise. Tenants in housing associations have no equivalent power.

While the position in Northern Ireland is different, the NIHE has democratic accountability mechanisms; first, in the form of the NI Housing Council. Whilst, originally the Minister stated his intention to abolish the Housing Council[74], and with it this element of democratic accountability, he now appears to favour an as yet to be defined restructuring of the Council. Second, the NIHE is also accountable to the Minister and thereby the Executive and Assembly, the elected representatives of the people.

Housing associations as private bodies are not subject to democratic accountability.

It's all about the (Public) Money

As discussed above, those who support stock transfers often advance a series of outcomes to justify the policy. These include more efficient service delivery, greater tenant participation and a more customer focussed culture. In practice, there is little conclusive evidence to support any of these outcomes[75].

This leaves one reason as the justification for stock transfer – access to private finance. As shown below, due to government accounting rules housing associations are considered to be private sector bodies and so are not constrained by public sector borrowing rules. Over the decades since the first stock transfer these rules have allowed a substantial investment of private finance into the sector. Up to 2009, this totalled over £15 billion[76] in England.

However, the supporters of stock transfer do not publicise the huge amount of public money that is used to attract the private investment and subsidise future profit-making. For a stock transfer to be attractive to private sector finance, it must be valued at a level where it is fiscally neutral to the receiving association. There are two aspects to this. First, where the housing stock is in poor condition and the cost of maintenance needed is greater than the value of the houses being transferred, this shortfall has to be made up by the government in the form of a dowry (also known as gap funding). Up to 2010, Westminster spent £1.5 billion on gap funding in England alone[82].

Case study 3 Scotland's new housing partnerships (NHP) policy

The NHP programme saw the transfer of over 100,000 council homes in nine local authority areas. From 1998 to 2006 the Scottish Executive has spent £258 million on these programmes, while HM Treasury has provided debt write-off support to the tune of £1.3 billion. This has been used to address the estimated £7.5 billion in repairs and improvements needed[77]. Audit Scotland analysed seven completed transfers under the NHP programme and found that a total of £59 million was spent on transfer costs (such as tenant communication, legal fees and business planning)[78]. Further, to make the figures work in the Glasgow LSVT, HM Treasury agreed to write-off the historic debt and breakage costs totalling £1.1 billion[79]. In addition the Scottish Executive out of their own funding agreed to provide a grant of £409 million for thirty years (in constant prices)[80].

The Scottish government cites the availability of affordable finance from banks and building societies as 'the critical factor' in the success of partnership working in housing[81].

Second, the new housing association must be debt free at its inception. Therefore, any historic overhanging debt is written off. Again, in England up to 2010 the government wrote off historic debts totalling £4.26 billion[83].

These figures covering England only, do not include the £1.1 billion debt write off for the Glasgow stock transfer[84].

The NIHE is in a similar position with regards to historic debt (currently totalling around £500 million); a debt that would need to be written-off if the transfer is to be attractive to private finance. However, as anti-transfer campaigners, such as

Defend Council Housing and HOCCHG, have consistently argued – **if the money is available for debt to be "written off" this should happen whether the landlord is in the public or private sectors.**

Case Study 4 The Glasgow Model

Since the Minister for Social Development's announcement there has been speculation that privatisation of the NIHE will follow the model pursued in Glasgow. In 2002, 58 per cent of Glasgow city tenants voted in favour of transferring their homes to the newly established Glasgow Housing Association (GHA). The Glasgow transfer followed a similar pattern to that outlined elsewhere in this report with a huge public subsidy, a rent promise and promises of improved tenant participation; all of which were central to securing the ballot result and enabling the privatisation[85].

The public subsidy in Glasgow included the write off of historic debt amounting to £1.1 billion which was supplemented by gap funding of £409 million in total over a 30 year period[86]. As with the other examples in this report, the rent promise was limited and only applied to the tenants that transferred. Therefore new tenants have paid higher rents associated with housing associations, leading to a two-tier tenant body. As one tenant commented:

> "I only found out about the two rent level after the transfer, and I was someone who tried to keep an eye on what was happening. My children will have to pay much higher rents in future. So much for rent guarantees"[87].

The claims of better tenant participation started to crumble even before the ballot was held. While the Social Development Minister may claim there will be consultation, in Glasgow despite '... the much-heralded commitment to participation, neither tenants nor public sector trade unions were involved in the preparation of the transfer proposals'[88]. After the ballot a financial prospectus was sent to major financial institutions but was not made available to tenants groups. A BBC documentary on the transfer concluded: 'Any proposition put in front of the tenants was put in front of the moneymen first ... tenant participation is little more than window dressing'[89].

The Glasgow model specifically refers to the planned second stage transfers (SST). This occurs where following the initial whole stock city-wide transfer to GHA, there is a further round of transfers to local groups. However, these planned SSTs have stalled. As the PwC report on the NIHE, states: "There have been some difficulties in delivering the SST programme (most interestingly, relating to existing financial arrangements and loss of economies of scale)"[90].

The Glasgow model illustrates all the problems associated with stock transfer policy in practice – there is poor consultation prior to the transfer with promises made that have loop-holes. This is coupled with poor financial planning and massaging the figures even with a huge public subsidy. The priority in the Glasgow case is the same as the one stated by Minister McCausland, the need to make the transfer as attractive as possible to the private financiers.

This section has analysed the experience of nearly thirty years of stock transfers in Britain. It is true that stock transfer, alongside other neo-liberal inspired policies, has improved the condition of the housing stock in Britain – it has done so at a cost; a cost that need not have been paid. This section has set out those costs including large rent rises, loss of democratic accountability and huge public subsidies. The same housing stock improvements could have been achieved without the costs and by retaining the housing stock in the public sector. The next section illustrates how this can be achieved in the Northern Ireland context.

Section 3

The Alternatives

This section sets out three alternative, complementary approaches to the proposed privatisation of the NIHE. Any one of these alternatives would allow the Housing Executive to remain in the public sector as a financially viable and sustainable landlord. All three combined would represent a major stimulus package for the Northern Ireland economy as a whole. The three alternatives outlined below are ***the level playing field***, ***change the borrowing rules*** and ***invest in the future***. First, it is important to observe that the landlord function of the NIHE is financially sustainable.

Financially sustainable

Hidden away in the PwC report is a statement that the Minister has never mentioned publicly – the landlord function is largely financially sustainable[91]. Significantly the PwC report, using the earlier Savills' stock condition report[92], reaches that conclusion irrespective of which maintenance programme is pursued[93]. The differences result in differing deficit and debt profiles in the short to medium term, but each makes a surplus over the long term.

There are three key assumptions this position is based on:

1. The NIHE is allowed to carry forward surpluses/deficits year on year. This would require a change in the Financial Memorandum as currently any surpluses are clawed back by the Department;
2. The NIHE is allowed to borrow to cover the maintenance programme, (see below);
3. The historic debt (approx. £500 million[94]) is written off (i.e. paid by another agency).

The final point may sound contentious but such debt write offs (as discussed above) are a central part of the stock transfers that have taken place in Britain. So if the money is available to write off the debts, whether the NIHE housing stock is transferred or not, the money is still available and the debt should still be written off. This is one aspect of a level playing field for funding the NIHE. A second involves treating the Housing Executive on a similar basis to local authorities in Britain that have retained their housing stock.

A level playing field

Local government in England, Scotland and Wales have been allowed to borrow within the *Prudential Borrowing Framework* since 2004; 'these powers permit councils to access private finance without the consent of central government, providing that they remain within their affordable borrowing limits'[95]. The same borrowing rights were introduced to Northern Ireland in 2011[96].

Local authorities in England have been utilising these powers to borrow, affordably and sustainably, to fund improvements in existing housing stock and meet the English Decent Homes standard. These include local councils such as Broxtowe[97], Harrow[98] and Birmingham[99].

Further some local authorities have used the prudential borrowing rules to fund new developments – such as Woking[100]. In 2009, 47 local councils started to develop 2,000 new council homes partly funded by government grant with the other part from prudential borrowing[101]

There is not a level playing field with equitable treatment between the NIHE and equivalent bodies in England[102], Scotland[103] and Wales[104]. Instead the *Financial Memorandum Dossier of Controls*[105], within which the Housing Executive operates, states: 'Long-term borrowing from the private sector or overseas shall not be allowed'[106].

However, this position could easily be changed with a revision of the financial memorandum set by the DSD to allow the Housing Executive to borrow from the private sector.

In order to control such borrowing the NIHE could adopt the Prudential Borrowing Framework (PBF). The public sector accountancy body, CIPFA, has developed a Code that sets out short and medium term prudential indicators on affordability and prudence (See Appendix 1). Using the Code it is possible to calculate a limit to the amount of borrowing that can be undertaken. 'This is intended to ensure that all external borrowing is within prudent and sustainable limits, that capital expenditure plans are affordable and that treasury management decisions correspond with certain accounting standards'[107]

Further the Minister, as his equivalents in England and Scotland have, could retain the right to intervene if any particular borrowing was considered to be beyond the PBF limits[108].

Overall, the benefits of this approach are:

- It can be implemented by the Minister and his department without requiring legislation;
- It does not require a change in HM Treasury borrowing rules;
- It brings the NIHE into line with public housing providers in England, Scotland and Wales;
- It will allow the NIHE to fund forthcoming maintenance programmes on a sustainable basis and may allow a modest new build programme.

The adoption of the PBF allows for prudent and sustainable borrowing, while the Minister could retain the right to intervene as is the case in other jurisdictions.

Detailed figures on the borrowing levels required to fund maintenance programmes are not publicly available and also depend on the specifications of the maintenance programme adopted[109]. However, PwC state that irrespective of which maintenance programme is adopted 'the Landlord function in isolation remains largely financially self-sustainable over the 30 year term'[110].

Case Study 5 Lessons from Scotland: borrowing to build

In 2011, the 26 stock-owning Scottish councils started 1,224 new homes, the highest level for more than 20 years. Their performance is similar to that of England's even though Scotland only has one-tenth of England's population.

Delivery of new council housing at low grant rates has come mainly from additional investment via rent fund contributions or through prudential borrowing, where the cost of debt repayments is partly borne by all existing tenants rather than being accounted for just at scheme level, as has been traditional for housing associations.

Why has such performance by local authorities been possible in Scotland and not in England? Scottish local authorities are not constrained by borrowing caps. For many years they have had no subsidy system comparable to England's and they have been effectively self-financing. While (as in England) they are subject to prudential rules, they have been willing to finance extra borrowing from rents. Their extra borrowing counts against government borrowing measures, but has not been sufficient to cause difficulties.

Source: based on Pawson, H. and Wilcox, S. (2011) UK Housing Review 2011 Briefing Paper. Coventry: CIH, 2011.

The point of the foregoing is that according to the analysis commissioned by the department and available to the Minister, **the NIHE landlord function is financially sustainable within the public sector**.

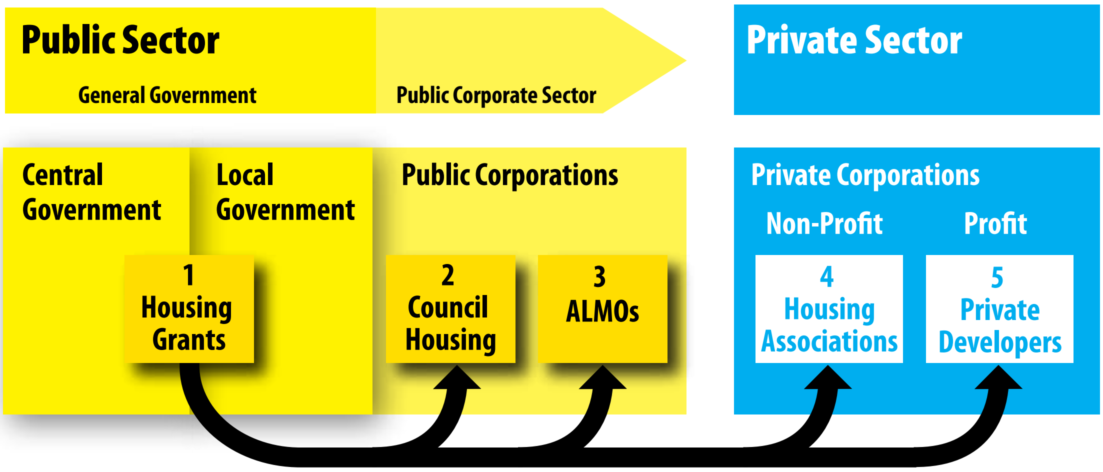
Instead the Minister prefers to follow the English Decent Homes model which he describes as best practice, but which a House of Commons select committee criticised, stating:

> We believe that the target of achieving Decent Homes in the social housing sector is being used as a Trojan Horse by the Government in a dogmatic quest to minimise the proportion of housing stock managed by Local Authorities[111].

Change the Borrowing Rules

For more than 15 years groups within the social housing sector have been arguing for a change in government policy on public sector borrowing. Briefly, the UK government uses a measure of public sector borrowing (Public Sector Net Debt) which is out of line with the measure used by the EU, IMF, OECD and the credit rating agencies (who all use General Government Gross Debt). The major difference between these two measures is the treatment of public and quasi-public corporations; where PSND includes them but GGGD does not. In Britain, this is relevant to council and public housing because local authorities who retain their housing stock are classified as quasi-public corporations. Councils who have set-up Arm's Length Management Organisations (ALMOs) are considered public corporations. And those who have transferred their housing stock to a housing association are considered to be private sector non-profit corporations (see Figure 1 below; **Note**: Housing grants are counted as part of government expenditure/ borrowing irrespective of the ultimate destination).

Figure 1 Current public borrowing rules and housing



(Source: National Federation of ALMOs, 2011: 27)

It is this anomaly in the accounting rules that has led a range of housing bodies (including the National Federation of ALMOs; the Association of Retained Council Housing; the Chartered Institute of Housing; the Local Government Association and the Councils with ALMO Groups) to call for the government to change its approach and use GGGD. In the process this will allow greater freedom for public corporations (like the NIHE) to raise finance from the private sector without adding to the overall public debt levels.

In response to these calls HM Treasury has refused to change their rules with the main justification being that if a (quasi) public corporation was unable to service its debts then the government would need to step in. However, the government does not apply this principle consistently. For example, the rescued banks fit the definition of a public corporation (and one where there are both high and continuing risks of liabilities); yet the government has excluded them from the calculation of PSND[112].

It is clear that the government can, and will, change the rules when it suits to do so.

Invest in the future

The third option available to the Executive government is a targeted, prudent increase in public borrowing to fund a new generation of public housing in Northern Ireland. This is both needed and justified. In terms of the latter, in 2010 a construction industry group published a report that showed for every £1 invested in construction it generated £2.84 in economic activity[113]. Further, they estimated that for every £1 invested in construction, HM Treasury received back £0.56 in increased tax income or benefits saved[114].

It is not just construction in general that benefits; there are specific advantages of investing in housing. According to the government's own figures every £1 million invested in housing supports 12 new jobs[115]. In addition, we have already seen that public/council housing provides the best available value for money with lower management costs, and therefore rents, than the housing association sector.

These are just the economic arguments in favour of investing in public housing.

The social arguments are as persuasive. 'At March 2012 there were 34,776 applicants registered on the social housing waiting list, with 20,302 deemed to be in housing stress'[116]. Poor housing conditions have a direct and detrimental impact on the health, education and employment of the tenants affected.

This position is not due to improve in the future. According to a forecast by the NIHE, the social housing sector needs to deliver 2,500 units per annum from 2011 - 2015[117]. In Northern Ireland, this level of output was last achieved in the mid-1980s, at a time when the NIHE was allowed to build new houses and public investment in public housing was considerably higher than the present day.

In other words, **if the Northern Ireland Executive is serious about meeting this expected future housing need there has to be more money available to the NIHE.**

Based on this there is a very strong case for a change in government policy to provide direct investment to the NIHE, either through borrowing or targeted public funding in a new generation of first class public housing.

It may appear that such a change in government policy is wishful thinking, but it is the government that is out of step with much of the social housing, construction and even finance industries. For example, at the end of 2012 a number of housing and related bodies[118] produced a report – *"Let's Get Building: The case for local authority investment in rented homes to help drive economic growth"* – arguing for an £7 billion stimulus package over a five year period. The stimulus package would be financed using a combination of the strategies outlined above. Significantly, the report also includes the reactions of a range of 'economists, fund managers and credit ratings analysts'[119]; and states: 'Interviewees generally felt that investment was important and several expressed the view that there should be a shift in government fiscal policy towards investment'[120]. As one interviewee stated:

> *I do think there is a need for fiscal stimulus and a scope for it, but I do think that government has to behave quite cautiously* ***...A well constructed and targeted package: I think the markets could accept that quite readily.*** [121]

As shown in the report and above investment in public housing provides such a targeted package. This is the challenge to which the governments in Westminster and Stormont should rise.

Case study 6 Life after rejecting transfer

In 2002, the 84,000 strong tenants of Birmingham City Council (BCC) rejected a proposed stock transfer (66.8 per cent voting against transfer). Four years later the Council re-balloted their tenants, who again rejected stock transfer (this time by a larger margin of 75 per cent)[122].

Since that time BCC has found ways of improving their housing stock while staying in the public sector. For example, by 2011 they had achieved 99.6 per cent compliance with the Decent Homes standard[123]. Between 2002 and 2009 regulatory inspection ratings had improved from zero stars to three stars (out of a possible four)[124].

In the decade since the first rejected transfer, BCC had reduced the numbers on the waiting lists by over 1,000 despite the impact of the global financial crisis post-2008[125]. And significantly in the past four years there has been new council house building in Birmingham on a level not seen for three decades[126].

Not only has all this been achieved by staying within the public sector but also by keeping rents at affordable levels and below housing association rents levels within the city[127].

Conclusion

This report has critiqued the proposals by the Minister for Social Development to privatise the Northern Ireland Housing Executive and developed a number of alternatives. In Section 1, this was achieved by examining the nature of the proposals and challenging the assumptions on which his proposals are based. This includes recognition that there is a lack of conclusive evidence to support splitting the strategic and landlord functions and that stock transfer represents privatisation where the main objective is to access private finance. The private finance brings with it the culture and operations of the private sector market.

Section 2 then explored the experience in Britain from nearly thirty years of public housing stock transfers. The overall conclusion is that the policy has been pursued dogmatically and in such a biased manner that the policy has been brought into disrepute. Furthermore, the policy leads to tenants paying higher rents and losing their access to a process wherein they can hold those to whom they pay rent, democratically accountable.

In Section 3 the report sets out a range of alternatives to the Minister's proposals that would allow the NIHE to remain in the public sector, democratically accountable and providing the best value for money to both tenants and taxpayers. Three related options are set out:

- First, the Minister could change the Financial Memorandum between his department and the NIHE to allow the Housing Executive the ability to borrow. This could be controlled using the Prudential Borrowing Framework that has been in use for local authorities in England, Scotland and Wales since 2004 and in Northern Ireland since 2011;
- Second, the Minister and others in the NI Executive government could redirect their efforts on securing a change in HM Treasury rules away from the corporation tax rates to changing the public sector borrowing rules. In this respect, the UK government is out of line with international practice and the majority of the social housing sector and related bodies within Britain;
- Third, there is a strong case for a stimulus package that is targeted and based on prudent borrowing, in the form of building a new generation of first class NIHE houses. The experience over many decades has been that the private and housing association sectors cannot deliver the level of house building needed to address the numbers in housing stress and on waiting lists.

The above options show that alternatives are available. Developing a truly new, innovative public housing policy that fits the circumstances of life in Northern Ireland; this is the real challenge for the Minister, his Executive colleagues and the Assembly.

Appendix 1 The Prudential Borrowing Framework

Prudential Indicators for Affordability	Estimates of the ratio of financing costs to net revenue. Actual Ratio of financing costs to net revenue stream (%). Estimates of the incremental impact of capital investment decisions on council tax. Estimates of the incremental impact of capital investment decisions on housing rents.
Prudential Indicators for Prudence.	Net borrowing and the capital financing requirement.
Prudential Indicators for Capital Expenditure	Estimate of total capital expenditure (3 years). Actual capital expenditure for previous year. Estimates of capital financing requirement (3 years). Actual capital financing requirement for previous year.
Prudential Indicators for External Debt	Authorised limit for external debt (3 years). Operational boundary for external debt (3 years). Actual external debts as at 31st March of previous year.
Prudential Indicators for Treasure Management	Adoption of CIPFA Code of Practice for Treasury Management in the Public Services. Upper limit on fixed interest rate exposures (3 years). Upper limit on variable interest rate exposures (3 years). Upper and lower limits for the maturity structure of borrowing. Prudential limits for principal sums invested for longer than 364 days.

Source: CIPFA (2003); quoted in Bailey et al. (2010)

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70. Based on figures supplied by DSD Minister in written reply to a question AQW 19505/11-15 (19/02/2013).

71. McDermont, M. Cowan, D. and Prendergast, J., "Structuring Governance: A Case Study of the New Organizational Provision of Public Service Delivery", *Critical Social Policy*, Vol. 29 No. 4, 2009, pp. 677–702.

72. Smyth, S. (2013), "The privatization of council housing: Stock transfer and the struggle for accountable housing", *Critical Social Policy*, Vol. 33 No. 1, pp. 37-56.

73. Ibid.

74. DSD News Releases, 9 January 2012. Available at : http://www.northernireland.gov.uk/index/media-centre/news-departments/news-dsd/news-releases-dsd-january-2013/news-dsd-090113-written-statement-to.htm

75. See Pawson and Mullins (2010).

76. HCA LSVT database.

77. *Council Housing Transfers*, Audit Scotland, Edinburgh, 2006, p. 2.

78. Ibid, p.16.

79. Ibid.

80. Ibid, p. 55.

81. Scottish Parliament (1999), *Housing Stock Transfers*, The Scottish Parliament, The Information Centre, Research Paper 99/13, 1999, p. 25, (emphasis in the original).

82. UK Housing Review 2010/11, Table 68b.

83. Ibid.

84. Audit Scotland, *Council Housing Transfers*, Edinburgh, Audit Scotland, 2006.

85. Mooney and Poole, 2005.

86. Audit Scotland, 2006, p. 55.

87. Quoted in Mooney and Poole, 2005, p. 35.

88. Ibid, p. 32-33.

89. Quoted in Mooney and Poole 2005, p.35.

90. PwC report, 2011 p.31.

91. PwC Report, (p.22 and p.23)

92. See: http://www.niassembly.gov.uk/researchandlibrary/deposited_papers/2010/dp620.pdf

93. The PwC report does give an indication that to pursue the Savills standard: "there is likely to be a requirement to borrow up to approximately £60m in the medium term to enable the

maintenance schedule to be met in years 2025/26 to 2030/31".

94. The NIHE financial statements for 2011-12 show Loans Outstanding (under the Non-Current Liabilities) in the Statement of Financial Position, as £541 million. Available at: http://www.nihe.gov.uk/2012_annual_report.pdf

95. *Alternative Financial Delivery Models For Affordable Housing*, NI Assembly Research and Library Services, Briefing Note 37/10, 2010, p. 12.

96. Under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

97. 'You can go your own way' *Public Finance*, 16 June 2006. Available at: http://www.publicfinance.co.uk/features/2006/you-can-go-your-own-way-by-neil-merrick/

98. 'Harrow drops ALMO in favour of prudential code', *Public Finance*, 29 October 2004. Available at: http://www.publicfinance.co.uk/news/2004/harrow-drops-almo-in-favour-of-prudential-code/

99. 'Homes boost for Birmingham as council looks to prudential', *Public Finance*, 20 February 2004. Available at: http://www.publicfinance.co.uk/news/2004/homes-boost-for-birmingham-as-council-looks-to-prudential/

100. 'Council sets up company to oversee new housing', *Public Finance*, 12 November 2004. Available at: http://www.publicfinance.co.uk/news/2004/council-sets-up-company-to-oversee-new-housing/

101. 'Forty-seven councils given the go-ahead to build 2,000 homes', *Public Finance*, 10 September 2009. Available at: http://www.publicfinance.co.uk/news/2009/09/forty-seven-councils-given-the-go-ahead-to-build-2000-homes/

102. In 2012 council housing finance in England underwent a major reform moving from a national (negative) subsidy system (known as the Housing Revenue Account) to self-financing where each local authority retained all their rents locally. This should allow greater borrowing freedoms at the local level under the prudential borrowing framework (PBF); however, the Westminster government has put an additional cap restricting local borrowing.

103. Scotland has had the PBF in place since 2004 and already had a self-financing system operating. This has allowed greater freedom for Scottish local authorities to retain their housing stock and borrow to fund improvements and maintenance. Significantly, this borrowing in Scotland does not count against Departmental Expenditure Limit for Scotland (Housing and Public Policy in Post-devolution Scotland, Chartered Institute of Housing report, 2004).

104. Following the self-financing reform in England, the Welsh local authorities have also followed this path, further allowing them to use the PBF to fund council housing capital programmes. It is as yet unclear if they will also be subject to the additional borrowing caps that are in place in England. See: http://www.insidehousing.co.uk/finance/welsh-councils-win-self-financing-agreement/6527469.article.

105. Section 10.11.2 would need to be amended. The Assembly has the power to do this under S. 10 of the Housing (Northern Ireland) Order, 1981. Under the same order the NIHE already has the authority to borrow (s. 16).

106. Department of Social Development, "Management Statement Financial Memorandum Dossier of Controls with Northern Ireland Housing Executive" (p.33)

107. Bailey S.; Asenova, D.; Hood, J. and Manochin, M., 'An exploratory study of the utilisation of the IK's Prudential Borrowing Framework', *Public Policy and Administration,* Vol. 25 No. 4, 2010, pp. 347-363 (p. 352).

108. Ibid, (p. 353).

109. The PwC report identifies two programmes; one based on the Savills stock condition survey and a second called NIHE MI Strategy (PwC Report, p.22).

110. PwC Report, p.22 and p.23.

111. Select Committee on Office of the Deputy Prime Minister: Housing, Planning, Local Government and the Regions, Fifth Report, 2004. Available at: http://www.publications.parliament.uk/pa/cm200304/cmselect/cmodpm/46/4603.htm

112. For a fuller discussion on the current debate over PSND and GGGD see section 6 of Let's get building report (NHA, 2011).

113. 'Construction in the UK economy – the benefits of investment', UK Contractors' Group October 2010. See: http://www.ukcg.org.uk/fileadmin/documents/UKCG/pamphlets/UKCGfina.pdf

114. Ibid.

115. Jobs estimate based on DCLG calculation, see DCLG (2011) *Laying the Foundations: A housing strategy for England*. London: DCLG.

116. 'Waiting Lists', NIHE website. See: http://www.nihe.gov.uk/waiting_lists

117. Northern Ireland Housing Executive (NIHE) (2011) *Northern Ireland Housing Market Review & Perspectives* 2011-14. Belfast: NIHE. (p.14).

118. The bodies are the National Federation of ALMOs; the Association of Retained Council Housing; the Chartered Institute of Housing; the Local Government Association and the Councils with ALMO Groups.

119. 'Let's get Building' report (p. 30).

120. Ibid (p. 31).

121. Quote from Roger Bootle, Managing Director of Capital Economics in the 'Let's get Building' report (p.30).

122. 'Look who's laughing now' *Inside Housing*, 3 April 2009. Available at: http://www.insidehousing.co.uk/look-who%E2%80%99s-laughing-now/6503990.article

123. 'Birmingham wins HRA debt cut' *Inside Housing*, 16 December 2011. Available at: http://www.insidehousing.co.uk/finance/birmingham-wins-%C2%A392m-hra-debt-cut/6519671.article

124. 'Look who's laughing now' *Inside Housing*, 3 April 2009.

125. See: Department for Communities and Local Government (DCLG) Live tables, Table 60.

126. 'Birmingham wins HRA debt cut' *Inside Housing*, 16 December 2011; Department for Communities and Local Government (DCLG) Live tables, Table 253.

127. See: Department for Communities and Local Government (DCLG) Live tables, Table 702 and Table 704.

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