

Housing Associations capitulate over 'right to buy'

When the idea of the extension of 'right to buy' to housing associations was first floated housing association representative, including David Orr, head of the National Housing Federation (the 'trade organisation' of housing associations) were talking of fighting the proposal. There was also discussion of legal action. Yet the NHF has organised an ignominious capitulation to the government's destructive housing agenda. Mr Orr negotiated an 'agreement' with Housing Minister Greg Clark in which instead of being forced to sell off their homes they will do it 'voluntarily'. HA's affiliated to the NHF were given just a week to decide on whether or not to sign the capitulation terms or else the government would proceed to legislate to introduce RTB extension. The spurious argument in favour was that this was a means of defending the 'independence' of housing associations. What sort of independence is it when private organisations are told by central government that they have to sell off their assets?

According to Mr Orr the response of the the sector had to be "overwhelming" if Mr Clark was to agree not to legislate. Ruth Davison, head of policy at the NHF, said they would make the offer to the government if "a high proportion" of their members voted in favour. She explained to *Inside Housing* magazine that this would be calculated by proportion of stock, not the number of members, which means that "the votes of larger landlords will effectively be more important".

However, Ruth Davison confirmed that the government has provided *no guarantees* to the NHF that it would not legislate even if housing associations voted for a voluntary scheme. This is despite the fact that voting papers sent out to members said that if associations agree then "the government will not bring forward primary legislation".

It's a case of the iron fist in the velvet glove. Clark confirmed that even if RTB was introduced "voluntarily" it would "change nothing" about how the scheme worked. His speech to the NHF conference, it has to be admitted, was a brilliantly crafted one. Whilst presenting himself as a caring individual essentially he threatened the NHF that unless they capitulated they would be cast out into the wilderness. They might no longer be considered as best 'partners' for the government. The problem as outlined by him was that "the sector's heart is in developing properties for rent" whereas it showed "little zeal for developing homes for home ownership". Imagine that, 'social housing providers' concentrating on providing 'social housing'! He wanted the sector "going beyond the strict business of building and renting homes", to "expand the mission by expanding the opportunities of home ownership even quicker".

The 'ballot' results have been leaked and the vote has delivered the result that Orr wanted: 86% of those voting agreed on the 'voluntary' deal. This may appear 'overwhelming', however, it appears that only 55% of NHF affiliates voted 'yes' – 39% did not bother voting. We don't know why these organisations abstained. Some of them will undoubtedly have seen the whole process as a stitch-up. As one of the organisation voting no said:

"From our observations at the conference we are deeply concerned that the NHF appears to have stage-managed the process with one outcome in mind, rather than acting as an honest broker, to allow the whole sector to come to a timely and balanced view in respect

of this incredibly important decision. The speed at which some organisations signed up to the deal suggests they had prior knowledge of its make-up, and the voting process in terms of how votes are weighted contradicts the current NHF AGM rules, and stated requirement that a sufficient proportion of HAs must be in favour, to convince government. This is not what we expected from a representative body and we will therefore be reviewing our membership of the NHF.” (Red Kite Housing)

The carrot and the stick

This is not just a capitulation in relation to RTB. Those organisations that voted 'yes' have accepted the whole government housing agenda. So what was the 'deal'? There was, of course, some carrot to go along with the stick. This is what the NHF explained to housing associations.

- They are promised the full market value of the properties sold – it was not previously clear that they would receive full compensation for the difference between the discounted price and the market value;
- They would supposedly maintain their independence “with control over which individual homes you sell, establishing an important principle and reducing the risk of reclassification of housing associations as public sector”¹;
- “In most circumstances, you will be expected to sell the tenant the current home”. However, if you have a good reason not to, “you can work with the tenant to find an alternative. The final decision would rest with the housing association board.
- There are some circumstances, such as in rural areas or with certain types of home, where it will be made clear to the tenant that they shouldn't expect to be able to buy their current home, and you will work with them to find somewhere else to buy with their discount should they choose to do so.
- “A national commitment to replace each home sold on a one for one basis”. The type and location is flexible – you can build a new one for social or affordable rent or shared ownership.

Good Cop, Bad Cop

Mr Orr very kindly produced a draft document for housing associations to tell them what to say, with a view to convincing their Boards to sign the capitulation terms. It has this to say on “political implications”.

“The federation reports that there are also political advantages to the sector coming to a voluntary arrangement with the Government. There are clearly some voices in the government who are not convinced that the housing association sector is a partner ready to work with them to deliver on their priorities. Recent comments by both the Chancellor and the Prime Minister have focused on perceived inefficiencies in the sector, and the Office of National Statistics, and Ministers, have made it clear that the 'status' of housing associations as independent private bodies is something that they are prepared to see change.”

1 David Cameron recently described housing associations (private business, many with charity status) as 'part of the public sector'. The question of whether their debt should be included as public debt is being examined as a result of the government proposing to force them to sell their homes under 'right to buy'. See

<http://keepourcouncilhomes.wordpress.com/2015/09/20/preparing-their-excuses-beforehand/#more-1046>

In contrast there is that nice Mr Clark offering us this deal. The consequences of 'choosing' the legislative route, says the NHF, "would potentially be a reclassification of associations as public bodies by the ONS". It has to admit that "a voluntary deal does not preclude this risk" but "it is possible that a legislative solution would increase the risk of housing associations being reclassified as public bodies by the ONS."

So, in the face of this threat from "other voices" in the government, housing associations are supposed to place their trust in one Minister who is threatening them with the consequences if they don't capitulate.

Bogus 'Democracy'

One of the things that Greg Clark threw in the faces of the 'leaders' of the housing association sector is the 'mandate' the government received in the general election. The sector "has always been respectful of the mandate that successive government have had". This is a bogus argument, not only because the government only received 36.9% of the vote (24% of the electorate) but because its policy was as detailed as scribbling on the proverbial fag packet. In fact, it did not expect to achieve a Parliamentary majority, but find itself in another coalition, possibly with the Liberals, who were opposed to the policy. The policy was brought forward as a last ditch electoral bribe. In any case Clark is now quite happy for these organisations to act in a completely undemocratic fashion. How could they have a serious discussion, consider all the implications of the 'agreement', and consult their tenants (if they felt so inclined) in one week?

An attempt to avoid Parliamentary scrutiny

This tactic by Greg Clark is a clear attempt to avoid parliamentary scrutiny and the difficulties they would face in the House of Lords where they don't have a majority. For the NHF to allow them to avoid such scrutiny is an utter disgrace for organisations that we are told have a 'social purpose'. Moreover, in going along with this capitulation Mr Orr and his fellow Quislings are accepting the decimation of Council housing, through enforced sale of 'high value' Council homes, the receipts of which will be used to compensate housing associations.

In his justification for a 'yes' vote Orr said this about the enforced sale of 'high value' Council homes.

"We do not, and will not, endorse this proposed mechanism. Our offer depends on the government providing full funding for the discount, so that housing associations can replace the homes sold, but we have made it clear that is the responsibility of the Government to identify these funds."

These weasel words mean 'it's not our fault guv' but we will happily go along with the decimation of Council housing so long as the receipts for these sales end up in our pockets. As one journalist said, "it's not very fraternal is it?"

There is another factor which may have produced this tactical manoeuvre by Mr Clark. Preparation for the legislation is reportedly going badly and the government was struggling

with the timescale for bringing forward its proposals.

What's in the 'agreement'?

Whilst the agreement centres on the extension of 'right to buy' the document which housing associations were asked to sign up to goes much further than that issue alone. In their explanation of why they would not sign up to the agreement Red Kite Housing say that Chapter three "appears to have introduced a wave of government policy into a voluntary deal, which has not been subjected to a democratic process". Read the Chapter and you can see exactly what they mean. At issue, from my reading, is nothing less than the abandonment of any social purpose which housing associations may have had.

The first paragraph says that the government and housing associations "have a shared ambition to extend the benefits of home ownership to both existing and future tenants". A number of housing associations have "already developed innovative approaches to enable their tenants to access the housing market, for example flexible tenancies and equity stakes".

"Housing associations would commit to extending this work with the aim of making available to *all* their tenants (my emphasis) the opportunity to acquire a stake in a home which can increase over time."

ALL their tenants. This would appear to be nothing less than abandoning their historic purpose which is to provide affordable homes for rent. This is what Mr Clark complained of earlier. He says he wants them to "expand their mission" but he really means abandon their old mission and adopt a new one.

"Housing associations and the Government would agree to work together to increase the number of newly built properties which support households into home ownership, providing options for those for whom outright purchase is currently out of reach."

Then we read this statement which implies an end to new 'social rent' homes.

"As a general principle, we understand the government would like to see all newly built housing association properties incorporate an element which enables the tenant to become an owner (or part owner) over time."

Add this together with the enforced sale of 'high value' council homes and you can see a policy which has the consequence of reducing the number of 'social rent' homes and stopping new ones being built.

To assist housing associations to have 'greater control' over their assets and deliver this "ambitious agenda" the Government says it will "implement deregulatory measures which would support housing associations in their objective to support tenants into home ownership". These are

- Giving associations "greater freedoms over asset disposals". This probably means allowing them to sell off more stock without having to seek the permission of the

- housing regulator.
- Enabling associations to convert vacant properties from social or affordable rent into other forms of tenure. Another means of driving down the available stock of 'social housing'.
- Giving housing associations greater control over who they house. The government would work with the local authority sector to examine "how to ensure nominations to housing association stock are appropriate to the properties concerned." This would potentially enable housing associations to refuse to house people on housing benefit, the unemployed and so on. If you are aiming to "help tenants" into home ownership, full or part, then you would prefer people who are in work, or not disabled and so on.

Operating "more commercially"

There has for some time now been a polarisation in the housing associations sector between those that cling onto their original social purpose, most often providing affordable rented homes to poor people, and those that follow a more commercial agenda. The latter have begun building more homes for sale. With the result of the general election some of these have even announced they will abandon building social housing. The government is deliberately forcing this process. The 'agreement' document tells us that the "freedoms and flexibilities" it is introducing "would have the potential to transform how housing associations operate, liberating them to operate more commercially": or to put it another way, to abandon their 'social purpose'.

Such far reaching proposals on how housing associations operate should, of course, be subject to parliamentary debate and scrutiny. The 'voluntary agreement' is a means of avoiding both.

Conclusions

Having got their desired outcome in the vote the NHF will now go into negotiations with the government about an agreement. Whether or not it remains like the one the NHF drafted remains to be seen. With 55% of affiliates voting to capitulate it is not such an overwhelming result as presented. We await the response of the government. Of course, the document which Orr presented to NHF affiliates is not a legal document to which housing associations are bound. Moreover, the 45% that did not sign up to it have no obligations towards it.

In taking this decision those associations which have signed up are agreeing to go down the road of abandoning their historic purpose as 'social housing' providers. They will deny it. But the direction of travel is clear. The government has demanded more "zeal" in favour of home ownership. Orr states in his case for voting yes that "It gives housing associations the opportunity to contribute to a *huge increase* (my emphasis) in homes for shared ownership." This will inevitably mean a decline in the number of homes available for 'social rent'.

However, those HA's that have agreed to implement the government's housing agenda may find that Mr Clark and his government will not necessarily treat as they might expect.

When you capitulate to bullying expect the bully to treat you with contempt. Watch this space.

Martin Wicks
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