



**Unite – the Union Scotland**

**Response to Firm Foundations: the Future of  
Housing in Scotland Consultation**

## **Executive Summary**

In this consultation response, Unite - the Union will articulate our belief that that there should be a level playing field for social housing. This is in contrast to the current position whereby local authorities are unfairly incentivised to transfer housing stock with the guarantee of a debt write-off by the Scottish Parliament. This policy automatically ensures a presumption in favour of stock transfer and an inherent systematic bias against retaining existing local authority housing - and to its potential expansion.

We believe that investment in social housing and affordable housing for rent is the key to addressing: the current shortages in housing supply; levels of debt incurred by home-owners and tenants; job insecurity for those working in local authority housing services; and house price and rent inflation.

Therefore, in order to address these challenges, Unite – the Union:

- opposes housing stock transfers and calls on the Scottish Parliament and Scottish local authorities to use their devolved powers in the area of housing to implement the so-called 'fourth option';
- calls on the Scottish Government to provide the necessary resources to councils for direct investment for future housing programmes;
- calls for specific targets to be set for affordable homes for rent including local authority controlled social housing;
- supports stronger measures to ensure access to genuinely affordable homes and that this is considered integral to all proposed developments in Scotland;
- supports measures to increase the insulation of housing to help protect our environment and eradicate fuel poverty; and
- seeks the highest quality employment standards in the housing sector and the retention of direct labour organisations.

## **Introduction**

Unite – the Union is the UK’s largest trade union with 2 million members across many sectors of the economy. The union’s members work in a range of industries including manufacturing, financial services, print, media, construction, transport and local government, education, health and not for profit sectors.

As a Union with a substantial membership in the housing sector including those working in Direct Labour Organisations, housing associations, care services, voluntary organisations, charities, and ancillary staff, we welcome the opportunity to take part in the ‘*Firm Foundations: The Future of Housing in Scotland*’ discussion document.

Therefore, in line with our expressed policy positions stipulated in the executive summary we shall respond to those points raised in the consultation document which are of particular relevance to our members and trust that our views will be given full consideration.

## **Unite – the Union Policy**

### **A FOURTH OPTION**

1. Unite – the Union recognises that many challenges exist in terms of improving the quality and supply of housing provision in Scotland including housing debt, house price inflation, underinvestment, and planning issues.
2. Housing is inextricably linked to social justice and equality. We believe that improving housing provision is the key to regenerating our communities, improving the quality of life for all Scottish citizens and addressing inequalities between different areas. There should be a

balance of housing options with an effective mix of home ownership and socially rented housing.

3. We believe that everyone should be entitled to a decent affordable home - even those currently deemed intentionally homeless. It is our belief that the Scottish Parliament and local authorities should be persuaded to ensure that the housing supply meets demands and that local authorities and Government should work towards guaranteeing an adequate supply of affordable rental and purchasable housing available for all.
4. There is a clear and definite link between poor housing and poor health and we have welcomed the implementation by the previous Scottish Executive of initiatives such as the Central Heating Programme and the Warm Deal to tackle fuel poverty.
5. We have also welcomed the commitment in the Housing (Scotland) Act 2001 and the subsequent Scottish Fuel Poverty Statement requiring that fuel poverty be eradicated, as far as is practicable, in Scotland by 2016. It is our union's firm belief that tackling fuel poverty is key to tackling social inclusion, as well as promoting energy efficiency.
6. Therefore, we believe it is an imperative that policies continue to be developed to address the issue of fuel poverty including ensuring that affordable housing is constructed in a carbon neutral and sustainable way reducing the financial burden of energy consumption on vulnerable sections of society.
7. While we have always advocated an expansion in the housing supply, and in principle we welcome the projected increase of up to 35,000 new houses a year by the middle of the next decade, we note that this housing will mostly be for owner-occupation - albeit some of it low cost home ownership. While we recognise that the right to buy should be available to those who wish to exercise that right we also believe that there must be a genuine choice of good quality rented accommodation available for those who prefer that option.

8. Unite – the Union shares the deep concerns of organisations like Shelter Scotland, the Chartered Institute of Housing in Scotland, the Scottish Federation of Housing Associations (SFHA) and the Scottish Council for Single Homeless (SCSH) and The Association of Local Authority Chief Housing Officers (ALACHO) who highlight that the necessary resources by the Scottish Government are not being invested to ensure the necessary number of new affordable homes.
9. According to Shelter Scotland the budget for new affordable homes has been cut by 6 per cent in real terms for this year before rising again which means that the new Scottish Government “*will spectacularly fail to provide the 30,000 affordable rented homes Scotland needs by 2011.*”
10. It is our firm belief that many people need or prefer to rent and the housing system must provide a choice of accommodation that meets their needs. For many of our members and their families, the growth in temporary and insecure employment status deters a consideration of the option to buy and, (in some cases) periods of unemployment, low pay and related debt issues reduce the potential to access mortgages. This has been exacerbated by the recent sub-prime crisis in the American which has impacted on the UK financial sector economy.
11. We share the concerns of the housing group coalition that even with the Scottish Government’s proposals to ending the Right to Buy on new social housing built by councils and housing associations there will still be concerns about the level of adequate and affordable homes for rent. As a result, we believe that proposals must be brought forward at the local government and Scottish Parliament level to ensure:
  - an increase in the supply of social housing; and

- a percentage of housing in all developments is ring-fenced for renting and affordable for those not already owner-occupiers.
12. These measures would help to ensure a greater mix of housing supply at a local level and address the increasingly important issues of affordability and accessibility. For example, house prices were 72% higher in 2006 than in 2002 whilst levels of new build increased by only 2%. In Edinburgh and Lothians up to 30 per cent of working households are unable to afford the cheapest properties available while in Inverness in the five years to Quarter 4, 2006 house price growth reached 106% across the Highlands and Islands area outperforming Edinburgh, Glasgow and Aberdeen.
  13. The consultation document itself points out that there is a growing body of evidence which demonstrates that these increasing house prices are exacerbating wealth inequalities, spatial disparities and levels of debt. For example according to the Council for Mortgage Lenders, first time buyers borrowed an average of 2.86 times their household income in Scotland in 2006 and 3.21 time their household income in the UK. This compares with an average of only 1.98 during the 1990s.
  14. The scale of the challenge to make houses affordable for rent by increasing the supply is highlighted in the *Scottish Housing Market Review: Evidence and Analysis (2007)*. The report states that preliminary forecasts suggests that increasing the rate of private sector new build by 50% to 2016 would improve the affordability of Scottish home ownership by 6% over this time, with a 100% increase improving affordability by 10%.
  15. Therefore, it is vital that initiatives are also developed to introduce land, planning and development policies to ensure that sites, particularly in rural areas, are released for those wishing to buy their homes and to rent. We are particularly minded that many rural areas are experiencing an acute shortage in the availability of properties to rent.

## STOCK TRANSFER

16. As the consultation paper states we acknowledge that there are 'no quick solutions' to affordability, accessibility, quality and a significant increase in the housing supply. However, we equally believe that through significant levels of investment and the retention of existing local authority controlled housing then the issues of affordability, accessibility and quality can be significantly addressed.
17. As we stated at the outset, Unite – the Union maintains its opposition to large scale transfer of local authority housing stock on the basis of affordability, accessibility and quality. Additionally, we strongly support housing stock retention on the basis of increased democracy and accountability for tenants and security for those working in the housing sector.
18. Stock transfer is not a satisfactory way of improving homes. The principal benefit to tenants is the artificial link between the change of ownership of the housing stock and debt write off. Transfer remains very unpopular in Scotland. Of the 32 local authorities in Scotland, only six have transferred their homes – Glasgow, Inverclyde, Dumfries & Galloway, Argyll & Bute, Scottish Borders and Western Isles. In addition, Over 90 local authorities throughout the UK have decided to retain their housing stock throughout the UK. This included Edinburgh in December 2005 where the proposal to transfer was rejected (53% in favour, 47% against) with a turnout rate of 60.5%.
19. Stirling and Renfrewshire tenants in October 2006 rejected transfer by an overwhelming majority of 68% in Stirling on a 67% turnout. In the Highlands in November 2006 tenants for example also rejected transfer by 60% on a 62% turnout. These developments follow Aberdeen and Dundee (rejection at consultancy stage) in voting no to full transfer.

20. A number of councils have not only chosen retention but are calling for a level playing field to help investment in Scottish council housing. Councils such as Fife, Aberdeenshire, Dundee and Shetland have previously given evidence to the House of Commons Council Housing Group to express their support for direct investment in council housing, and calling for a level playing field on debt.
21. Councils in Scotland do have flexibility when it comes to deciding how to fund investment in council housing in order to meet the Scottish Housing Quality Standard. For example, East Lothian has been able to afford the standard out of their current level of resources while others have chosen a variety of ways to close the gap:
- Aberdeenshire Council which manages nearly 14,000 houses for rent has chosen to fund investments through raising rent by 3% above inflation for 5 years and 2% above for the rest in a 30 year business plan which is subject to an annual review;
  - South Lanarkshire Council - whose 27,000 tenants in a survey published in June 2006 indicated that of those tenants who responded 90% expressed satisfaction with the overall quality of completed housing work - uses prudential borrowing and presently has no intention to transfer any of the housing stock; and
  - Fife Council which has responsibility for 36,000 tenants has chosen to raise rents by 1% above inflation.
22. Unite – the Union also wishes to express our concern in regards to the biased ways in which transfer ballots are conducted, the inequity of the process, and costs attached to a ballot (e.g. surveys, consultation, PR and ballot). For example, the expenditure incurred on the Edinburgh City Council ballot transfer totalled £2.65MN. These costs included staff costs, mail shots, ballot costs, consultant fees and surveys (*source: The City of Edinburgh Council: Meeting 11 on 26 January 2006*). Defend Council Housing also rightly points out that tenants

should have a vote whenever there is a proposal to change the landlord, tenure or management of their homes. There is currently no legal right to a ballot for either PFI or ALMOs. Registered Social Landlords tenants facing a secondary transfer to another housing association should also get a vote based on the principles being applied to local authority controlled housing stock.

23. Furthermore, local authorities can afford to put out a constant stream of material leading up to a ballot promoting their preferred policy in contrast to those organisations and tenants campaigning against transfer. It is important to state also that the questions asked on surveys and ballots are often biased and designed to secure a 'yes' vote.
24. Therefore, as highlighted above, investing to upgrade the current stock of social housing can be financed through existing resources and revenue streams open to local authorities while remaining under the control of local authorities.

### INVESTING IN SOCIAL HOUSING

25. Unite - the Union believes that extra resources should be directed by central and devolved Governments to ensure that that there can also be an expansion of affordable and quality social housing. It is for this reason that we welcomed the UK Government's announcement of an extra £8 billion for affordable homes for rent.
26. All existing social housing under the control of local authorities should remain so with the option of local authorities using financial streams to retain and expand the quality and affordability of the existing stock. Importantly, we believe that there is no substitute for direct investment in social housing by local authorities through allocations from the Scottish Parliament, and UK Government.

27. The prudential borrowing scheme prevents many local authorities from building new council housing but if a new system of subsidisation were to be introduced for all local authorities to be new council houses then this would in principle be better than the status quo. However, this position must be qualified by the scant financial detail contained in the discussion document and the lack of information on how such a new system may work.
28. A key reason for this debt arising is due to a tenant buying their council house under right to buy with the residual outstanding debt of that property staying with the local authority. The scale of this can be demonstrated by the fact outlined in the consultation paper which is that Council housing was the majority tenure in Scotland in 1982. However, as a result of the Right to Buy policy, council housing has decreased to less than 20% today.
29. According to the organisation Defend Council Housing for every £1 in rent that City of Edinburgh Council receives 40p of this goes into servicing the existing debt. Therefore, it is absolutely clear in our opinion that unless debt is addressed then local authorities will be severely hampered, if not critically, to increasingly contribute to affordable and quality housing for rent.
30. We remain disappointed by the fact that the Treasury maintains that councils debt cannot be written off as it will add to the UK Public Sector Borrowing Requirements (PSBR), yet the majority of European countries do not include this in their PSBR.

### COSTS OF TRANSFER

31. The costs of transferring housing stock on tenants and staff, and the ambiguous benefits of stock transfer is a vital component in our Union's continued support for the retention of social housing under the control of local authorities.

32. The case for the transfer of housing stock remains inconclusive - a fact that the SPICe Briefing: Housing Stock Transfer Brief August 2006 acknowledges itself when it asserted, "*In Scotland there has been relatively little research evidence about the impact of stock transfer to date*".
33. On the issue of value for money, Audit Scotland (2006) has itself commented that: "*...it is difficult to be sure that the initial housing transfers have provided the best value for money given the lack of competition and the absence of targets or outcome measures in some areas*".
34. Furthermore, the Community Ownership Review Group (Scottish Executive 2004) found that a number of important issues arose during the first wave of stock transfers principally:
- the transfer process was prolonged and subject to delays and slippages due in part to '*unclear objectives*'
  - the process of setting up new Registered Social Landlords was both '*more time consuming and more difficult than expected*'; and
  - the relative responsibilities of the different stakeholders were '*not always clear*'.
35. In regards to the financing of council housing, Unite – the Union wishes to draw attention to the Audit Commission report into '*Financing council housing*' (June 2005), which stated that the current finance system for housing is too complex, unfair and over-centralised and fails to reward good managerial performance.
36. The costs of stock transfer are more than retention. The National Audit Office showed that it cost the taxpayer around £1,300 more per home to transfer than for fully funded local authority retention and renovation.

To improve our homes after transfer to a private company has been estimated to cost £3,857 per home more than if the council did the work itself (Housing Stock Options Study, City of Edinburgh Council, May 2001).

37. If the Westminster government says that it has the money there to write off the legacy of housing department debt if transfer occurs, then surely the money is there irrespective of a change of ownership. It is our belief, therefore, that if the Scottish Government, and UK Treasury, can spend over £1 billion subsidising transfer, it can give the same to Local Authorities to both improve and increase the supply of quality council housing, which is what tenants want.
38. While, there has been a notable increase in the average local authority rents over recent years as the SPICe Briefing: Housing Stock Transfer Brief (August 2006) highlights but it is crucial to point out that the average local authority rent rate remains £5 per week below the average housing association rents.
39. According to the *Social Sector Rents in Scotland: An Analysis of Rents in 2005/06 and a review of future policy options*, the average local authority rents in Scotland at April 2005 were £45.02 per week whereas the average housing association secure rents in 2005/06 were £50.27 per week.
40. The document highlights that there were large differences between individual councils with average rents ranging from the lowest - £35.58 per week in Moray - up to highest - £55.70 per week in Inverclyde (which has subsequently transferred). In contrast, the lowest weekly average housing association rents in 2005/06 were in the Scottish Borders at £42.52 with the highest being £54.94 per week in South Ayrshire.

41. Interestingly, the statistics for 2005/06 demonstrate that at the time of the analysis of those twenty-eight local authority areas which could directly compare both a local authority rate and housing association rents in twenty-five of those local authority areas the average housing association rate was higher than the corresponding local authority rate.
42. The investigation into the social sector rents in Scotland highlights that while there was some diversity in the differentials of housing association rents in different areas, "*in no area were those differences as limited as in the case of the six 'flat rent' councils.*"
43. It is important also to highlight the variance in some areas between local authority rates and the corresponding average housing association rate was very significant. For example, in 2005/06:
- The housing association average weekly rent rate in East Lothian was £52.98 compared to £37.28 for the respective local authority;
  - In Midlothian the housing association weekly rent rate was £52.73 in contrast to the respective local authority rate which was £36.25;
  - In Moray the housing association weekly rent rate was £47.60 whereas the respective local authority rate which was £35.58; and
  - The housing association average weekly rent rate in South Ayrshire was £54.94 compared to £41.46 for the respective local authority.
44. Nationally, average council rents ranged from an average of £35.83 per week for bedsits up to an average of £53.01 for four plus bedroom dwellings. Nationally, housing association rents ranged from an average of £39.73 per week for one apartment dwellings up to an average of £64.31 for five plus apartment dwellings.

45. Furthermore, the organisation Defend Council Housing in its report '*The case for council housing in 21<sup>st</sup> century Britain*' highlights that in England sixteen of the fastest rising twenty registered social landlord rents between 1997 and 2005 were in districts which have undergone transfer.
46. The statistics above regarding rent rates, in conjunction with the ambiguity over the benefits of housing stock transfer, demonstrate the case for retention. It also demonstrates the need to adequately fund housing investment programmes to ensure quality and affordable housing for all.

#### DIRECT LABOUR ORGANISATIONS

47. Unite – the Union is opposed to the transfer of housing stock due to the direct implication it has on our members as referred to earlier in our submission. The Glasgow transfer which resulted in the creation of Glasgow Housing Association Limited (GHA) - the largest not-for-profit housing association in the UK - resulted in a number of complications for our members.
48. Recently, our members faced the situation where their job security and future terms and conditions at the DLO, along with other housing service staff, in Glasgow was under threat due to secondary transfers and the creation of arms length companies. The council has since chosen to break-up the department to create two council-owned limited companies - City Building (Glasgow) LLP and its sister business, City Building (Contracts) LLP.
49. We did not oppose the Glasgow stock and DLO transfers, nor other council house transfers and the creation of trusts, private companies or Arms Length Management Organisations (ALMOs), out of principle but out of our experience.

50. In 1998, Liverpool City Council decided to tender their maintenance contract to provide the service for 33,000 houses and public buildings. The Housing contract went to Building & Property and the Public Buildings contracts to Norwest Holst and Lorne Stewart. The impact on the employees meant that 650 were TUPE'd to these Companies with 600 going to Building Property and 50 to Norwest Holst & Lorne Stewart on a seven year contract.
51. Reductions in the number of employees started in 2000 with 40 operatives going through Voluntary Early Retirement. In 2001 Interserve, a company which had been rejected at the tendering stage, bought Building Property and became the new employer.
52. In August 2003, the T&G section of Unite was informed that 63 jobs were being made redundant, of which 38 would be compulsory. The Council then turned to a self-created company Enterprise Liverpool in 2004, without any tendering process taking place. Thereafter, during 2004, the Company withdrew from the contract with Cobalt Housing on the basis that they could not make any money from the contract. This meant that 38 employees were to be transferred to Cobalt, or one of their contractors, but this was without proper consultation.
53. The trade unions involved were assured that this would be a TUPE transfer. However, on meeting with Cobalt, it became clear that Enterprise Liverpool had made no provision with regard to the workers pensions and openly stated that it was not illegal not to transfer pensions across. Consequently, the workforce has declined from 650 to 300 at the beginning of 2005.
54. Additionally, it is important to highlight the financial costs associated with the creation of ALMOs. According to Defend Council Housing, Leeds Council spent an extra £1 million on managers alone where as Ashfield's ALMO cost £2 million to set up. Camden council spent

£500,000 trying to persuade tenants to accept an ALMO. These are funds which could have been invested into the existing housing services including staff.

55. Unite – the Union has more examples of the negative implications which arise for our members from the creation of trusts, private companies and ALMOs including Gateshead Council and Leeds Council. These examples have resulted in our members having no job security, the increased use of temporary and agency workers, inconsistency of practice and significant job reductions.
56. Therefore, we wish to express our strong concerns and opposition to the creation of ALMO's in light of this empirical evidence. ALMOs do not offer a satisfactory alternative to stock transfer as the primary purpose, as with stock transfer, is to create a company which transfers the democratic and financial responsibility for the provision of housing away from the local authority. The fundamental problem in our opinion is that tenants are not being given a genuine choice about who provides their housing service.

## HOMELESSNESS

57. Unite – the Union believes that one of the most fundamental housing issues that must be addressed is homelessness. We have welcomed the advances that have been made by the previous Scottish Executive to widen the scope of homelessness legislation.
58. There is, however, in our view, a clear need for policy to continue to address the problem of homelessness in Scotland. The lack of the basic necessity of a home makes finding work, seeking stable finance and accessing education or training opportunities significantly difficult. Therefore, we feel that homelessness is an area of social exclusion and poverty that must be tackled urgently.

59. We share the opinion of homelessness charities such as Shelter and Crisis that one of the most important challenges involves tackling the underlying causes of homelessness. We would particularly welcome stronger links between housing, health and social services in this area.

## CONCLUSION

60. Unite - the Union reiterates our firm belief that there should be a level playing field for social housing. We feel that the Scottish Government faces a significant challenge to ensure that there is sufficient sustainable and affordable housing for future generations of individuals and their families in Scotland.
61. While some of the proposals put forward in this consultation are welcome in principle, the Scottish Government must provide greater clarity on a number of proposed measures. These include, in particular; clarification on the proposed subsidised prudential borrowing scheme which will allow local authorities to build new affordable homes to rent; and the level of investment and specific targets for the social renting sector.
62. Unite – the Union wishes to state that there is no substitute for direct investment by devolved and local government in Scotland’s housing sector. We remain unconvinced of the merits for stock transfer and the creation of ALMOs in light of the empirical evidence presented in this response.

63. The need to increase Scotland's housing supply is one of the most significant challenges facing the Scottish Government particularly given the current levels of house price inflation and debt incurred. Therefore, we reiterate our expressed policy position of:

- opposing housing stock transfers and calls on the Scottish Parliament and Scottish local authorities to use their devolved powers in the area of housing to implement the so-called 'fourth option';
- calling on the Scottish Government to provide the necessary resources to councils for direct investment for future housing programmes;
- calling for specific targets to be set for affordable homes for rent including local authority controlled social housing;
- supporting stronger measures to ensure access to genuinely affordable homes and that this is considered integral to all proposed developments in Scotland;
- supporting measures to increase the insulation of housing to help protect our environment and eradicate fuel poverty; and
- seeking the highest quality employment standards in the housing sector and the retention of direct labour organisations.

*Unite – the Union, if required, would be happy to substantiate or expand upon any comments in this document with the appropriate civil servants or Ministers.*

*For further information please contact:*

*Andrew Brady ([andrew.brady@unitetheunion.com](mailto:andrew.brady@unitetheunion.com))*

*Peter Welsh ([peter.welsh@unitetheunion.com](mailto:peter.welsh@unitetheunion.com))*

*Campaigns, Policy & Research Unit*

*Unite – the Union Scotland*

*John Smith House*

*145-165 West Regent Street*

*G2 4RZ*

*Glasgow*

*Tel: 0141 248 7131*