

THE REPORT THEY DIDN'T WANT US TO SEE: an analysis of DTZ Piedad's report on Dundee's council housing

This is an analysis of the private consultants' report¹ that Dundee City Council did not want tenants to see.

From the analysis it is clear that:

- Predictions of falling demand for social rented housing appear to be based on no supporting evidence. In fact the evidence that is given shows that existing demand is not being met
- Instead of improving less popular areas and housing to take the pressure off places that are heavily over-subscribed, these are being targeted for demolition
- The multistats have been found to be generally in good condition with a likely minimum life of 30 years
- Stock transfer is acknowledged to be a considerably more expensive option than council ownership. It is accepted that private companies have higher supervision and management costs
- 'Affordable rents' are being based on an annual increase of inflation + 1%, which will inevitably push more families into relying on benefits
- Because of the investment required to bring the housing up to the new housing standards, there will have to be public subsidy in any circumstances
- DTZ Piedad's financial model of different scenarios shows that (even with their unsubstantiated assumptions about high vacancies) the best value option by a very long way would be to keep council houses in council ownership and invest in the improvement of existing housing, without carrying out further demolitions.

However, the figures that will influence the council's decision making are the costs to council revenues. If the Scottish Executive and Westminster Government are determined, for whatever reasons, to push stock transfer and demolition they can provide the subsidies to make this financially beneficial to local councils, though they do this at considerable expense to the taxpayer.

¹ Dundee City Council: Financial Viability Study Phase 2, Final Report

*Defend Dundee Council Housing
The DTZ Piedad Report*

The form of the DTZ Piedad report suggests that council decisions are being based on accounting procedures to suit the Scottish Executive agenda, regardless of real needs, and also of real value for money. We are arguing for a policy designed for tenants, and not for Holyrood or Westminster: for real investment to improve existing houses to high standards and provide new council-owned houses. Tenants of social housing should have a good choice of affordable good quality homes.

We are not arguing for keeping the status quo, or for council tenants to make do with second rate housing. Clearly it is not appropriate to put families with young children in high flats, but the boom in high building in the private market shows that these can be much sort after homes if well maintained and looked after. Much the most practical way to provide a significant improvement to housing conditions in this city, and a choice of really good social housing, is for a programme of council housing investment, centred on improving existing housing stock.

If Dundee residents individually owned all this property, and planned to destroy it or effectively give it away, we would be thought crazy. But, we do own it. And we should be demanding that our councillors represent our best interests and combine with other councils to put pressure on the Scottish Executive and Westminster Government to release our tax revenues for real improvements, and not for (more expensive) destruction.

BACKGROUND

This DTZ Piedad report - finally sent to us after an appeal to the Scottish Information Commissioner under the Freedom of Information Act - is a slightly updated version of the report that provided the basis for the arguments for demolition given to the council's Housing Committee on 21st June 2004.

Like the vast majority of tenants in the affected buildings (see Tenants' Surveys), we thought that the public should have the right to see a document that is being used to inform our council's long term housing strategy, and so affects all present and future tenants, and in fact every resident of Dundee.

But the council was more concerned with the interests of its private consultants. They told us:

Having consulted the authors of the report, we are advised that providing the report to you would reveal the methodology they used in preparing such reports, that that methodology is commercially valuable to them and that disclosure of that methodology would therefore cause real harm to their commercial interests.

We responded:

As government policy is increasingly based on consultants' reports, refusing access to those reports will make a mockery of the idea of open government and of democracy itself... If the methodology used was so unusual as to be a commercial secret, then that in itself is cause for concern.

The council remained unmoved – but it seems that the commissioner agreed with us.

This is our analysis of the report. The lack of substantial evidence provided in support of its assumptions, and the gaps in its arguments, suggest that the authors' fears about publicity may well have been justified. The revelations it gives about the projected use of public money must also have provided a strong incentive to keep it away from public scrutiny.

The report is not an easy document to read or analyse, and none of the councillors we have spoken to, who all voted to demolish council houses on the basis of its findings, have actually looked at it. We hope that they too will find these comments useful.

It should just be added that the report makes references to several earlier reports, which are also not publicly available. It would seem unlikely that these are any more rigorous than the report we have obtained, or that they contain crucial evidence that has not been referred to here, but if they do, then it is the council's duty to make that evidence public.

WHAT ISN'T THERE

The report gives no data or arguments to support its claim that the 'most likely' scenario for Dundee is 'population decline and social rent residualisation' (para 2.18-2.19). We know that Dundee has seen a fall in population and also a decrease in average household size; but under this scenario the report predicts (without supporting evidence) that between 2002 and 2012 the total number of households in the city will fall very slightly from 66,600 to 66,400, and that the number of households living in socially rented housing will fall dramatically from 24,642 to 19,256 (para 2.18). The logic behind this claim needs to be made publicly available. This is a city with large numbers on low wages and on benefits, which would suggest the need for the provision of more, rather than less, social rented housing.

The same section 'assumes' that the number of housing association homes would rise from a current 6,400 to 7,700, and that the overall reduction in social housing would be made entirely from council housing stock (paras 2.8 & 2.19). There is no basis given for this assumption, which amounts to partial stock transfer without the possibility of a tenants' vote.

There is no consideration of the social impact of the proposals or of the likely health impacts of moving large numbers of elderly residents.

THE DEMAND FOR SOCIAL HOUSING

Across the city only half the people who apply for a council house are actually allotted one. (Each year the council allots around 2,500 houses of which around 2/3 are new lets and 1/3 transfers.) (para 2.12-2.13) The number of people cancelling their names from the list is increasing (para 2.15), but this could reflect frustration with a system that is not delivering, rather than falling demand.

The report acknowledges that ‘the Council is currently experiencing problems finding alternative accommodation for tenants living in properties that are likely to be scheduled for demolition’ (para 3.49).

Some areas and some homes are, however, much more popular than others. The report explains that these were identified through letting records and through more subjective assessment by council officers, and that this information was combined with the maintenance costs of different types of building, and various other factors, to determine which homes should be demolished so as to reduce the total number of homes roughly in line with the report’s projected scenario. Those homes to be kept (11,491 homes) were classified as ‘core’ stock, those deemed definite candidates for demolition (3,290 homes) were classified as ‘surplus’ and others (2,250 homes) were described as ‘at risk’(para 2.28-2.41).

This approach takes no account of the fact that social housing is clearly not meeting current demand. Nor does it consider the option of improving the less popular areas and housing so that they could take the pressure off the over-subscribed areas. (It should also be pointed out that, as less popular areas are often more neglected, low demand can become a self-fulfilling label.)

Further, the report notes that younger tenants (under 25) are disproportionately renting in the private sector (where they make up 42% of tenants) rather than the social rented sector (where they make up only 5% of tenants) (para 2.9). Our surveys in Hilltown and Menzieshill showed very significant dislike of the private rented sector (which is generally a much more expensive option), so we need to ask why younger tenants do not appear to be looking for social rented housing, and whether this reflects actual preferences, or difficulties in getting suitable homes in the social housing sector within a reasonable time-frame. Is there, in fact, a potential demand here that is being missed?

Demand for council housing, or social rented housing more generally, is not a fixed number waiting to be discovered, but will increase if this housing is improved or otherwise made more desirable.

THE CONDITION OF HOUSING STOCK

All social housing will have to be brought up to the Scottish Housing Quality Standard by 2015. The Dundee Standard Mark 2 is assumed to be equivalent to this, and the financial models in the report allow for bringing housing up to this standard.

An earlier consultants' report on the multistoreys found them in 'good condition' and gave them a likely minimum life of 30 years (subject to 5 yearly inspections) (paras 2.23 & 2.25). Their main defect was found to be spalling render.² As we would assume that over-cladding would anyway be necessary to bring these multistoreys up to the new insulation standards, this becomes irrelevant.

The report also notes that 'Very high costs are associated with the mechanical and electrical aspects of the multi-storeys and this includes lift replacement twice throughout the projected 30-year life.' (para 2.23) It does not consider the savings in road maintenance, public transport, street lighting etc. associated with high-density vertical living, which could well significantly outweigh the cost of the lift. These costs will come out of different sections of the Council's budget, but all, eventually, from our council tax. There are also strong sustainability arguments in favour of a 'compact city' with minimal travel distances.

² This is clearly not relevant in the case of Butterburn and Bucklemaker Courts, which are brick clad.

LOOKING AT STOCK TRANSFER

The report explains that the Scottish Executive want to encourage 'community ownership' through stock transfer. It has to be asked how this is achieved through transferring housing that already belongs to the community (and is in the charge of a democratically elected council), to a private organisation accountable to its creditors.³ (Tenant representation on housing association boards has been shown to be almost irrelevant.⁴) It should be noted that stock transfer is not popular with tenants (as demonstrated by Dundee Federation of Tenants' Associations' consultative vote in 2004), and that Dundee City Council has also claimed not to be in favour of it.

The report acknowledges that stock transfer is a considerably more expensive option. Not only would an alternative landlord have to pay VAT on goods and services, but their supervision and managements costs are acknowledged to be higher. In looking at the different options the report notes 'Supervision and Management costs... have been assumed at £595 per unit per annum in transfer (compared to £495 in retention) which in the valuer's opinion is a reasonable cost for an alternative landlord in stock transfer.' (para 4.16) However, from the council's point of view this is not relevant as these extra costs would be paid in government subsidy, and government would also pay off their outstanding historic housing debt of £115 million.

The demolition scenarios put forward by the report are a form of partial stock transfer. Not only is it proposed to reduce the total number of socially rented houses by 3,290, pushing households into other sectors; but further households would be transferred out of council housing into new housing association homes.

The report explains that the Scottish Executive has made regeneration funding available to councils that is contingent on plans for stock transfer (para 5.19). This is yet another example (like housing debt relief) of money being available but only being released to places that follow an agenda set by the Executive, regardless of the views of tenants.

³ Since the 1988 Housing Act, housing associations have had to raise funds in the private financial market. Although housing associations are not-for-profit organisations, the banks, building societies and other lenders all expect a return on their investments.

⁴ All board members are required to work in the interests of the organisation, so tenant board members are not there to act as tenant representatives. They are, any way, always in a minority, and there are numerous examples of tenants finding themselves dismissed from the board if they are perceived to have spoken out of line (see for example, House of Commons Council Housing Group, 2005 *Support for the 'Fourth Option' for Council Housing* p20).

RENTS

An annual rent rise of inflation plus 1% is argued to be ‘affordable’. This figure is based on balancing increases in Dundee wages for relevant jobs - estimated at around 4% a year - that will affect the 2/3 of tenants now paying rent who are in employment, and increases in benefits that are only expected to go up in line with inflation (paras 2.49-2.54). The formula used appears simplistic,⁵ but more importantly, affordability for individual households cannot be calculated on the basis of averages in this way. These rises will push more people into relying on housing benefit, which makes neither social nor economic sense. Already around 12,000 council tenants (around 3/4) receive some housing benefit, 30% of these being on full benefit (para 3.13). Inflation +1% gives increases in real terms of 10.5% after ten years and 22% after twenty years.

⁵ It appears to assume that all those who are earning wages will see an average 4% rise in their incomes, but, for many, earned income will be supplemented by benefits that are not predicted to rise above the levels of inflation.

COSTS AND VALUATIONS

The report notes that the council would be able to continue to provide existing levels of service and small improvements without extra resources (beyond their proposed 'affordable' rent rise). It is the much needed improvements to the homes that would unbalance the books and require extra finance (para 6.5)

Because income from rents does not cover projected expenditure on improvements repairs and maintenance, the council's housing is deemed to have a negative value. However, this calculation also assumes a drastic fall in demand, increasing the percentage of empty houses at any one time from the 5.7% current at the time of the valuation, to a staggering 25% in only 5 years (para 4.10). Without access to DTZ's financial model it is not possible to work out the full impact of this assumption, for which there appears to be no empirical basis, but it would mean a 20% reduction in the rent received by the council and so could make a crucial difference.

The report's financial model predicts that if the council were to demolish large numbers of homes over the next ten years, the combination of demolition costs and lost rent income would mean that for at least the next twenty years the council's housing department would have even bigger debts (though finances would be better 30 years on) (para 3.50).⁶

⁶ The financial model used translates this as improving the negative value of the stock by around 1/5 (paras 4.12 and 4.23)

SUMMARY OF PUBLIC FUNDING SUBSIDIES REQUIRED UNDER DIFFERENT SCENARIOS MODELLED BY DTZ PIEDA

(adapted from para 4.27):

WITHOUT STOCK TRANSFER *(and historic housing debt not repaid)*

	No demolition*	4,630 council houses demolished 1,350 new housing association homes	7,390 council houses demolished 4,100 new housing association homes
Public subsidy required to balance books including covering the cost of improvements up to new standards and costs of demolition	£89m	£121m	£128m
Grant for new housing at 60% of total building cost**		£60m	£185m
TOTAL	£89m	£181m	£313m
<i>ADDITIONAL PRIVATE FINANCE</i>		<i>£40m</i>	<i>£123m</i>

WITH STOCK TRANSFER

	No demolition*	4,630 council houses demolished 1,350 new housing association homes	7,390 council houses demolished 4,100 new housing association homes
Public subsidy required to balance books including covering the cost of improvements up to new standards and costs of demolition	£195m	£115m	£197m
Grant for new housing at 60% of total building cost**		£60m	£185m
SUB TOTAL	£195m	£175m	£382m
Repayment of historic housing debt (inc extra costs of early repayment)	£144m	£144m	£144m
TOTAL	£339m	£319m	£526m
<i>ADDITIONAL PRIVATE FINANCE</i>	<i>£100m</i>	<i>£120m</i>	<i>£183m</i>

* The figures for this scenario assume high levels of vacancies (para 4.10)

** Building costs have been taken at £75,000 a house. It appears to be assumed that the new houses will be on council land so that there is nothing allowed for land costs (para 3.54). Presumably this would be land made vacant by the demolitions, or equivalent land

elsewhere, but this is not made clear. There is no indication of any allowance for infrastructure costs.

All scenarios bring the housing up to the new housing standards and all would require a slightly greater subsidy if rents were to be kept in line with or less than inflation (not rising at the rate of inflation plus 1% as assumed in the model).

DTZ Piedad's own figures give overwhelming support to a financial case for keeping housing in council ownership and improving the existing stock.

APPENDIX SCOTTISH HOUSING POLICY AND DUNDEE

This analysis of the key consultants' report on Dundee's housing raises major questions over the strategies of stock transfer and demolition that have dominated Scottish housing policy.

The Scottish Executive (like the Westminster Government south of the border) is putting all councils under pressure to transfer their council housing to Registered Social Landlords. It would still be classed as 'social housing', with rents kept below market value, but would be run by not-for-profit organisations, generally housing associations. Transfer can only take place after approval by tenants' ballot, but large subsidies are made available for housing by the Executive only on condition that it is transferred. Even so, tenants are increasingly voting against transfer.

Between April and June 2004 Dundee Federation of Tenants' Associations (a council-funded body) organised a consultative vote on behalf of the council to see if tenants wanted to proceed to a full transfer ballot. The brochures they produced argued that transfer was the only way of getting the money needed for improvements to meet the new Scottish standards mandatory for all social housing by 2015. Of the approximately 600 tenants who took part, the vote was 2 to 1 against taking the process further, and the council announced that it would not pursue 'large scale' stock transfer.

At the same time as this push for transfer - and regardless of whether stock transfer has taken place - there are pressures to demolish a large proportion of our social housing stock: demolition which may receive more Scottish Executive subsidy in the name of regeneration. In the past, housing policy was seen to be a response to housing need, but this now longer appears to be the prime consideration. In England, demolition is being carried out in the name of 'Housing Market Renewal' and this may help explain what is happening here. Also, although Scottish demolitions mainly involve tower blocks, demolitions in England are affecting large numbers of terraced houses, suggesting that housing type is not the significant feature.

In June 2004, almost immediately after dismissing the prospect of large-scale transfer, Dundee City Council agreed to declare a list of 1,898 homes as 'at risk', and after a perfunctory consultation process all were subsequently scheduled for demolition. Independent tenants' surveys carried out in two of the main groups of affected buildings (the multis at the top of the Hilltown and the multis in Menzieshill) have demonstrated that, in contradiction to council claims, there is very substantial opposition to this policy⁷, but the council is only increasing pressure on tenants to leave the buildings, and these are slowly emptying as there have been no new lets since they were declared 'at risk'. Some tenants are moving to other council houses but others are moving into other types of tenure, including housing association and private rented houses, so although buildings are not changing hands there is a transfer of tenure pattern taking place.

⁷ *more time for Butterburn and Bucklemaker Courts?* April 2005 and *views from the Menzieshill multis* March 2006, compiled with the help of Defend Dundee Council Housing

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The arguments used to support both stock transfer and Dundee's demolition programme are economic. The council now claim that only by demolishing these homes will they have the funding to maintain the rest in council ownership. This analysis of the DTZ Piedad report demonstrates that these economic arguments are ultimately spurious. Both transfer and demolition are expensive options, only made possible by substantial subsidies from the tax payer. Large sums of tax-payers money are being used to force councils into adopting highly uneconomic, as well as deeply unpopular, housing strategies.

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