

MARGARETS BIG DAY



With far less credit than she deserves, Housing Minister Margaret Beckett, has carried out a quiet rescue of the Labour Party. With a bit more of a push she might even rescue the Labour government.

For over a decade, Tony Blair's New Labour had made even the mention of council housing a carnal sin. It was the sort of thing 'respectable people' did not indulge in; certainly not in public.

If council houses could not be sold off to their occupiers, the priority was to sell them off to private landlords or other 'social' landlords. The rules of housing finance were systematically rigged against local authority council housing. One by one, Councils were pressured to transfer their housing stock into the hands (and ownership) of others. Despite this, there are still more than 220 local authorities (and 2.5m council tenants) who have refused to abandon their belief in council

housing.

When Margaret Beckett became Housing Minister, she stunned a meeting of the Parliamentary Labour Party by quietly saying we should re-make the case for council housing. It was what Labour Party conferences had been calling for throughout the decade. Suddenly, everyone could come out of the closet. The muttered words 'Bless you' could be heard from amongst the genuine Labour faithful. The task now is to restore the level playing field. This is where the real Labour-Tory divide is to be opened up.

The collapse of Britain's banking and financial system has thrown the whole housing market into crisis. Barratt Developments have just announced a fall of 23.8% in their new homes sales in the first six months of this financial year. They have had to write down the value of their land holdings by £500 million. Across the whole sector, housing developers are expected to write down their land holdings by £1.5 billion.

At the same time, housing repossessions are set to double to (75,000) this year, and are currently running at 1,500 a week. New Labour had placed its faith in private developers and new social landlords (housing associations) turning council housing into an irrelevance. The rub was that both were dependant on the wall of credit debt coming out of the banking casino.

As the wall tumbled, developers found there was no one around with the money to buy. Similarly, Housing Associations found there were no institutions queuing up with new money to lend. Both sectors are in crisis. Both are looking for a bail out. This is where Margaret Beckett's big moment comes in. She just needs the courage to ride through the wrath and ideological rigor mortis of the Treasury.

The Labour Government may choose to buy out the private sector but it should not offer a bail out. If developers are to fail, then buy up their land assets and housing stock at auction prices. Parcel them out to local authorities and let the allocation of existing properties re-commence to those families on

existing waiting lists. If public money is to be thrown in, let it be for the acquisition of public assets.

Margaret Beckett has just changed the rules to allow local authorities to issue attractive council mortgages again. She could extend this by giving councils the right to buy housing from those seeking repossession. At least families could then remain in their own home, as tenants rather than owners. It could even be cushioned with a right a right to buy back if the family circumstances changed within 5 years. At least the homelessness would be avoided.

The real gem, however, would be the level playing field for council housing. The myth has also been that the taxpayer (and home owner) subsidises the council tenant. The truth is the opposite way round. A London School of Economics report in 2007 pointed out that home owners received £18.4bn in subsidies compared to the combined subsidy of £15.4bn going to council housing and housing associations. The bulk of the cross subsidy comes from council housing.

Last year, council tenants paid £6.4bn in rents. The government took this, but allowed councils to retain £4.7bn for management, maintenance and repairs. It means that council tenants subsidised the government by around £1.7bn a year.

In addition, every time a council house is sold, 75% of the money is taken by central government, rather than used to improve the remaining council house stock. Some £45bn has been raised so far by council house sales. Most of it has been pocketed by the Treasury. Margaret now has the chance to turn the train around.

Throwing money at the banks is doing nothing to reverse the housing crisis. Bringing land and housing stocks into the public domain would bring about immediate change. Reversing the financial bias would mean councils had budgets to build and improve council housing. Keeping building workers in work at the same time as keeping families in decent housing has an economic virtue that speaks for itself.

Electurally, the impact would be stunning. The banking world may remain in chaos but the real world could begin the process of repairing itself. In a reverse of the 1979 Tory slogan 'Labour isn't Working' there would be local authorities across the length and breadth of the country delivering the message 'Oh yes we are'

All it takes is one act of courage. All it takes is one leap of faith. All it takes is that we put council housing back at the centre of Labour policies.