REBUTTAL OF DROMEY'S CALL ON GOVERNMENT TO THINK AGAIN ON ABANDONING HOUSING REGENERATION PROGRAMME

Jack Dromey, Labour's Shadow Local Government Minister, called on the Government to think again following the release of the Audit Commission Report which highlighted the alleged success of the Housing Market Renewal programme.

Below in ***bold italics*** are the features of the Report which he chose to highlight, followed by bullet-point rebuttals based on a close reading of that Report and an appreciation of what it chose not to say.

He pointed out that:

'the HMR had generated £5.8 billion of economic activity across the economy and created some 19,000 jobs in construction and related industries'

- this is irrelevant to evidencing the effectiveness of the HMR. It merely shows that investment – whether well judged or not – circulates within the economy. During the Depression of the 1930s, the economist John Maynard Keynes proposed that the economy and jobs could be stimulated by paying people to dig holes and then to fill them in again – and he was being serious!
- the real issue is 'has HMR achieved anything conducive to rebuilding housing market confidence by knocking some houses down and building others to replace them?' i.e. has it merely been paying the private sector to in effect dig holes and then fill them in again? The Report does nothing to answer this fundamental question.

'for every £1 of HMR investment (HMR has) attracted over £1 in additional investment from the private and public sectors – and it anticipates that this could have risen significantly had the programme been allowed to run its full length.'

- the first statement is not supported by the data which has been analysed incorrectly – the real ratio is significantly lower #get specifics#
- 'anticipating' that something 'could' have happened is not evidence that it would have happened
- there is however some clear evidence in the Report of the relationship between Public investment and Private leverage – that since the housing and financial markets collapsed in 2008, the private sector remains reluctant to invest unless the proportion of public investment is greatly increased, and in some cases is refusing to invest any of its own resources regardless of the proportion of public subsidy offered

(HMRs have) 'refurbished more than 108,000 existing homes' and 'attracted private investment to complete over 15,000 new homes'

- this may be true, but at what cost compared to alternative approaches?
- did existing, fit homes need to be compulsorily purchased to achieve this?
- why could existing occupiers not have been given grants to improve their homes, thereby avoiding the high costs of purchase and relocation?

- to what extend could costs have been reduced had ‘homesteading’ been encouraged, with new residents contributing to the cost of improvements via non-cash ‘sweat equity’?
- how many of these improved homes were previously owner occupied but are now returned to market as social rent units? Where are their previous occupiers living now? In what tenure compared to previously? At what financial cost to them and the taxpayer? And at what cost to their personal health and life expectancy?
- how big a problem does this re-concentration of social renting in inner cities store up for the future, given that an over-exposure to social renting was a key component in the original 'failure' of many of the HMR markets?
- how many of the 15,000 new homes would have been built without public investment i.e. to what extent will the underlying housing markets 'discount' the value of that investment at resale? - once the private developers have taken their profit of course!
- surely these are all questions that should be central to a public auditor's report?

The report suggests that the termination of the programme is ‘untimely and premature’

- this is an opinion not supported by evidence.
- what real evidence the report does offer points in the alternative direction – that the HMR was ill-judged, poorly managed, and failed to respond to changing market conditions even as it was being implemented. A less biased view would be that HMR has been brought to an end not a moment too soon and before it could do any more damage than it already has done.

The Report states that ‘the emphasis must be on completing current key interventions; not least to ensure that promises made to communities are met and to reduce the risk of previous investments being undermined by leaving a legacy of uncompleted projects.’

- what a shame that this caution and sensitivity to communities has come too late to HMR and its cheerleaders in the Audit Commission!