London’s Kensington and Chelsea Borough Council: A residents’ association for the rich

By Jean Shaoul
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The Conservative-run Royal Kensington and Chelsea Borough council (RBKC), responsible for the Grenfell tower block where at least 79 people died in a horrific fire June 14, has washed its hands of the disaster. This is despite it sitting on £274 million of reserves.

Its latest accounts show that RBKC ran a budget surplus and offered rebates to its residents paying the top rate of council tax.

With Kensington awash with rental properties, the council could have rehoused everyone within hours had it chosen to do so. It had the cash, but chose not to. It is reported that some survivors are now being housed hundreds of miles away from north Kensington.

Despite, like all London boroughs, being required to have disaster response teams on permanent standby, none was in evidence. RBKC could have called London Gold Command for assistance, on the basis that the fire was declared a major incident soon after it began, but did not do so. It even turned down an offer of help from neighbouring boroughs on the night of the fire.

Council leader Nick Paget-Brown, almost invisible throughout the crisis, even had the gall to tell BBC Radio 4’s “The World at One,” four days after the fire began, “All I’m keen to say is there is an effective, coordinated relief effort on the ground and I’m sorry if people have not seen that.” What everyone could see was the massive relief effort provided by local residents and volunteers, not the council!

Faced with angry protest demonstrations and calls for an emergency council meeting to discuss the crisis, Paget-Brown’s response was to close the town hall and send staff to other sites to prevent it from becoming the focus of further protests.

Responsibility for taking care of the survivors has now been handed over to a new response team, made up of representatives from central government, the British Red Cross, the Metropolitan Police, London-wide local and regional government and the London Fire Brigade.

Not only does RBKC have massive reserves, its Housing Reserve Account (HRA), whose income and expenditure is ring-fenced for housing purposes only, is also in surplus. With a rental and service income of about £58 million a year, overwhelmingly from its housing tenants, it has a surplus after expenditure and investment of about £16 million that is projected to increase.

In other words, none of the penny pinching that lies at the heart of the disaster and the persistent complaints from Grenfell Tower tenants and others—about the poor maintenance of their homes and complete absence of essential safety standards—was the result of a shortage of cash.

From the start, the authority acted in the interests of the richest residents in the borough, itself the richest in the country. It is nothing less than a residents’ association for the elite, determined to ensure that their property values continue to rise through measures aimed at “encouraging” or forcing council tenants to leave their homes and gentrifying the area.

For decades, successive Conservative and Labour governments have fuelled the “housing market” with their emphasis on home ownership at the expense of public housing. Such policies were outlined in their 2017 election housing manifesto.

In the early 1980s, the Thatcher government took measures aimed at privatising the public housing stock and ending the councils’ direct labour departments and their management of the estates, in favour of outsourcing to private contractors. In 1996, RBKC set up the Kensington and Chelsea Tenant Management Organisation (KCTMO) to manage and maintain its 10,000 properties, including 82 tower blocks.

Despite being nominally a tenants’ organisation, it always served the council’s broader objectives. Instead of making Grenfell Tower safer, KCTMO spent £10 million giving the building a cosmetic facelift to make it more attractive to its wealthy neighbours, outsourcing the design, supervision and external refurbishment of the building to a plethora of companies. In their search for higher profits, the companies involved, Rydon and Harley Facades, installed cheap aluminium and polyethylene panels that were not fire-resistant. This played a major role in the rapid spread of the original blaze at the tower resulting in a devastating inferno.

KCTMO and its ilk became the model for the incoming 1997 Labour government's arms-length management organisations or ALMOs, widely seen as two-stage privatisation vehicles. Around half of the ALMOs have now been fully privatised.

The Labour government, in promoting ALMOs, claimed that tenants would have more power over their housing, because there would be tenant directors on the governing board. This, however, was always a lie because they would be a minority on the board, gagged by confidentiality, and subject to the primary legal duty of all company directors to consider the interests of the company.

By channelling the tenants through the ALMO, the intention was to disband existing tenants' associations. Of course, none of this was ever explained to the tenants. Some of the councils spent vast sums of money trying to persuade tenants to accept an ALMO, with Labour-run Camden Council admitting it spent £500,000.

ALMOs became a means of paying their top personnel high salaries—KCTMO paid four "key management personnel" £650,794 in 2015-16—and, without their own workforce, added further layers of subcontracting, costs and loss of quality control, while providing each contractor, the council and the ALMO with "deniability" for problems.

ALMOs have proved so costly that some local authorities, Leeds and Basildon, have taken the management of their estates back in house, leaving around 35 ALMOs managing 479,338 properties across 38 local authorities.

In 2011, the Conservative-Liberal Democrat coalition passed legislation that would have a profound effect on public housing.

Under the Localism Act, whose origins lay with the previous Labour government, councils would take financial responsibility for their entire housing budget. In a significant departure from past practice, councils would be allowed to retain all their housing and other rental income in a dedicated HRA that could only be spent on housing services, while assuming responsibility for the nationally accumulated housing debt, allocated to each borough according to a formula. Councils would also be allowed to borrow, subject to a government debt-cap, to invest in new homes or the refurbishment of existing homes.

Any investment in refurbishment or new build would necessarily entail further privatisation using the massively expensive Private Finance Initiative, outsourcing or joint ventures with the private sector, while increasing their debt obligations.

In other words, councils would be free to run their estate as they wished on a commercial basis and independently of central government funding. However, given that so much of their income is dependent upon broader government policy that has affected rental income, welfare benefit payments, sales and rent collection, this could only lead one way.

According to *Public Finance*, self-financing initially appeared to provide the headroom to build more than 550,000 new homes over 30 years, but inflationary changes soon reduced this to 160,000, while the rent reduction policy brought this down further, to 45,000—the same as at present. The sale of higher-value homes would further reduce future income. As a result, local authorities have reduced or abandoned new build plans.

At the same time, such is the scale of the cuts in council funding, that many have systematically raided their HRAs to subsidise other services. According to *Inside Housing*, of the 170 councils in England with HRAs, 55 percent of local authorities are increasing internal charges and 20 percent of councils are hiking bills by more than 10 percent. Some councils may be transferring staff to housing as a means of protecting social services, with RBKC adding two welfare reform officers to the HRA payroll.

If raids on the HRAs continue at the current rate, £4.8 billion of housing cash will be lost, leading to further cuts in maintenance and refurbishment and the forced sale of many estates, further eroding the public housing stock.