

Defend Council Housing

Budget Briefing ● May 2009

Invest in Council Housing NOW

Signs that government has dropped its dogmatic hostility to council housing need to be turned into hard cash.

The Budget, despite advance leaks talking up new council housing, put most housing money into propping up private sector developers and lenders. The £100 million for new council homes is good news – but will mean around 1,000 new homes over two years.

Our determined, broad and united opposition to privatisation, has put council housing back on the map. But we need more than warm words and minor concessions to secure the long term future for council housing.

After campaign pressure, Housing Minister Margaret Beckett has changed the rules to allow councils to bid for Social Housing Grant – previously only available to Registered Social Landlords and private developers. New build council homes are to be freed from 'negative subsidy' rent robbery, and councils allowed to keep all capital receipts. This will mean little more than 2,500 new homes nationally however.

Tenants across the country are still

fighting unequal battles to stop privatisation. The £1.7 billion siphoned out of tenants rents puts housing services under pressure, and Government offices, national and regional, are promoting stock transfer, demolition and selling off of council homes. More areas face ever more bitter battles.

Government's Review of Council Housing Finance, due to report imminently, must turn Ministers' warm words into hard cash. It must end the rent robbery, remove the millstone of historic debt, and fully fund the management, maintenance and repairs budgets which have been systematically undercut.

To end the threat of privatisation we need commitments to end the robbery from tenants rents and capital receipts. Every penny must be ring-fenced for the management, maintenance, repair and improvement of council housing. And new arrangements must write off or take over the historic housing debt from councils. The £1.7 billion a year robbed from tenants' rents must be reinvested into first class council housing – now.



REVIEW OF COUNCIL HOUSING FINANCE

"The purpose of the review is to ensure that we have a sustainable, long term system for financing council housing... [it will] consider evidence about the need to spend on management, maintenance and repairs."

Yvette Cooper, 12 December 2007

WHAT WE ARE DEMANDING:

- Ring fence all rents and receipts within a national Housing Revenue Account to spend on council housing
- Government to write-off / take over historic housing debt – the robbery from rents has to stop!
- Fully fund allowances at 'level of need' from the national HRA to cover the management, maintenance, repair and improvement of council homes in each authority
- Increase availability of grants and change borrowing rules so that local authorities can start building large numbers of first class council homes with 'secure' tenancies low rents and an accountable landlord
- Announce an immediate moratorium on any further privatisation until the review's conclusions are fully implemented

Urge MPs to sign Early Day Motion EDM 355 in Parliament

Check whether your MP has signed Early Day Motion 355 to back this campaign. Write, email or arrange to meet them if they haven't already done so and let DCH know their response.

See full text of motion on page 2

MPs report strong evidence for fair funding

The MPs Report supporting fair funding and a third generation of council housing, makes the forceful case for a just financial settlement for council housing.

The first papers of the Report: *Council Housing – Time to Invest* (www.support4councilhousing.org.uk/report/) from The Housing of Commons Council Housing Group (HoCCHG) are packed with evidence from the Inquiry on 25 February, in which 200 tenants, councillors, officers, academics and trade unionists took part.

There are strong arguments for an end

to the Rent Robbery and to remove 'historic debt'.

Detailed research shows the underfunding of allowances for the management, maintenance, repair and improvement of council housing. The Report will also examine in detail the debate about whether the national HRA should be maintained.

The final Report will be submitted to Housing Minister Margaret Beckett. Bulk order copies from Austin Mitchell MP, House of Commons, London SW1A 0AA (£10).



Ask MPs to sign Early Day Motion EDM 355 in Parliament

“That this House points out the urgent need to boost the economy by a massive programme of public investment to improve existing council homes and estates and build a new generation of first-class council housing to provide secure tenancies and low rents, and managed by an accountable landlord of the

type the large numbers of people in housing need desire; and calls on Government to stop taking money out of tenants' rents and to ring-fence all rents and receipts within a national housing revenue account, to fully fund allowances to local authorities for the management, maintenance and repair of

council homes at level of need, along with a level playing field on gap funding and debt write-off so as to secure the long-term future for council housing, and to provide funding to build new council homes thus allowing authorities to open up their allocation policies once again to the wide range of people on coun-

cil housing waiting lists so that butchers, bakers, nurses and teachers can live together with young families and pensioners thus returning our estates to the mixed and sustainable communities they used to be, and to provide a sustainable housing policy offering security and stability for the 21st century.”

REAL CONFUSION OVER 'ROBBERY'

Suddenly it seem like half the world has woken up to what council tenants have been saying for years: 'government is robbing billions of pounds from our rents'.

The robbery started in 1990 when the 'new' Housing Revenue Account 'subsidy' regime was first introduced.

The mechanism has changed (they used to use the Housing Benefit system to claw back their profit and now they use the HRA national subsidy system) but it has continued ever since.

Some politicians like to make out that it's a complicated system with winners and losers. They often put the stress on tenants from some authorities are subsidising tenants in other parts of the country.

This argument plays into the hands of those who want to keep tenants and other supporters of council housing divided and lets government off the hook!

The fact is that government is making a £1.7 billion profit from tenants rents this year and next – and the amount is set to go on rising each year.

This profit is the difference between total rents from tenants (£6.2 billion) and total allowances paid to councils (£4.5 bil-

lion) in 2009/10. Government also makes a big profit from capital receipts!

To try and limit what they concede, Ministers are trying to define the 'robbery' as only a few hundred million pounds a year. They argue that between £1.2 billion a year is taken from tenants to 'pay off historic debt'.

One presenter at the Local Government Association's Housing Finance Conference on 24 February argued that 98% of the 'negative subsidy' paid by the majority of councils is to 'meet debt servicing requirements' – i.e. not to subsidise other tenants!

Tenants have been mugged for long enough. We don't have a financial interest in the asset; government has recouped more than enough in capital receipts and doesn't recover public investment or subsidies from other tenures so why is it only chasing council tenants on debt? (see right)

Every penny of the rental income and capital receipts from council housing should be ring-fenced and reinvested in the management, maintenance, and improvement of council homes and estates!

ARGUMENTS ON 'HISTORIC DEBT'

Government argues that more than £1 billion from our rents each year goes to support 'historic housing debt'. Here are three reasons why this is unjust:

1 Council tenants don't have a financial interest in the value of the asset. We don't own it when the debt is paid off or when its sold? You don't get charged for 'historic debt' when you use a NHS hospital or send your kids to the local school – these belong to everyone and are paid for in general taxation. So why are council tenants being asked to pay for 'historic housing debt'?

2 We believe that government has had more than enough over the years to cover this debt. In a press statement (20 Jan 2009) the department (CLG) argues "75% of the capital receipt from any council home sold under the Right to Buy is currently pooled nationally to reflect the historic investment in council house building". According to the Joseph Rowntree Foundation 'Right to buy' receipts yielded £45 billion by the end of 2005. More since. Why wasn't this used to pay off outstanding historic debt on council housing?

3 All forms of housing tenure have received public money at one time or another. Professor Hills' report shows, homeownership is the most heavily subsidised housing in England, with £18.4 billion in 2004-05 compared to £15.4 billion on council and housing association housing (including housing benefit) (see page 25, Ends and Means: The Future Roles of Social Housing in England, February 2007). There is no attempt to 'recover' Mortgage Interest Tax Relief from homeowners or 'recover' grants made to RSLs under the 'Affordable Housing Programme'. Why are council tenants treated differently?

HOW THE HOUSING REVENUE ACCOUNT WORKS

Each year government decides how much rent it thinks each council should charge its tenants (Guideline Rent). In 2008/9 this amount to £6.2 billion. It also decides how much each council needs for management and maintenance of its homes (Management & Maintenance Allowances) and major repairs to keep the homes up to standard (Major Repairs Allowance). A total of £4.5 billion this year. The difference – £1.7 billion in 2008/2009 it keeps. This is what we call 'robbery'. What would you call it?

Evidence from the MPs Report

“Tenants in Camden have rejected stock transfer, ALMO and PFI at ballot boxes as a way of financing improvements. The Council says this leaves a £242m gap once current and projected capital resources are taken into account.”
Merip Apak, Chair Camden Federation of Tenants and Residents Associations

“We don't want special treatment, but the same opportunities as Housing Associations. We want to provide quality housing where people chose to live. We do not see why our tenants should be penalised for choosing to remain with the council.”
Cllr Rosemary Bowler, Chair of Scrutiny Committee, Bolsover council

Breaking up national HRA carries real risks for tenants

There is an important debate about how a new finance regime should be organised. Some councils are arguing to break up the existing national regime with each council going it alone.

Tenants would be exposed to any sharp changes in interest charges, inflation and other economic factors. They could also lose out badly if their council gets its thirty year business plan forecasts badly wrong.

Some councils clearly want to retain rents locally so that they – instead of government – can raid them to subsidise other services. They start off saying they will respect a ring-fence but then widen the definition to include ‘environmental’ improvements, regeneration and other expenditure! These should be paid by all residents – not just council tenants.

It’s not hard to see how breaking up the national council housing sector could leave tenants feeling more isolated, making it harder to resist privatisation, market rents

and attacks on our ‘secure’ tenancies.

DCH and others are arguing for government to ring-fence rental income and receipts within the national Housing Revenue Account to fully fund allowances to each authority ‘at level of need’ according to a new and transparent criteria.

There is no reason why this new formula could not be guaranteed and projected forward to allow authorities to benefit from the advantages that a 30 year business plan provides. This would keep council tenants united across the country to defend our common interests. It would leave responsibility for macro economics with government and result in each authority getting the resources they need to spend according to priorities determined locally by tenants and councillors. It’s a less risky formula.

If government stops the robbery and takes over historic debt there’s enough money to make council housing sustainable.

Evidence from the MPs Report

“Four recent major anti-transfer votes show that tenants in Scotland reject the policy of trying to get rid of council housing. Scottish Government research also shows that a majority of people in Scotland are in favour of increased investment in council housing.”

John Carracher, Convenor, Scottish Tenants Organisation

“If they want to repossess people who can’t afford their mortgages, if their homes are being repossessed, what do they do? They look straight to the local council: ‘we’ll send them to a property there,’ and it’s just not feasible.”

Maureen Inger, Acting Chair Birmingham City Housing Liaison Board

“We believe that the current economic situation offers the opportunity to move the argument away from the panacea of home ownership, to a realistic appraisal of housing needs in the UK. Council housing must be top priority for the government.”

UCATT Building Workers Union

Private sector failure: Investment in first class council housing makes sense

There has been a total failure of housing policy based on reliance on the private market. Now is the time to learn the lessons and invest in first class public housing.

Government faces a stark choice. They can pour billions of pounds of public money into bailing out the private sector or they can make financial support conditional on bankers, builders, landowners and landlords modernising existing and building a new generation of council

(public) housing.

If RSLs (Housing Associations and Housing Companies) fail then tenants should have the choice of being transferred to the local council.

Builders facing bankruptcy should be offered the chance to build first class council housing – designed and built to the highest environmental standards.

It’s the obvious and most effective way to tackle housing need, climate change and unemployment at the same time.

THE DEVIL IS IN THE DETAIL...

There is a danger that the warm words for council housing are only cosmetic and that government is still determined to push through privatisation and private housing solutions – at any cost.

We know that the Department for Communities & Local Government and the Regional Government Offices continue to push councils to stock transfer their existing homes.

They are also encouraging councils to sell council homes and land to fund ‘Decent Homes’ work. Where they can’t sell they are now proposing councils should ‘market rent’ council homes. It’s a

moral and political disgrace when there’s 1.8 million households on council waiting lists and it doesn’t make any economic sense either!

There’s also pressure to set up public/private partnerships (Local Housing Companies and other Special Purpose Vehicles) to build new housing. Local Housing Companies will eat up public money but won’t be building council homes. Most will be built for private sale. Any homes for rent will be ‘assured’ tenancies – not council ‘secure’ tenancies.

The last thing we need are more ‘public/private partnerships’. They have a dis-

GORDON BROWN'S COMMITMENT

“In the past we have placed restrictions on local authorities... Today let me be clear: if local authorities can convince us that they can deliver quickly – and cost-effectively – more of the housing that Britain needs, and if local authorities can build social housing in sustainable communities that meets the aspirations of the British people in the 21st century, then we will be prepared to give them our full backing and put aside anything that stands in their way... We will not allow old arguments and old ideologies to stop us getting on with the job.”

Gordon Brown speaking to Local Government Network conference, 29 January 2009

astrous track record: impressive sounding objectives invariably get scaled back, with private sector ‘partners’ looking to maximise profits and minimise their exposure.

Existing regeneration schemes based on partnerships are in crisis (The Credit Crunch and Regeneration: Impact and Implications, CLG, Jan 2009).

Find out exactly what your authority is proposing and insist that the council take up Gordon Brown’s offer (above) and make use of the new facilities and apply for Social Housing Grant to build council homes on public land.

Organise a local public meeting in support of DCH’s ‘Five demands for 2009’.

Defend Council Housing



ORDER MATERIAL AFFILIATE AND DONATE ORGANISE IN YOUR AREA



Affiliate

Annual affiliation fees:

Tenants/Community Organisations:
Local £10 District/Regional £25 National £50

Trade Union Organisations:
Local £50 District/Regional £100 National £250

Order Material to distribute in your area

National twelve-page broadsheet

£18 per 100 / £100 per 1000

Annual subscription to Campaign Mailings & Briefings £15

Case for Council Housing pamphlet £10
(or £2.50 for individual tenants / bulk orders)

Dear Gordon 2 pamphlet £5
(or £1.50 individual tenants/bulk orders)

Name

Address

.....

Organisation

Position

Tel No(s)

Email

National newspaper Amount £

PamphletsAmount £

Affiliation feeAmount £

Mailing SubscriptionAmount £

DonationAmount £

Total Amount £.....

Return completed forms to DCH, PO Box 33519, London E2 9WW Phone: 020 7987 9989
E-mail: info@defendcouncilhousing.org.uk Website: www.defendcouncilhousing.org.uk