Defend Council Housing

originally published 30 June and updated 5 July
now includes report on new LGA position paper

Draft Submission

CLG/TREASURY REVIEW OF COUNCIL HOUSING FINANCE

formerly known as the 'HRA Subsidy Review'

Briefing & discussion

6–8PM, MONDAY JULY 14

GRIMOND ROOM, PORTCULLIS HOUSE, PARLIAMENT

Come and discuss this draft submission – or email DCH your comments. Make sure your organisation formally submits its comments to the government's review (deadline July 31). Tell the review team and Ministers you support DCH's submission.

> **"The purpose of the review is to ensure that we have a sustainable, long term system for financing council housing."**
> **Housing Minister, Yvette Cooper launching HRA Subsidy Review, 12 December 2007**

Introduction

The government's Review of Council Housing Finance (previously called HRA Subsidy Review) comes at a crucial time for council housing. Despite years of bullying and blackmail, and premature speculation back in 2000 about the 'end of council housing', council housing is very much alive and kicking! Together our alliance of tenants, trade unions councillors and MPs have pushed direct investment in council housing (the 'Fourth Option' for council housing) to the top of the political agenda.

'Moonlight Robbery' campaign protest, 25 June 2008

Summary

The fundamental problem facing council housing is insufficient resources to manage, maintain, repair and improve existing council homes and estates and to build new council housing.

If all the money that belongs to council housing (rental income and capital receipts) was ring-fenced and reinvested, and there was a level playing field on debt write-off, gap funding, borrowing and Social Housing Grant, council housing could pay its own way.

Successive governments have been taking a profit from council housing each year and then bullying and blackmailing tenants to accept privatisation. This is a disgrace!

The Treasury take from tenants rents and capital receipts far exceeds the allowances they give local authorities for management and maintenance (M&M) and major repairs (MRA) each year.

The recent 'justification' for some of this robbery is that tenants should support historic debt. But capital receipts from council housing have been enough to pay off this debt three times over; council tenants don't have a financial interest in the property; and government doesn't 'recover' money paid to home owners (Mortgage Interest Tax Relief) or Registered Social Landlords (Social Housing Grant) so why fleece council tenants to pay for an asset that remains in public ownership?

Continued discrimination against council housing and the lack of a 'level playing field' on debt write-off, gap funding, borrowing and Social Housing Grant cannot be justified.

It is not the principle of a national pooling system that is the problem. Council tenants are angry that government profits from council housing but we can also see how some politicians are using the old tactic of 'divide and rule' to try and break up a national council (public) housing sector.

We are suspicious that proposals for councils to 'opt out' of the national HRA would leave council housing in a more precarious situation and is a stalking horse for privatisation.

Government has to accept that M&M and MRA allowances must be funded at level of need and council housing put on a 'level playing field'.

Then local authorities would be able to plan ahead on the same basis as other landlords and council housing would provide first class secure housing, managed by an accountable landlord at rents people can afford for existing tenants and future generations on a sustainable basis and 'in perpetuity'.

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...continued, page 2

There is strong support for council housing across Britain today. 2.5 million council tenants have rejected privatisation and a further 1.67 million households have put their names down for a council tenancy. The Local Government Association predicts that this will rise to 2 million households (5 million people) by 2010 as the private housing market fails miserably to deliver the homes people need.

A whole generation of young people, unable to move out from under their parents' feet, would jump at the chance of a secure council tenancy at a rent they can afford.

For years successive governments have discriminated against council housing, effectively disinvesting by robbing more money from rents and capital receipts than they put back in; denying council housing a 'level playing field' and bullying tenants to accept privatisation.

The fundamental problem is insufficient resources to manage, maintain, repair and improve existing council homes and estates and to build new council housing.

At the same time there is a concerted attempt to stigmatise council housing as housing of 'last resort'. Starving council housing of resources and treating council tenants as second class citizens who 'need help' into home ownership exacerbates the problems on many estates. Many are already 'mixed tenure' with private management companies renting out ex-council homes at exorbitant prices (often back to the council). Mixed tenure doesn't make them sustainable communities!

If government enabled democratically elected local authorities to improve existing and build a new generation of first class council homes it would allow them to open up their allocation policies once again returning our estates to the mixed communities they used to be when "20% of the richest tenth lived in social housing" (Professor John Hill, Ends and Means, LSE, Feb 2007).

The Review is a direct result of the broad based campaign in support of the 'Fourth Option'. Ministers and supporters of privatising council housing have been losing the argument in tenants ballots and crucial conference votes. Their policy is deeply unpopular and they can't justify their dogmatic discrimination against council housing to either council tenants or their own supporters.

Defend Council Housing welcomed Yvette Cooper's commitment that this review would "ensure that we have a sustainable, long term system for financing council housing" and "consider evidence about the need to spend on management, maintenance and repairs".

However the jury is still out about whether this is yet another cynical attempt to diffuse the demand for the 'Fourth Option' (we've had promises from Stephen Byers, John Prescott and others senior Ministers in the past) or a genuine move to settle this long running dispute. We hope its the latter.

How government robs our rents and receipts

Government robs money from council housing in two ways:

Firstly it collects more in rents than it pays in allowances to local authorities to enable them to manage, maintain (M&M) and carry out major repairs (MRA) to our homes. The 'Moonlight Robbery Campaign' estimates, from answers to Parliamentary

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Local Government Association (LGA) and others endorse key demands

The Local Government Association (LGA) supported by Chartered Institute of Housing (CIH), Chartered Institute of Public Finance Accountants (CIPFA), Association of Retained Council Housing (ARCH) and National Federation of ALMOs launched a new policy paper on July 2 "***My rent went to Whitehall***".

The paper endorses some of the key demands Defend Council Housing and others have been making. It recognises:

> "that the major repairs allowance is inadequate to cover costs of future major works. Management and maintenance allowances are also insufficient to sustain the stock and provide the services that tenants need..." and "called for local authorities to be able to maintain 100 per cent of capital receipts."

They argue:

> "the principle of a ring-fence extended to national level, with funds generated from HRA rents spent on improving council housing..." so that "councils and their tenants should have the same rights to self-determination as housing associations and their tenants and that they should have sufficient resources to enable them to manage their properties and their areas efficiently and effectively in perpetuity."

The paper proposes that the mechanism for achieving these objectives should be for councils to directly retain all their rents and receipts locally. As we point out elsewhere if councils opt out of the national Housing Revenue Account (HRA) they expose tenants to all the risks of increases in inflation and interest rates, etc that are currently carried by government (see page 5).

The danger would be that fragmentation of the national council housing sector will make it easier for either government or individual authorities to try again to drive through privatisation of council housing.

Why not retain the national HRA, require government to fund allowances for council housing at level of need and extend local control and accountability by allowing councils to decide priorities on how to spend these resources? Leave the risk of managing macro economics with government but determine priorities for resources locally. This should also include a real obligation to meaningfully consult tenants – and then respect tenants' views.

"genuine local rent freedoms" is also an issue that needs full discussion. For the same reasons that most people oppose the 'post code lottery' on access to drugs in the NHS, we don't want big discrepancies between council rents either across the country or within authorities.

Tenants who live in estates needing higher levels of maintenance or capital works "such as external cladding and roofs to refurbish ageing concrete towers" shouldn't be forced to chose between decent conditions and rents they can afford. A HRA system based on pooling provides important protection for tenants who, through no fault of their own, happen to live in properties that incur higher costs.

Two issues that the LGA paper is silent on that have to also be addressed are bringing all councils up to minimum standards – before any changes to the housing finance regime are implemented (gap funding authorities who can't meet Decent Homes) – and government taking over/writing off historic debt. This is essential to providing a 'level playing field' and resources for council housing and ending the injustice.

...continued, page 3

Questions, that this amounts to more than £19 billion since 1997. Secondly, government takes 75% of the capital receipt from 'right to buy' sales and has benefited from stock transfer receipts.

In 2008/09 each tenant will pay £3,120 per home in rent (£6.1 billion nationally) but only receive £2,391 per home (£4.7 billion national total) back in services. Government lets councils keep just £1,720 per home (£3.4 billion) for management and maintenance and £671 (£1.3 billion) for major repairs. Nationally, this means the government will rob tenants to the tune of £1.4 billion this year, and it's increasing (Figures from DCLG subsidy determination 2008/2009).

"Receipts from the Right-to-Buy sales of council housing that have yielded around £45 billion – only a quarter has been recycled into improving public housing." (Joseph Rowntree Foundation 01/12/05). Stock transfer has produced £6.08 billion 'Total Transfer Price' – money which comes from council housing and should have been reinvested in council housing (UK Housing Review 2006/2007).

The answer to a key Parliamentary Question shows that on top of the money taken from our rent to fund historic debt government is profiting this year by £198 million. This profit is predicted to rise to an estimated £894 million per year by 2022! (PQ Answer 155558, 19 June 2008, Appendix A) and read more about the arguments in the DCH 'Dear Gordon 2' pamphlet.

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Discussion in the review...

extracts from Narrative No. 2: Costs and Standards, HRA Subsidy Review, Steve Hilditch, May 2008

"The Review is set against the background of a significant body of evidence that present allowances are insufficient to sustain the condition of council housing and housing management services:

- In 2006-07 councils spent £605m more on M&M than allowances provided.
- The pilot project on self-financing also demonstrated that the "Current levels of allowances will not sustain the improvements made under the decent homes programme".

"Research by the Building Research Establishment in 2003 showed that management and maintenance allowances were some 40% below that indicated by empirical evidence…

In the current system, costs are directly influenced by the level of allowances: landlords spend the allowances they receive and most spend more if resources allow. In turn, the broad pattern of allowances and subsidy reflects variations in the amount of historic debt, over which LAs have no control, and the deprivation indices…"

"The council stock will face major new challenges after 2010. The English House Condition survey shows that the progress made through decent homes could stall and that standards overall may decline again as homes fall back into non-decency (for example through aging of bathrooms and kitchens) and because LAs have deferred some high cost items that are not included in the standard, for example major capital works needed to communal areas. Recent modelling indicates that the MRA is not enough to support costs per property for future repairs and some LAs may need to consider a new options appraisal soon."

Tenants want extra social and community services – but "feel that they shouldn't be paid for from rents."

extracts from Narrative No.3: Rents and Service Charges

"Council housing is invariably the most affordable".

"In practice, rent restructuring seems to have had little impact on improving worklessness, encouraging mobility, enabling choice and tackling under-occupation." Councils have more success by direct work with individuals.

"Relating rents to costs risks placing too great a burden on the poorest areas with the greatest needs" – an argument for national redistributive mechanism.

extract from Narrative No. 5: HRA Rules

"The HRA ring fence policy and the focus on having a 'landlord account' has ended the transfer of large suns to the General Fund (GF) and has removed some previous perceived abuses of the system. There is still however a lot of variability in practice between councils – for example whether and to what extent they recharge corporate and democratic costs...

"there is still a lot of movement across the ring fence that is not transparent to tenants. Tenants feel that they are paying twice for some services, through council tax and through their rents. For example, it could be argued that significant costs associated with work on Anti-Social Behaviour (ASB) is routinely charged to the HRA but should be borne by the General Fund, as it would be for private housing areas. Similar arguments apply to the charging of other services such as some grounds maintenance, highway services, refuse collection, recycling, and the apportionment of council support costs and overheads to the HRA. It could be argued that these practices distort the real costs of council housing but also affect affordability, not only for tenants but also for leaseholders having to meet these extra costs through their service charges".

"some stock transfers would have been unviable if [these] extra costs had been included."

"One way of deciding the proper boundary of the ring fence would be to look at the experience of stock transfers and especially what services and responsibilities transferred across with the stock. If it isn't transferred to the new landlord, it could be argued that it shouldn't be in the ring fence in the first place. Some stock transfers would have been unviable if extra costs had been included...

"At present there is no national HRA and no ring fence between housing and other services at Government level. This reflects normal accounting practice but it means that tenants cannot see directly the relationship between the rents they pay and the services they receive and the deployment of surpluses when they arise.

"The local ring fence does not extend to capital. When tenants exercise the right to buy, the HRA loses income but does not gain the capital receipt. Councils vary considerably in their practice and whether they give retained capital receipts back to housing. A significant amount of investment is lost from housing to other services as a result despite the high long term requirement for investment in council housing."

extract from Issues Paper to consider a big bang approach (Neil Isaacs, Hackney Homes)

"Key Assumptions

…The HRA subsidy system moving into surplus gives the opportunity for that surplus to be redistributed within the national HRA as part of the next Spending Review.

The fact that this is a one off opportunity for each HRA there may well be a need for additional funding for the HRA nationally to ensure that the hard won improvements in stock condition are sustainable in the long term…

Basic Proposal

On a given date, say 1st April 2010 or week one of the 2010/11 rent year, there will be a one off adjustment to the HRA credit ceiling for every HRA in the country.

This adjustment will be based upon a Building Cost or LSVT style financial model that will be transparent for each organisation, and will include rent projections and M&M spend projections… "

...continued, page 4

Funding allowances at level of need

Government arbitrarily sets the level of allowances they give to local authorities each year. They are neither tied to income from rents or any independent measure of need.

In 2003 government commissioned the Building Research Establishment to look at the cost of managing and maintaining council homes. The BRE found that in 2001-02 Management and Maintenance Allowances should have been £5.5 billion when in fact they were only £3 billion. In 2004 Parliament was given an update and told “Hence the 2004-2005 level of allowances would have to increase by about 67% in real terms to reach the estimated level of need” (PQ 1705 03/04 29 April 2004). Adjusted for today’s prices and stock numbers, the BRE’s findings show that M&M allowances are now about £1,300 million too low.

The recent government pilot of six authorities investigating issues around ‘opting out’ of the national HRA came to a damning but not unexpected conclusion:

"anticipated levels of future subsidy… are not sufficient to maintain a sustainable level of housing services within the HRA subsidy system." (Self-financing of council housing services: Summary of findings of a modelling exercise, CLG, March 2008)

"We are talking about the major repairs allowance across the country being 40 per cent short of what most people would estimate is a minimum investment need over 30 years" (Steve Partridge, Housing Quality Network consultant supporting the review group, Inside Housing 14 March 2008).

Based on these findings the shortfall in Major Repairs Allowance would be £950 million a year, on top of the shortfall in Management & Maintenance Allowances of £1.3 billion per year. So council housing allowances need to be funded by an additional £2.25 billion per annum to meet actual need.

Tenants shouldn’t pay for historic debt

In the last few years government has argued that some of the ‘robbery’ from tenants rents goes to support historic debt (they never used to argue this up until four years ago). Supporting debt charges currently amount to nearly £1.2 billion per annum.

Their argument is that existing tenants should pay the cost of building council homes in the first place. Recognising that the current system is deeply unpopular and unsustainable there are attempts to find a new formula. These centre on re-packaging and maybe redistributing charges for historic debt.

“This charge would effectively represent the value of past and present investment by central government into council housing that it ought to be entitled to earn a return on.” (The Cost of Cap-

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Observations on debt

“It will be important to make a distinction between new and historic debt. LAs will need to take on new debt to improve their stock and build new homes and will need to be able to access HCA funding in the same way as RSLs to introduce a more level playing field.” *Notes from the First Workshop, HRA Subsidy Review, 24 April 2008*

“Currently the government regards council housing as a national asset. Council tenants do not have any equity stake in their home. Therefore it is not appropriate that they should be expected at the national or local level to contribute to the asset value of their home i.e. the debt charges on investment in that asset.” *(paper from Labour ALG members to John Prescott in September 2004 negotiations prior to Labour Party Conference)*

“Historic debt from housing spend is generally believed to be about £7,500 per property. This is already public sector debt. Much of this is funded from the Public Works Loans Board (PWLB). Yet if all authorities had opted to transfer their housing stock to a Registered Social Landlord, as encouraged by the Government, then large elements of that debt would have been picked up by the Treasury anyway. Why shouldn’t something then be done centrally about local authority housing debt?” *(Ken Lee, Director of Resources, Wigan and Leigh Housing Company and Chair of CIPFA’s Local Authority Housing Panel, April 2008)*

“Writing off debt owed by local authorities to central government has no effect on the financial position of the public sector as a whole, or on any of the fiscal aggregates.” *(Parliamentary Question answer, 19 January 2006).*

“debt repayment is not in itself a cost to government in cash terms. The original borrowing and the investment it funded – was a cost to government. But subsequent debt interest and repayments are transactions entirely within the public sector, so there is no net effect (cost or benefit) for the Exchequer or the taxpayer when the Treasury provides grant aid to allow repayment of a council’s PWLB loan debt. These are transfers within government.” (Council housing transfers *Auditor General for Scotland and the Accounts Commission, March 2006)*

“The local ring fence does not extend to capital. When tenants exercise the right to buy, the HRA loses income but does not gain the capital receipt. Councils vary considerably in their practice and whether they give retained capital receipts back to housing. A significant amount of investment is lost from housing to other services as a result despite the high long term requirement for investment in council housing.” (*extract from Narrative No. 5: HRA Rules, HRA Subsidy Review, Steve Hilditch, May 2008).*

“Many tenants believe that it is inappropriate that 75% of housing revenue account capital receipts is pooled and that 25% can be used to fund general fund schemes. In Wales, housing revenue account capital receipts are ring-fenced to housing revenue account schemes and are all useable.” *(from Initial Observations, HRA Subsidy Review discussion paper, AWICS, 28th April 2008)*

“At a national level the present value of the surplus (excluding borrowing) assumed within that model has been calculated at around £38bn or around £19,000 per dwelling. This is £20bn more than the current debt or around twice the current level of supported borrowing. In other words if all authorities had opted out of the system based on the current Self Funding assumptions they would have had to take on an additional £20bn of debt. In return the CLG would have received a net payment of around £20bn.” *from Redistribution of Debt Paper, David Hall, Tribal Consulting, 30 May 2008*

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ital, Keith Jackson, HM Treasury, June 2008)

There are a number of arguments against council tenants having to pay historic debt in any form:

1. Council tenants neither own the asset nor control capital receipts from the sale of council housing. Like hospitals and schools it belongs to the public. Since we do not have a financial 'interest' in the asset we should not be responsible for servicing the debt.

2. The proceeds from 'right to buy' and stock transfer have been more than enough to allow government to pay off the remaining historic debt (around £12 billion) three times over.

3. Government takes over any outstanding debt (and pays gap funding) when councils stock transfer their homes. If government can subsidise privatisation they can do the same to respect the choice of tenants who choose to stay with the local authority (see PQ 186840, Appendix B 'Gap Funding').

4. Government does not attempt to recover public subsidy on housing from home owners. As Professor Hills' report shows, homeownership is the most heavily subsidised form of housing in England, with £18.4 billion in 2004-5 compared to £15.4 billion on both council and housing association housing, including housing benefit! (Ends and Means, LSE, Feb 2007).

5. There is no proposal to recover Social Housing Grant and other funding to Housing Associations or other landlords.

6. If government subsidises many forms of housing why are only council tenants expected to pay back the Treasury?

Case against 'opting out' of the national HRA

It is clear that there is a strong lobby within government, some local authorities and housing professionals to break up the national Housing Revenue Account and get councils (some or all) to 'opt out'. In 2007 the government set up an 'opt out' pilot to model the issues. Its conclusions have unexpectedly helped supporters of council housing by showing that opting out is not feasible so long as government under funds council housing and continues to saddle it with massive debts.

The pilot study does make the case that council housing would benefit if it could develop a 30 year business plan based on long term funding assumptions like other landlords.

The benefits identified include the provision of new homes, better planning and more local accountability. But these benefits are related to increased resources and/or more stability, knowing what your income and expenditure are going to be over 30 years rather than changing annually. It is not necessary to 'opt out' of the HRA to achieve these benefits; increased resources and more stability could easily be delivered within the existing pooled regime.

We believe that if we get government to resolve the funding issues then there are no major advantages (and plenty of disadvantages) for councils opting out.

1. The Review of Council Housing Finance is itself evidence that together council tenants are a powerful national force. Opting out would further fragment a sense of a national council housing sector making it easier to bully and blackmail tenants into privatisation; attack our 'secure' tenancy and our unique rights as

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RSL crisis shows risk of 'opt out'

Breaking up the national housing system involves serious risks for tenants. The present national subsidy system means that if interest rates or inflation change government bears the risks and councils are protected.

The financial risks of self-financing are considerable. The council could end up with a huge debt, and depend on private lenders if things go wrong.

Councils would have to make assumptions - guesses - about 30 years of inflation, interest rates, house prices, and right-to-buy sales. History shows, these things can fluctuate massively over even a few years never mind 30.

If the business plan depends on building homes for outright sale to bring in extra money, then there is the risk of building costs rising, or house prices collapsing. There is the risk that government might bring in new policies which expect councils to provide more services or meet higher standards - which cost more. And finally there are also unforeseen extra costs, such as flooding.

To understand the kind of risk government wants to expose council tenants to you only have to look at the RSL sector.

One-fifth of transfer associations get into trouble despite massive benefits and subsidies when they are set up (The Guardian, 25/05/05).

Anthony Meyer, head of the new regulator the Tenant Services Authority (previously 'OFTENANT'), predicted "a 'wall of water or tsunami' was heading towards housing associations" (Inside Housing, 13/06/08).

"The Housing Corporation has stripped Presentation Housing Association of its ability to access aff affordable housing cash after sounding a warning about its financial viability.... Presentation becomes the third association to lose its ability to bid for social housing cash in as many months, following First Wessex Housing Group and Servite Houses." (Inside Housing 27/06/08)

Extract from 'Self-financing of council housing services

RISK	IMPACT	
Interest rates higher than expected	Additional borrowing becomes more expensive	Borrowing becomes less affordable, tending to reduce borrowing levels
General inflation lower than expected	Burden of opening debt higher than expected	Could be countered by above inflation rent rises or efficiencies
Cost inflation higher than expected	Adverse effect on business plan viability	Service cuts or efficiency savings
Receipts from RTB sales higher or lower than expected		

'Self-financing of council housing services: Summary of findings of a modelling exercise' (Department of Communities and Local Government, March 2008) council tenants; lead to differential (higher) rent levels and more from tenants rents siphoned off by councils to subsidise their General Fund.

2. In 2003 government introduced the ALMO formula to try and break up council housing. We called it 'two-stage' privatisation and predicted that homes would not return to direct council control as promised and councils would move to a second stage and try and privatise. Our predictions are coming true as we speak… 'Opting out' has the same dangers for tenants!

3. The local authority – and so ultimately council tenants – would be exposed to far greater risks. These include changes in interest rates, building cost and pay inflation and natural disasters (floods, etc). Under the existing national HRA government shoulders this risk. If an authority opts out and its business plan goes pearshaped where does that leave tenants?

Council tenants will be pleased that more housing experts and local authorities are now joining us in protesting about the robbery from tenants rents but there will also be suspicions that some have ulterior motives! Politicians won't be allowed to make a token protest lasting a few months for party political gain and then use government intransigence to justify trying to bully their tenants into privatisation.

And tenants will want to scrutinise their authority's HRA to make sure that all 'useable' capital receipts from right to buy and other sales are being reinvested in council housing and that no charges are being made to the HRA (tenants' rents) that should properly be charged to the General Fund (all council tax payers).

Tenants will also want their council to keep them informed. Many authorities are selective about what information they provide tenants with. Distributing material from Defend Council Housing and the House of Commons Council Housing Group is one way to guarantee tenants hear both sides of the argument. The DCH pamphlet *Dear Gordon 2* and House of Commons Council Housing Group's *Support for the 'Fourth Option' for council housing* is recommended reading.

Given funding for allowances that meet actual needs and the ability to plan long term we can see no advantages and plenty of dangers to tenants from councils 'opting out'.

Council tenants shouldn't sell ourselves short at this stage of the campaign by accepting 'opt out' as a condition for an end to the robbery and a 'level playing field' for council housing.

Discussion in the review...

extracts from Redistribution of Debt Paper,HRA Subsidy Review, David Hall, Tribal Consulting, 30 May 2008

"The distribution of the £1.72bn revenue surpluses across the current system varies significantly depending on the level of guideline rents and the allowances received by each authority...

The level of supported debt in the system is based on a completely different set of rules and reflects a number of factors including historic decisions on supported borrowing over the years and the level of Right to Buy sales receipts (up to 2005). The distribution of debt per unit (based on the SCFR) therefore has no correlation with the level of revenue surpluses"

"The model used for the base case in the six Self Funding Case Studies assumed certain assumptions set down by the CLG… However because the forward assumptions on allowances were generally deemed to be inadequate this methodology resulted in levels of borrowing which would have been unsustainable in most if not all cases. At a national level the present value of the surplus (excluding borrowing) assumed within that model has been calculated at around £38bn or around £19,000 per dwelling. This is £20bn more than the current debt or around twice the current level of supported borrowing. In other words if all authorities had opted out of the system based on the current Self Funding assumptions they would have had to take on an additional £20bn of debt. In return the CLG would have received a net payment of around £20bn."

'Financial neutrality' must include 'cost of privatisation'

The review's terms of reference say that any settlement should be 'financially neutral' - the idea that government shouldn't be required to put any more money into council housing - or rather, in the present context, that it shouldn't lose any of the income it currently takes from council tenants!

But the areas they are discussing only include four things: the money taken out of the Housing Revenue Account, the amount spent on Housing Benefit, the level of borrowing as it affects the Public Sector Borrowing Requirement, and the administrative costs of the system.

There is a fifth area of government finance which relates to council housing: the vast sum spent subsidising the transfer of council housing to the private sector.

Between 2000-01 and 2006-07 alone £2,436 million - nearly £2.5 billion - was spent on writing off overhanging debt for councils which transferred (Parliamentary Question 25/02/08). A further £387 million has been spent on gap funding (Parliamentary Questions 19/02/07 and 10/03/08). Government is clearly prepared to dig deep to subsidise privatisation. Resources available to subsidise gap funding and overhanging debt for Large Scale Voluntary Transfer should be made available for direct investment in council housing.

Conclusion

2.5 million council tenants in more than 220 authorities – including the 'retained' authorities and those with ALMOs – need a settlement to the long running dispute over the 'Fourth Option'. The majority of councils in Wales and in Scotland retaining their homes and need the same principles applied too.

The alternative is an ongoing war between government, councils and tenants. Tenants will face more bullying and blackmail from councils (including ALMOs) trying to sell off their homes. For some it will be the first time, for others it will be the second or even third time they have tried to privatise.

The demands that all the money that belongs to council housing be ring-fenced nationally and reinvested and for a 'level playing field' are just and make both political and economic sense.

Ministers continually say they are in favour of tenants choice. Many council tenants have exercised our choice and chosen to stay with the council. We have refused to trade our secure tenancies, lower rents and a landlord we can hold to account for new kitchens and bathrooms – we want both!

If government accepts these principles – agreeing that M&M and MRA allowances will be funded at level of need and council

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housing is put on a 'level playing field' – local authorities would be able to plan ahead on the same basis as other landlords. Council housing would again be sustainable and a tenure of choice providing first class, secure housing, managed by an accountable landlord at rents people can afford for existing tenants and future generations.

Tenants and other supporters of council housing across the UK hope that this time government's intentions are genuine and they will right the historic wrongs. If they offer a fair settlement we will welcome it. If they refuse yet again we will continue to fight them until they do!

It is time that government dropped the dogma, respected tenants choice and the strong case for direct investment in council housing. This review gives them the opportunity...

end

What do we do next?

DCH is consulting supporters to decide what the next steps of the campaign should be including plans for a national conference or 'summit' and another big lobby of Parliament.

DCH has been able to bring together substantial forces at previous events by mobilising the alliance of tenants, trade unions, councillors and MPs across parties that we have constructed over the years (see DCH website – text links at top to read about DCH Conferences and Lobbies of Parliament).

Let DCH know what you think. Please discuss these proposals at your next tenants, union or political group meeting and give us some feedback.

ps DCH urgently needs funds to step up the campaign. Make sure your organisation is affiliated and subscribes to campaign mailings. Order copies of DCH material for tenants and union reps as well as councillors in your area (see back page)

Appendix A (Robbery)
Answer to Parliamentary Question 155558, 19 June 2008

The table shows the value of the 'bricks and mortar' element of HRA subsidy. Prior to 2004-05, HRA subsidy also contained a rent rebate element. This is omitted from the table to ensure consistency with post 2004-05 data. Prior to 2004-05, surpluses in the 'bricks and mortar' element were applied to the cost of rent rebates for local authorities.

	HRA subsidy (£)
1995-96	-390,050,431
1996-97	-563,028,455
1997-98	-668,307,497
1998-99	-869,992,311
1999-2000	-1,040,869,030
2000-01	-1,123,786,228
2001-02	351,105,009
2002-03	252,059,142
2003-04	191,153,240
2004-05	77,994,764
2005-06	249,427,865

Pre 1995-96 data is available only at disproportionate cost.

As part of the self financing modelling exercise some broad forecasts of future HRA subsidy entitlement were generated at a national level. These forecasts were based upon a number of assumptions about factors such as the number of dwellings in the HRA subsidy system, interest rates and rates of inflation. The forecasts are highly sensitive to changes in any of these assumptions. It is based upon the 2007-08 HRA subsidy system.

The forecast subsidies generated were as follows:

	HRA subsidy (£ million)
2008-09	-194
2009-10	-216
2010-11	-303
2011-12	-421
2012-13	-424
2013-14	-376
2014-15	-398
2015-16	-434
2016-17	-476
2017-18	-543
2018-19	-611
2019-20	-680
2020-21	-750
2021-22	-822
2022-23	-894

http://www.publications.parliament.uk/pa/cm/cmtoday/cmwms/archive/080620.htm

Appendix B (Gap Funding)
Answer to Parliamentary Question 186840, 25 February 2008

No distinction is drawn between 'historic debt' entered into to build councils' housing stock and 'new debt' entered into to pay for decent homes. The total assumed housing debt in 2007-08 is £17.3 billion. The interest on debt is governed by each council's Consolidated Rate of Interest (CRI). The CRI is different for each authority and depends upon the number, value and period of the various loans they have negotiated individually. The average CRI for 2007-08 is 6.17 per cent.

If a local authority's attributable housing debt is not cleared either in part or in entirety by receipts from a registered social landlord (RSL) through large scale voluntary transfer arrangements, the debt that remains is transferred from the local authority sector to central Government through a payment made to the Public Works Loan Board. Overhanging debt payments to the Public Works Loans Board under these debt transfer arrangements since 2000 are shown in the following table:

	£ million
2000-01	276
2001-02	0
2002-03	548
2003-04	91
2004-05	591
2005-06	386
2006-07	544
Total	2,436

A payment of £17.3 billion would be required to be made to the PWLB to transfer the remaining housing debt to the Exchequer.

http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080225/text/80225w0022.htm#0802266001468

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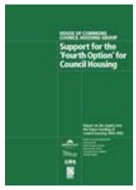

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