



**HOUSE OF COMMONS  
COUNCIL HOUSING GROUP**

# **Council Housing: Time to Invest**

**Fair funding, investment and  
building council housing**

**Our report to the Government's Review of  
Council Housing Finance**

**INTERIM VERSION**

## **Introduction**

### **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

"Housing Minister Margaret Beckett said she wanted local authorities to play a bigger role in the delivery of council housing." (DCLG, *New freedoms to increase council house building*, 21 January 2009)

# Preface



by Austin Mitchell MP,  
chair of the House of Commons  
'Council Housing' group

Ministers launched a 'Review of Council Housing Finance' in 2007 with the promise to "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". The Housing Minister is now also consulting on new rules that will enable local authorities to start building new council housing again.

This Review is due to report this spring. It will, we hope, provide for the 'Fourth Option' so long campaigned for. It must create a level playing field freeing councils to invest in existing and new homes, on equal terms with Housing Associations.

To influence the outcome of these consultations our group issued a call for evidence to identify the level of funding required to manage, maintain, repair and improve existing council housing and to start building a third generation of first class council homes.

We have received written evidence from a wide range of organisations. On 25 February 200 tenants, elected councillors, council officers, trade unionists and academics took part in our inquiry session at Westminster. We heard verbal evidence from 26 delegations during the day.

To take the debate forward we are publishing a series of interim papers with the aim of printing a full report. We welcome comments and call for additional evidence to strengthen the arguments. We hope to maintain the dialogue we have started with Margaret Beckett and have also asked to meet the Prime Minister to put the case.

If you would like to contribute to this 'work in progress' please send submission to my office.

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# Papers

## Introduction

1. The case for council housing
2. Fully funding allowances: calculating 'level of need'
3. The money's there: debt write-off, gap funding and receipts
4. Ring-fencing the money that belongs to council housing
5. Housing finance : National HRA or Self-financing?
6. Building a third generation of first class council housing
7. Fair and balanced debate
8. Case against privatisation

**This report is dedicated to Alan Walter, chair of Defend Council Housing. Alan proposed and organised our Inquiry, worked tirelessly to make it the success it became, and died working on this Report. We trust this Report is the final 'heave' to win a secure future for council housing. Without Alan it would not have been possible – we are committed to winning in his name.**

# Introduction

The grim failure of current housing policy reliant on the private market reinforces the case for government to invest in first class council housing.

Difficulties are mounting – as repossessions, overcrowding and council waiting lists soar, while house building collapses, and the pledge to make all ‘social’ homes decent by 2010 is missed for one in ten homes.

Housing associations (Registered Social Landlords or RSLs), the government’s chosen vehicle for housing deregulation over recent decades, now face a collective deficit. RSLs’ private borrowing, land and development speculation and dependence on the private sale and rent market has exposed them to market failure – the same whirlpool as the rest of the private housing market.

“Fifty housing associations have seen the value of their homes and land plummet so much they expect to make write-downs in their 2009 accounts...housing associations [are] holding 10,060 unsold homes.” (*Inside Housing*, 6 March 2009)

The evidence presented to our Inquiry and the experience of the last 18 months represent a widening consensus on what must be done. It is time to invest in a level playing field and a new generation of first class council housing. A major council house building and renovation programme will meet the urgent need of the 1.8 million households on council waiting lists, who don’t want to or can’t get a mortgage.

It’s time to stop driving us to home ownership. £2,000 grants to first time buyers, and notional 10% shares for tenants will add fuel to the fire, driving up house prices and encouraging yet more borrowing by those least able to afford it.

It is time to end the privatisation of council housing and the blackmail and bullying of tenants (see papers 7 and 8).

Stop the £1.5 billion a year robbery from council rents – and end the plunder of council housing receipts and assets by effective ring-fencing (paper 4).

The backlog of disrepair caused by decades of disinvestment must be addressed as a matter of urgency. Gap funding must be provided for those authorities unable to meet decent homes, so that all homes can be brought up to decent, modern, energy-efficient standards. More than enough has been stolen from council housing over the years to pay for this (see paper 3).

Our evidence reinforces the demand for a ‘Level playing field’: if public funds can be made available to bring homes up to standard through

stock transfer, Arms-Length Management Organisations (ALMOs) and the private finance initiative (PFI) – why not provide the same funds to invest directly in council housing.

To provide first class council housing with a sustainable future, we need to fully fund allowances for management, maintenance and major repair that genuinely meet the ‘level of need’ (see paper 2).

The evidence demonstrates that Council housing pays its way. Government does not subsidise council Housing Revenue Accounts – in fact tenants are being robbed. Ending the rent robbery, and reinvesting all the rent and other funds generated by and belonging to council housing, would provide for allowances to manage and maintain council housing at the ‘level of need’.

There is ongoing debate on the best means of increasing local accountability, transparency and stability (see paper 5). All agree however, that current HRA funding is unjust, inadequate, and undermines long term stability.

Councils must be freed to build a third generation of new first-class council housing (see paper 6). It is welcome that government has agreed to open up Social Housing Grant to councils and free new homes from rent and receipt robbery; but this is not enough to solve today’s massive housing crisis or housing need for future generations. To remove obstacles to investing in new council homes government needs to:

- Stop the Robbery, ringfence receipts, increase allowances and provide gap funding for existing council housing so it does not drain income from new build;
- free up councils to borrow by changing the calculation of public sector borrowing rules;
- increase the amount of Social Housing Grant available to councils; and
- ensure that any money left unspent by RSLs from the £8,400 million Affordable Homes Budget is allocated to councils.

In the four years since our last report *Support for the ‘Fourth Option’ for Council Housing*, (see [www.support4councilhousing.org.uk](http://www.support4councilhousing.org.uk)), backing for council housing has grown ever stronger, with 185 councils in England retaining council housing (and over 200 in the UK as a whole).

The 2.5 million Council tenants throughout the UK and their families still feel robbed, blackmailed and abused. They still value their security, lower rents and accountable landlord. Tenants in ALMOs and those with housing under the →

“Review must open the door to decent secure council homes as the foundation of sustainable mixed communities.”

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→ direct management of the council are joining together to fight for their common interests, as evidence to our Inquiry shows.

Tenants are at the heart of a growing coalition opposing disinvestment and attacks on council secure tenancies. Ministers' last minute intervention to halve this year's proposed 6.2% rent rise for council tenants indicates that government may at last be acknowledging the central importance – socially, politically and economically – of council tenants.

This is the moment to put council housing back at the heart of housing provision. Justice demands that the robbery of council rents, receipts and assets ends, with the plunder reinvested to fully fund allowances and remove the historic debt charges – which tenants should not be paying, and which 30 years of receipts have more than cancelled.

The conclusion of the government Review of Council Housing finance must open the door to decent secure council homes as the foundation of sustainable mixed communities.

On 25 February 2009, over 200 tenants, councillors, local authority officers, trade unionists and academics gave evidence to the House of Commons Council Housing Group's (HOCCHG) Inquiry into the Future Financing of Council Housing. The Inquiry was responding to the government's ongoing Review of Council Housing Finance announced in December 2007 by then Housing Minister, Yvette Cooper, and expected to report in Summer 2009. This review, led jointly by officials in the Dept. for Communities and Local Government and HM Treasury with support from the Chartered Institute for Housing (CIH), initially set out to "examine the case for change to the redistributive Housing Revenue Account subsidy system... to ensure that we have a sustainable, long term system for financing council housing". Particular attention was to be paid to evidence of "the need to spend on management, maintenance and repairs". Since then, the government review has been broadened out to examine the entire financing of council housing. The aim of the HOCCHG Inquiry was to gather evidence to support the case for a new financial settlement that not only provides a secure and sustainable future for the country's existing 2.5 million council homes but also enables a new generation of first class council homes to be built. MPs heard verbal evidence from 30 delegations, many made up of tenants, councillors and council officers. In addition, we received 55 written submissions of evidence and the results of new research which support our findings.