**Endorse this Appeal**

# Tackling the council housing funding crisis

***Local authority Housing Revenue Accounts are suffering a financial crisis as a result of extra 'debt' imposed on them in 2012 and government policies since then which have resulted in a significant loss of income. The signatories to this Appeal are calling on Labour to urgently press the government to reopen the council housing 'debt settlement' of 2012 and to cut the debt in line with income lost as a result of government policies.***

**We are asking individuals and organisations to endorse this Appeal.**
**To add your name email Swindon Tenants Campaign Group at stcg@btinternet.com**

In 2012 a new council housing finance system, *self-financing*, was introduced. Each council had to draw up a 30 year business plan. These were based on estimates of income and expenditure over this long time-scale. The centralised finance system was ended and what the government said was the national council housing debt was redistributed. 136 councils were given over £13 billion *extra* debt, 34 had their debt cut by £5 billion. Housing Minister Grant Shapps said that the new system would "give Councils the resources they need to manage their own housing stock for the longer term - correcting decades of under-funding". However, because of the cost of servicing 'debt' (around a quarter of their income) and the impact of government policies since the new system was introduced, council Housing Revenue Accounts (HRAs) are being starved of funding.

The amount of debt each council was given was in large part based on an estimate of rental income over 30 years. However, **HRAs are taking in hundreds of millions of pounds *less* rent than planned for**. This is the result of two changes in the rent formula which councils had to follow:

- The change from RPI + 0.5% + up to £2 a week extra, to CPI+1% (CPI is usually lower RPI);
- The abandonment of the commitment to CPI+1% for 10 years and the imposition of an annual rent cut of 1% for four years;

  and

- The 'enhanced right to buy' which increased discounts and reduced the qualification from 5 to 3 years. As a result sales increased from less than 3,000 a year to more than 12,000. A four-fold increase in sales means that councils are losing far more rent as a result of RTB than was

## Signatories include

*Individual capacity unless otherwise stated*

**Norman Adams**, *Northampton Defend Council Housing*
**Ian Allan**, *Tenant Stroud Council Housing Committee*
**Nick Ballard** and **Stu Melvin**, *ACORN (Tenant Union) Organisers, Bristol*
**Duncan Bowie**, *Author on housing issues*
**Paul Burnham**, *Sec Haringey DCH*
**Emma Bushell**, *Swindon Shadow Cabinet Member for Housing*
**Sarah Church**, *Labour PPC South Swindon*
**Ben Clay**, *Manchester Labour Councillor*
**Andy Connolly**, *Assistant City Mayor – Housing, Leicester Council*
**Doina Cornell**, *Leader Stroud District Council*
**Richard Evans**, *Selly Oak CLP*
**Harlow Defend Council Housing group**
**Harlow Trades Union Council**
**Carol Hayton**, *Member of Labour Party Policy Forum/Labour Party Housing Commission*
**Stuart Hodkinson**, *Lecturer Critical Urban Studies Leeds*
**Christine Hulme**, *Chair Slough CLP*
**Leicester West CLP**
**Kate Linnegar**, *Labour PPC North Swindon*
**John Marais**, *Cambridge Housing Board tenant*
**Alison McGarry**, *Chair Islington North CLP*
**Anna Minton**, *Reader ACE University of East London*
**Mohammed Nazir**, *Cabinet Member for Corporate Finance & Housing, Slough Council*
**Roger Silverman**, *West Ham CLP*
**Paul Smith**, *Bristol Cabinet Member for Housing*
**Peter Soulsby**, *Labour Mayor Leicester*
**South Swindon CLP**
**Swindon Council Labour Group**
**Swindon Tenants Campaign Group**
**Swindon Trades Union Council**
**Doug Thorpe**, *Radical Housing Network London*
**Chas Townley**, *Chair Stroud Council Housing Committee*
**Jane Urquart**, *Nottingham City Council Executive Member for Housing & Planning*
**Paul Watt**, *Reader in Urban Studies, Birkbeck, University of London*
**Waveney Trades Union Council**
**Matt Western**, *Labour MP Warwick & Leamington*
**Peter Wheeler**, *Salford Labour Councillor*
**Chris Williamson**, *Labour MP Derby*
**Annette Wright**, *Manchester Labour Councillor*

estimated in the 'debt settlement'.

'Self-financing' was introduced in the 2011 Localism Act. The Act gave the government the power to 'reopen the settlement'; that is to readjust the debt each council was given if new policies impacted on their income, or increased their costs. It gave the example of "a major change in national rental policy" as a reason for reopening the settlement. This power can be used "if a change is made which would have a substantial, material impact on the value of the landlord's business". In fact their policies have negatively impacted on the income of *all* authorities with council housing stock. The loss of planned for rent income has been massive (see Appendix).

**Councils do not have the resources to maintain and renew their existing council housing stock over the long term.** They are cutting their spending and are unable to renew key components such as roofs, bathrooms, kitchens etc, in good time. This will inevitably lead to a decline in the condition of the stock and hence the living conditions of tenants. Even worse, as the recent example of the Grenfell Tower catastrophe shows, these financial pressures can lead to councils carrying out work on the cheap with potentially deadly consequences.

Unfortunately neither Labour's General Election Manifesto nor its 'Mini-Housing Manifesto' addressed this council housing funding crisis. It is completely unjust that councils are saddled with levels of bogus debt based on projected income which bears no comparison with what they are actually collecting. Council housing needs funding which is adequate for its needs and ensures decent standards for all tenants.

**As a matter of urgency Labour needs to demand that the government reopen the debt settlement and at least cut the debt in line with the income lost as a result of policies since 2012.**

## Appendix

### Here are some examples of the financial crisis faced by council HRAs:

- **Brighton.** The rent cut will reduce resources by £14.1 million over four years with a cumulative reduction in resources of £223 million over 30 years compared to previous business plan assumptions.
- **Bristol.** The council estimates that it can balance its budget up to year 16 of its business plan but from year 17 to 30 it will have a funding gap of £210 million for capital spending (i.e. for renewal of key housing components).
- **Hammersmith & Fulham**. £76 million of necessary major works was postponed as a result of the shortage of resources.
- **Kensington & Chelsea**. Such was the impact of government policies on their finances that over the next five years the HRA has £87 million less money than required for crucial capital spending. They have only £59 million available for £146.1 million of necessary work.
- **Lambeth.** The four year rent cut means a loss to the HRA of £80 million. A deficit of £190 million is forecast by the end of the HRA business plan.
- **Leicester**. The council's budget document for this financial year states that "The combined impact of rent reductions and reducing stock will result in £2.96 million less income in 2017/18 compared to the previous year, rising to £11.4 million a year in 2019/20. By 2019/10 annual income will be reduced by 14.2%."
- **Leeds.** The council says in relation to the rent cut: "When compared to the level of resources assumed in the last approved Business Plan, the rent reduction policy equates to a loss of £283 million of rental income over a ten year period."
- **Newham.** The rent cut will result in the loss of £33 million by 2020. Potential loss of rental income over 30 years of £488 million.
- **Newcastle.** The council estimates it will lose £593 million over the course of its 30 year business plan as a result of the cumulative impact of the four year rent cut.
- **Nottingham.** The council's capital investment programme will fall from £61 million in 2017/18 to £33 million in 2020/21 as a result of shrinking resources.
- **Reading.** As a result of the 4 year rent cut the HRA will lose an estimated £233 million over the life of the business plan. Their plan to build 1,000 homes over 30 years was no longer affordable.
- **Sheffield.** Capital expenditure will fall from £70 million a year in 2016/17 to £55 million in 2021/22. Because of the loss of income it will "extend life cycles"; that is components will not be renewed when they should be.
- **Swindon.** The council is estimated to take in £362 million less rent over the remainder of the business plan compared to its 2012 projections.