



## **Unite response to the ‘Changes to the revenue and capital rules for new council housing - Consultation on excluding new council housing from Housing Revenue Account’**

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**This response is submitted by Unite the Union. Unite is the UK’s largest trade union with 2 million members across the private and public sectors. The union’s members work in a range of industries including manufacturing, financial services, print, media, construction, not for profit sectors, local government, education and health services.**

### **Executive Summary**

- Unite welcomes the steps in the right direction proposed by the Government in reforming the complex and opaque rules around council housing finance.
- One in twelve people in this country are on the waiting list for council housing. The review of council house finance and the mechanics of the finance system also provide a timely opportunity to put in place a large budgetary increase for local authorities to start a large-scale council house building programme
- Such funding would provide the resources for local councils to meet the scale of the housing need and in doing so also play an important role in local economic regeneration.
- The key message is that Unite welcomes the change in attitude of the Government, but that actions need to go further and faster to invest in council housing and to remove all disincentives to local government.
- Unite believe any arrangement of financing council housing that is put in place must be national and transparent with sufficient funding in the system.
- Funds raised from council tenants should be ring-fenced at a local level – from the ‘General Fund’ – and at a national level.

### **Introduction**

1.1. Unite is the only trade union to represent members involved in every section of the wider housing agenda. Unite represents members who work in:

- local government, whose role involves the repair and maintenance of council housing;

- the not-for-profit sector where members work for Registered Social Landlords, and in particular supported housing where Unite members work with some of the most vulnerable people in society;
- the construction industry which has been badly hit by the economic downturn in the housing market and the building of new homes;
- and the finance sector.

1.2. In addition to the skills and knowledge of these members, Unite - alongside all those in the trade union movement - have an interest on behalf of all its members in ensuring that people can access high quality affordable and social housing as needed.

1.3. Unite believes that the provision of good council housing and a mass new build programme is central to achieving this aim.

### **Purpose and context of the proposals**

2.1. The purpose of this consultation is stated as being for,

*“local authorities to play a bigger role in securing the supply of new affordable housing....[this document sets] out our proposals for removing some disincentives to local authority investment in new council housing within the current financial framework”<sup>1</sup>.*

2.2. This is a welcome step in the right direction. Unite supports good quality council housing as a key mechanism to achieve the aim of everyone in society living in a safe and warm home as part of their local community. The social benefits of good quality housing being available to all cannot be underestimated. Trade unions, tenants and campaigning organisations, such as Defend Council Housing, have campaigned for many years to reverse the drastic decline in the role of councils as providers of new housing for rent that has been seen since the 1970's. While councils used to build thousands of new homes each year in 1997/98 there were just 1,010 new house builds by Local Authorities in the UK and just 680 were started last year<sup>2</sup>.

### **A turning of the tide**

3.1. Unite welcomes not only the steps in the right direction by the Government in reforming the complex and opaque rules around council housing finance that currently exist but the

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<sup>1</sup> Consultation document, page 5, paragraphs 1 - 2

<sup>2</sup> Dept. for Communities and Local Government, Housing Statistics: Live Tables, found at <http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housebuilding/livetables/>

recent clear change in Government attitude towards councils playing a direct role in providing housing, for example as indicated by Gordon Brown in January that;

*"In the past we have placed restrictions on local authorities delivering social housing. But let me today 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 for the 21st century, then we will be prepared to give you our full backing and put aside any of the barriers that stand in the way of this happening".<sup>3</sup>*

### **The economic context – new build as a lever for economic recovery**

4.1. It would not be possible to respond to this consultation paper without discussing the deterioration in the economy that has forced housing up the political agenda and has led to a re-think on the role of local councils in meeting housing need, and placing Government proposals firmly within that context.

4.2. The review of council house finance and the mechanics of the system therefore provides a timely opportunity to put in place a large budgetary increase for local authorities to start a large-scale council house building programme. Such funding would provide the resources for local councils to meet the scale of the housing need and in doing so playing an important role in local economic regeneration through large scale, mass new housing build programmes. There would be three main advantages to such a programme;

- (a) providing homes for the 1.8million households currently on the council house waiting list and those who will be added to it in the economic crisis,
- (b) stimulate local economies and help those in the construction sector who currently face unemployment because of the private house building downturn,
- (c) create desirable, environmentally sustainable council houses that would build mixed, cohesive local communities.

4.3. The Government's current targets on social housing announced in 2007 are for an increase of 70,000 more affordable homes per year by 2010-2011 which would include 45,000 more social homes. Though welcome it was clear at the time that the numbers involved were not large enough to meet the scale of the housing challenge given the high number of households on the waiting list for social housing. The Local Government Association estimated in May 2008 that the unexpected severity of the credit crunch, coupled with the 'very real threat of a housing crash' could conspire to drive 2 million households - 5 million people - onto the councils' housing waiting lists by 2010. Since then figures released by the

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<sup>3</sup> Speech to New Local Government Network annual conference, 29<sup>th</sup> January 2009

Government in January 2009 for council waiting lists in 2008 has shown this figure may be hit before 2010 - the economic crisis has meant that there are now almost 1.8million households, or 4.5million people, on local authority housing waiting lists. **This means 1 in 12 people in this country are on the waiting list for social housing<sup>4</sup>.**

4.4. Not just since the formulation and announcement of Government new build targets, but even since the announcement of the review of housing finance in July 2008 it is clear the severity of the recession is going to be worse than anticipated. Current proposed changes to the council housing finance fall short of the actions needed to meet the scale of the housing and economic crisis in Britain. The key message is that Unite welcomes the change in attitude of the Government, but that actions need to go further and faster.

4.5. Investment in a massive programme of new build, first class council homes would not only meet the policy objective of housing those on the social housing waiting list but is also an important lever of local and national economic recovery. The creation of thousands of jobs across the country in the house building sector of the construction industry means important skill and labour capacity would not be lost. Unite fully supports local government house building programmes providing apprenticeships, particularly for those who have recently left education. A recent OECD report found that 14% of 16-24 year olds were 'Not in Education, Employment or Training'. The job prospects for this group of the population have significantly worsened with the recession, and it is important that a route into work is provided as soon as possible<sup>5</sup>.

4.6. Unite also believes important benefits would be felt through the housing-building supply chain, for example, providing business and support to manufacturers of house and construction materials. The creation of jobs for thousands of people through providing high quality homes would not only pump finance into localities but would also help to lessen the human cost of the economic recession.

4.7. Unite is extremely concerned by the statements by the Housing Minister that the Government's housing targets are unlikely to be met and that *"Now we have to consider when this recession comes to an end, which it will, some day, how can we get back on track."*<sup>6</sup> There is a growing lobby, led by the CBI, who are calling for Government to reign in its public expenditure. This would be a catastrophic mistake for people in this country. The country is in recession, but the depth of that recession and the social scars it leaves are not yet decided – that will depend on the actions taken by Government. Through effective economic stimulus packages and Government using effective levers into the economy – such as a large scale

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<sup>4</sup> DCLG figures giving local councils 2008 local authority housing waiting list figures, <http://www.communities.gov.uk/documents/housing/xls/144458.xls>  
LGA press release 'One person in twelve now waiting for social housing'  
<http://www.lga.gov.uk/lga/core/page.do?pagelid=1518784>

<sup>5</sup> 'Crisis creates threat of new lost generation', The Observer, Sunday 11<sup>th</sup> January 2009

<sup>6</sup> BBC, 28<sup>th</sup> March 2009, <http://news.bbc.co.uk/1/hi/uk/7969526.stm>

house building programme - the depth of the recession can be made shallower and recovery achieved faster.

4.8. Additionally, not investing in economic recovery and meeting housing need now will also hard-wire in higher levels of public expenditure for generations to come. Quality housing and reducing poverty is linked to better life chances for children, with better health and better educational outcomes. Unite believes that renovating empty homes, which is an action that should be carried out, is simply not sufficient by itself to meet the extent of the housing need.

### **A national, transparent, well-funded Housing Revenue Account**

5.1. Despite the problems with the current HRA and the subsidy system, Unite would not wish to see these difficulties used as an excuse to do away with a national housing system in favour of moving towards a more fragmented arrangement. Unite does not believe the national HRA system should be broken-up with Local Authorities 'self-financing' retaining its own rents and receipts based on a 30 year business plan. The current economic climate has exposed the dangers that such a scheme could run into. Unite believes the review provides an opportune moment not only to invest extra funds – as outlined above - but also to lay the basis for a sustainable, long-term council housing finance system that can deliver for current tenants and support the building of homes for a generation.

5.2. In evaluating the proposed changes in this consultation document the Chartered Institute of Housing concluded that;

*“The actual extra income will depend on each council's rent levels and management and maintenance costs, which are often different from government assumptions. However, an extra £18 per week will only finance a small proportion of the cost of a new unit”.<sup>7</sup>*

5.3. There is an urgent need to address how councils access funding to invest in building new homes, and how to rapidly increase that funding, particularly given the potential of councils to stimulate the local economy as well as meeting housing need. Unite also believes that in reviewing housing finance and the disincentives that councils face 'gap funding' should be made available to local authorities who need additional resources to meet the Decent Homes standard.

5.4. Unite believes that council housing has for many years been under-funded and some of the frustrations at the redistributive element of the national Housing Revenue Account have been borne from the lack of funding in the system overall. Unite believe that increasing the amount of funding in the system and increasing HRA transparency with clear allocation on the basis of housing need would secure broad support for the continuation of a national HRA and redistributive elements. The maintenance of a national HRA system allows a greater targeting

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<sup>7</sup> CIH Briefing Paper, 'New Rules to Encourage Councils to Build More Homes', 30<sup>th</sup> January 2009

of resources to the areas of the country in most need. This principle should continue and should be disentangled from the siphoning of council tenants rents by the Treasury that occurs each year.

5.5. Unite believes that the siphoning of finance from council housing needs to end. A key issue is that the funds raised from council tenants should be ring-fenced at a local level – from the 'General Fund' – and at a national level.

5.6. At a national level funding the ring-fencing of the rents from council tenants should be invested back into council housing. The current arrangement is simply unfair to council tenants, due to amount to £1.8billion in 'lost' investment nationally in 2008/2009. For tenants in 2008/09 this means paying an average of £3,120 per home but receiving just £2,392 back per home in services<sup>8</sup> - a loss of £728. The re-investing of all of the money raised from rents and capital receipts from council housing would help to ensure that council housing was properly funded. Introducing such a ring-fence, along with other actions such as a level playing field on gap funding and debt write-off for local authorities as other providers would support a new system of fully funded allowances to authorities. This should be based on an independent and objective assessment of 'level of need' and would provide transparency. Such actions would also help to remove current disincentives to local authorities in regards to council housing and new builds.

## **April 2009**

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<sup>8</sup> Defend Council Housing calculations, using DCLG/HRA Review team figures.

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