

Unite response to ‘Reform of council housing finance’ consultation

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 financial services, manufacturing, print, media, construction, transport, local government, education, health and not for profit sectors.

1. Introduction

1.1. Decent housing is central to people’s welfare and the country’s economic efficiency. The economic recession has made this even more apparent. Unite is uniquely placed in the housing agenda as a trade union with members working in the range of sectors involved in providing housing.

1.2. Unite represents members who work in:

- **local government**, where members maintain and repair council housing and estates;
- 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, and in housing advice and support services;
- the **construction industry** – in both building and the manufacturing supply chain – which has been badly hit by the economic downturn; and
- the **finance sector**, where members are increasingly working with homeowners at risk of, or concerned about, repossession.

1.3. In addition to the skills and knowledge of these members Unite – alongside all those in the trade union movement - campaigns on behalf of all its members for people to be able to access high quality affordable and social housing, including council housing. In addition, Unite members are also affected by housing policy as actual and potential home owners, mortgage holders and tenants.

2. Background

The Review

2.1. The publication of this consultation document on 21st July is the latest stage of the review and reform of the Housing Revenue Account. The review of council housing finance was first proposed by the government in the housing green paper in July 2007 and formally announced to Parliament in December 2007.

2.2. It has been the demand of many stakeholders involved in council housing that the Housing Revenue Account and the funding of council housing should be overhauled – though there are different visions of the future of council funding. Complaints have included that the current system is overly complex, lacks transparency and that central government assumptions have underestimated the costs of managing, maintaining and conducting major repairs to local councils. The review process is an opportunity to address these problems and has therefore been warmly welcomed by housing stakeholders, including Unite.

The council housing agenda – 2007 to 2009

2.3. Unite believes it is worth touching on the change in economic and political context since the announcement of this review in July 2007 and the closing date of this consultation, a changing context that will have impacted upon the review process.

2.4. The economic recession and the growth in the numbers on the local government housing waiting lists has pushed housing up the political agenda, and highlighted the need for local councils to play a central role in the provision of housing. There are currently almost 1.8 million households, or 4.5 million people, on the local authority housing waiting lists.¹

2.5. Recent government funding announcements have meant the government will invest nearly £6billion in house building this year. The additional funds and recognition of the importance of the role of local councils (outlined further below) is a welcome positive step in the right direction. The increased investment will mean there is a growth in the number of new council homes built compared to previous years – in 2007 there were just 370 completed local authority houses UK wide². There does however remain a need to step up council house building activity and urgently build upon what is clearly a low base rate in council house build per year.

2.6. The reformed council housing finance system clearly needs to support this end goal of massively increasing the rate of council house building. Unite welcomes that the aim of the review has been “...to develop a sustainable, long term system for financing council housing that is consistent with wider housing policy and fair to both tenant and taxpayer”.³

3. A national system or a move to self-financing? The need for more funding

3.1. The government puts forward its preference for dismantling the current national finance system and move towards a 'self financing' arrangement. Despite the problems with the current HRA – some of which are mentioned above - and the subsidy system, Unite argued in its response to the 'Changes to the revenue and capital rules for new council housing - Consultation on excluding new council housing from Housing Revenue Account' consultation that 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. The current economic climate has exposed the dangers that such a scheme could run into. Unite believes there is too little detail on how such a self-financing arrangement would operate, for example with regards to the calculation of the debt redistribution, contained within the consultation document. Unite support demands that the workforce must be involved and consulted on local authority housing 'business plans' in any move to 'self-financing'.

3.2. Unite believes a more transparent funding arrangement based on longer term settlements within a reformed national finance system than is currently the case would be a sustainable, long term finance arrangement for council housing.

3.3. Unite believes the crucial issue – whether there is a move towards self-financing or not – is for increased investment of extra funds that will deliver for current tenants and support the building of homes for the next generation. 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.

¹ National Housing Federation press release, 15th April 2009, <http://www.housing.org.uk/default.aspx?tabid=212&mid=828&ctl=Details&ArticleID=2106>

² See Live Table 2.11 at,

<http://www.communities.gov.uk/housing/housingresearch/housingstatistics/housingstatisticsby/housebuilding/livatables/>

³ Reform of council housing finance, page 14

3.4. The underfunding of the Major Repairs Allowance (MRA) and the Management and Maintenance Allowance (M&M) is rightly recognised in the consultation document. It is proposed to increase the M&M of 5% and an average 24% increase for the MRA. Unite welcomes any increase in funding and investment as positive; however it would be remiss not to draw attention to the government's own research – mentioned in the consultation document – that there should be an increase of 43% in the MRA. An increase of 10% in the M&M would bring councils into line with housing associations. Both of these Allowances should be fully funded.

4. Housing finance debt and the need for the 'ring fence'

4.1. The government has declined to write off the £18billion of historic debt – yet council house tenants have been effectively paying off this debt over a number of years. In 2008-09 each tenant paid an average of £3,120 per home but received just £2,391 back per home in services⁴ with the Treasury siphoning off tenants' rent monies. Yet, debt write-off and gap funding has been on offer for council house tenants that agreed to stock transfer – part of the finance rules that were skewed against councils mentioned above. Unite believes there should be debt write-off, whether the system remains as a national, reformed HRA or moves towards self-financing.

4.2. Unite also supports the principle that housing resources and revenues be used for housing and that to ensure this there should be a ring fencing of such funds.

4.3. Unite recognise that there is a concern in many quarters that the redistribution of debt the government is advocating as part of the 'one off settlement' in the move towards self financing may result in an *increase* in the amount of debt in the system. Unite is opposed to such an action.

4.4. As mentioned above there is currently little detail on how the settlement as a step towards self-financing would be reached. Unite would not support any individual council being left with an unsustainable debt level that would undermine the potential to build new homes, or maintain current homes to decent levels.

5. Decent Homes standards

5.1. Unite has previously welcomed the commitment of government to achieving the Decent Homes standard over the past 12 years – amounting to some £33billion, with approximately 95% of council and housing association homes to be warm and weather-proof by 2010⁵. Unite is pleased to see the statement "As a Government we remain fully committed to completing our comprehensive Decent Homes programme and to seeing this standard maintained"⁶.

5.2. A central part of reforming council house financing into a sustainable system for the long term is ensuring that as well as councils achieving the 'Decent Homes' standard there is sufficient funding available to local government to maintain homes in the future, ensuring that homes do not fall back into disrepair. There is also a role for local authorities in maintaining, or retaining, a directly employed workforce for this on-going work. Such a workforce employed under the national pay, terms and conditions agreement can also provide opportunities for local apprenticeships. The Association of Public Service Excellence have argued that local authorities who have retained their own workforce to maintain the housing stock or public buildings and have managed to retain apprenticeships are providing a steady supply of well trained experienced workers⁷. Unite strongly supports this view.

⁴ Defend Council Housing calculations, using DCLG/HRA Review team figures.

⁵ Consultation document, page 5

⁶ Consultation document, page 5

⁷ *Homes for the future : more affordable, more sustainable*, APSE Briefing 07/51, August 2007

6. Turning of the tide in government attitude

6.1. The Hills report highlighted that social housing is an important part of the lives of four million households, providing stability, security, and better quality housing than they could afford in the private sector. The report also acknowledged that social landlords often play an important role in renewing and regenerating deprived areas⁸.

6.2. Unite believes that too often the focus has been on pushing everyone towards home ownership, leading to implied criticism of those who wish to remain – or seek to become – social and council housing tenants. After many years of councils finding the rules skewed against them when it came to building new homes to provide for these potential tenants there has been a welcome 'turning of the tide' in the government's attitude towards council housing. In January 2009 Gordon Brown stated 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".⁹

6.3. This is in contrast to what had been stated in the housing green paper, which as Unite noted at the time contained "...a bias against council self-building where the Green Paper states "in most cases, we would expect models which offer access to private finance to provide better value for money, delivering more affordable homes for the public investment"... There is no compelling evidence that PFI or other private involvement in social or affordable housing is inherently better"¹⁰.

6.4. Unite fully supports and welcomes this change in government attitude and the recent prioritisation of providing funding for housing. Unite believes that increased investment in housing can be a lever for economic recovery and meet housing need in this country. Recent funding announcements have been a positive step in the right direction, but as outlined in Unite's document 'Building Britain out of recession' and touched upon above, there is still much to do. Increased investment and a reformed finance system that provides councils with the necessary tools and resources to build a massive programme of council homes is the critical outcome that must be achieved from the reform of the council house finance system.

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⁸ John Hills – *Ends and Means : the future roles of social housing in England* (Centre for Analysis of Social Exclusion, 2007)

⁹ Speech to New Local Government Network annual conference, 29th January 2009

¹⁰ Unite response to DCLG Green Paper - Homes for the future: more affordable, more sustainable