

# Labour Conference resolution

## Local authority Housing Revenue Account under-funding

This conference recognises that local authority HRAs are seriously under-funded as a result of

1) £13 billion extra 'debt' imposed on councils in the 2012 'debt settlement'. This 'debt' is the result of manipulation by the Treasury over many years. In reality tenants have paid more in rent than the historic cost of borrowing to build council homes. Between 1994/5 and 2008/9 council tenants paid £31 billion more in rent than was received by councils in annual 'allowances'.

2) Coalition and Tory government policies since 2012. The four year rent cut and a fourfold increase in RTB sales, mean that councils are collecting hundreds of million pounds less rent than projected in the 2012 settlement.

Hence HRAs have insufficient income to maintain existing council housing and to renew key housing components in good time. This will inevitably lead to a deterioration in the condition of homes.

In order to resolve this funding crisis Labour will

1) Highlight the responsibility of the Tories for it. Demand that the government use its powers under the Localism Act to 'reopen the settlement' and cut the 'debt' in line with projected losses of rental income over the course of their 30 year business plans, resulting from their policies since 2012.

2) Commit to cancelling all HRA debt held by the Public Works Loans Board, when in government.

A Labour government will end the historic injustice of debt being manipulated to fleece tenants who have to pay for servicing it, by cancelling this fictitious debt.

**250 words**

# The case for cancelling council housing 'debt'

## Summary

### **Proposal**

- a) Labour should commit to cancelling all Housing Revenue Account (HRA) 'debt' held by the Public Works Loans Board.
- b) Whilst the current government remains in office Labour should challenge its under-funding of HRAs. It should demand the government use its powers under the 2011 Localities Act to reopen the 2012 'debt settlement' and cut the debt which local authority HRAs have, to the extent of the projected losses of income over the course of their 30 year business plans resulting from coalition and Tory government policies since then.
- c) Since RTB sales are responsible for depriving local authorities of a significant amount of rental income, these sales should be ended (as called for by Labour's Annual Conference 2018) rather than just suspended.

### **Why?**

The so-called debt has been manipulated by central government. It is largely fictitious rather than the result of actual borrowing. Over the long-term tenants have paid more in rent than the historic costs of money borrowed to finance building programmes. Over 25 years up to 2008 HRAs were given 'allowances' of £60 billion yet tenants paid £91 billion in rent. The difference was more than outstanding 'historic debt', i.e. borrowing to pay towards building programmes.

At least since the 1980s HRAs have been raided by government by various means. They could not keep their annual surpluses. They were forced to hand money over to the General Fund. Tenants who did not receive housing benefit had to pay for the benefit of those who did receive it.

Right to Buy not only sold off public assets at cheap rates, but HRAs lost the rent income of those properties sold. Central government forced councils to use receipts to pay off historic debt.

The 2012 'debt settlement', imposed when a new council housing finance system was introduced, handed out an extra £13 billion 'debt' to 136 councils. Whilst debt relief of £5 billion went to 33 councils, the difference, £8 billion, was handed over to the Treasury. In a paper exercise the Public Works Loans Board gave a 'loan' to councils to pay off this fictitious debt. Tenants' rent services this debt. Debt and interest payments are moneys lost to the upkeep of their homes.

The debt each council was given was based on projections of income which are out of sync with what they are actually collecting. As a result councils have insufficient funds for the long term maintenance of their stock and the critical renewal of key housing components.

### **What difference would debt cancellation make?**

HRAs will cease to pay annual interest and the original 'loans'. This would provide more than £1 billion a year extra to spend on existing stock (more than was budgeted on capital spending in 2017-18) and potentially help with the cost of new building.

Cancellation of the debt will go some way towards ending the under-funding of HRAs and prevent the deterioration in the condition of the stock and hence the living conditions of tenants.

Ending RTB will stop the loss of rent which results from each sale and will ensure that new building increases stock numbers rather than just replacing lost stock.