

# London Tenants Federation

Review of Council Housing Finance Team  
Communities and Local Government  
1/B1  
Bressenden Place  
London  
SW1E 5DU

15.09.08

## HRA Review

### **1. Introduction – information on the London Tenants Federation**

- 1.1 The London Tenants Federation (LTF) is an umbrella organisation bringing together borough wide council tenant federations and organisations across London. The organisations that come under the LTF's umbrella represent collectively around 340,000 London local authority households.
- 1.2 The LTF is an independent organisation; build on the basis of consensus. It respects the diversity of its membership; does not aim to supersede any of its member organisations but rather to strengthen them through sharing and exchanging information; responding collectively and individually to national and regional government consultation.
- 1.3 During its 6 years existence, with a small grant from London Councils which provides funding for a part time support worker, it has grown in strength and influence. It has representation at the regional level; on the Mayors Housing Forum. It chairs the Mayor's Housing Forum's Community Engagement Sub-group. It was the only London tenants' organisation and one of only a few voluntary and community sector organisations to be invited to take part in the Examination in Public of the Early and Further Alterations to the London Plan.
- 1.4 The LTF has made positive links with other voluntary and community sector organisations in London and with other tenants' organisations, regionally, nationally and through its membership of Habitat International Coalition, internationally.
- 1.5 The LTF has made links with existing London and borough wide housing association tenants organisations in London.
- 1.6 The LTF operates in a democratic and accountable fashion built on formal local authority tenant structures.

- 1.7 LTF members have enormous experience relating to housing policy and community issues at the neighbourhood, borough wide, London wide and national level.

## **2. Tenants engagement in the HRA Review**

- 2.1 Whilst acknowledging that Communities and Local Government have held a meeting with national tenants' organisations regarding the HRA review, the LTF is extremely disappointed that there has been a failure to widely engage tenant representatives in an accountable and democratic fashion in thus far in the HRA Review.
- 2.2 Despite the fact that it is frequently stated that the HRA is incredibly complex; rent setting, rent variations and issues relating to the management, maintenance and repairs of tenants homes are bread and butter issues for most tenant representatives. Representatives of borough or council wide, regional and national tenants' federations almost certainly have detailed knowledge and experience of the HRA – at both the local and national level.
- 2.3 Since there are six regional and two national council tenant organisations it is difficult to understand why two or three representatives from each could not have been formally engaged in the CIH workshops giving them the opportunity to input tenants concerns and to make formal and positive proposals regarding the review.
- 2.4 Failure to engage tenants meaningfully at this level reduces tenants' involvement to simply commenting from the side lines or to passively receiving proposals which they may or may not comment on, once the main focus has already been agreed. This is not a good tenant engagement or indeed empowerment.
- 2.5 The failure to post minutes of the CIH workshops on their or CLG's website appears also to show a lack of concern for openness and transparency regarding this review.
- 2.6 LTF members who have received CLG questionnaires about the HRA find the questions loaded and designed to produce the answers that government wants.

## **3. The existing Housing Revenue Account Subsidy System**

The LTF perceives the main problems of the existing HRA Subsidy System to be:

- 3.1 The use of the word 'subsidy'. This implies that tax payers subsidise the 'revenue' or running costs of council homes. But in fact the reverse is true. Tenants will pay £1.7 billion more in rent this year than councils are allowed to keep for the running costs of council homes – i.e. for Management and Maintenance (M&M) and Major Repairs Allowances (MRA). This is not

only incredibly unfair, but contributes to the negative and prejudiced view of council tenants as unemployed and feckless individuals.

- 3.2 £1.5 billion of this is unfairly used to cover repayments on loans taken out to build and improve council homes. Tenants don't own their homes, gain nothing from any increased value of their home and when council homes are sold the majority of the proceeds from the sales (under the right to buy) goes to the Treasury. It is government, whether at the national or local level that owns the equity in council housing and the land that it stands upon. It is only government that benefits from increases in its market value.
- 3.3 Government is making a further profit from HRA surpluses – estimated as £1.94 million this year and £2.85 billion (from 1997 – 2005).
- 3.4 To add insult to injury, there is also a huge shortfall in funds for M&M and MRA – £2.35 billion this year. This comprises the (updated) shortfall in M&M allowances as assessed by the BRE's (government commissioned) analysis of 2003 and the shortfall in MRA identified in the government research on the self-financing pilots, published in March this year.
- 3.5 Council housing cannot be sustainable without adequate funding for ongoing 'revenue' or running costs. The need for investment in 'decent homes' was as a result of long-term under investment in running costs. If the current shortfall is not addressed any improvements made through 'decent homes' investment will be incredibly short lived.
- 3.6 The massive shortfall in funds for running costs has resulted in many councils and tenants – notably those in negative subsidy questioning the 'fairness' of the redistributive element of the HRA.
- 3.7 LTF members do not feel the current national rent setting system to be fair and do not feel it has resulted in rents reflecting the qualities tenants' value in their homes. The fact that rents (in part) reflect property values has been detrimental to tenants in high value property areas such as London.
- 3.8 Council housing is becoming increasingly unaffordable to tenants. A study commissioned by London Councils found that for every £1 a week increase in rent in London forces an additional 750 tenants out of work and into benefits. London tenants on the minimum wage are still unable to afford the cost of their rent.
- 3.9 There is lack of openness and transparency in relation to use of capital receipts at both the national and local level.

#### **4. LTF proposals for the HRA Subsidy System**

- 4.1 The Housing Revenue Account should no longer be referred to as a 'subsidy system'. The system is more correctly a redistributive system and could simply be called the National Housing Revenue Account (NHRA).

- 4.2 The LTF believes that the vast majority of council tenants want to see the long-term sustainability of council housing and wish to see all council homes (new and existing) managed, maintained and repaired at a level of need. It believes that the HRA should be retained as a redistributive system based on need, but that it requires reforming to provide both fairness and transparency.
- 4.3 Tenants' rents should be used exclusively for the management, maintenance and major repairs to council homes. This would immediately make the current national HRA system both more fair and transparent. It would immediately reduce the current shortfall in funds for the running cost of council homes by 72%; it would reduce the number of councils in negative subsidy from 156 to 74; it would reduce the amounts being contributed into the national system from £780 to £170 million and amounts contributed and redistributed would be relatively small.
- 4.4 The HRA should be firmly ring-fenced and monitored at both the local and national level – to ensure transparency around what council tenants, council tax payers and tax payers are actually paying for. LTF members frequently complain that the HRA is often used for items that should be covered in their boroughs by the general fund. It should be remembered that council tenants are rent, council tax and tax payers.
- 4.5 Any capital investment works seeking to improve and enhance homes, as opposed to repairs must be funded separately and outside the HRA. Since it is the Treasury that benefits from the majority of the proceeds of the sale of council homes through the Right to Buy (capital assets), the Treasury must properly take over capital costs.
- 4.6 Allowances for the running cost for council homes must be funded to their level of need (as assessed by government research) to ensure the long-term sustainability of council homes. On top of the total of council tenants' rents, this will require an additional £650 million a year. Government should set aside the £17 billion of tenants' rents that have been appropriated over the last 11 years to provide the required level of subsidy for years to come.
- 4.7 Government should not make a profit from the HRA. The £194 million which the Treasury has benefited from this year should be returned and distributed fairly with the even higher level estimated for '09 – '10 in the next round of HRA 'subsidy' determinations. The LTF suggests that this change be implemented immediately so that councils benefit immediately from additional M&M allowances in the forthcoming HRA 'subsidy determinations'.
- 4.8 Given the huge levels of housing need – principally for low cost rented homes, LTF members believe there must be investment in new council homes. The LTF would like to see government reinvest capital receipts from the sale of council homes exclusively into building new council homes

4.9 There must be a relationship between rents and affordability. Following the example set by London, each region should be required to periodically research and report on their regional 'living wage', so that debate concerning local income levels and minimum wage can be better informed in the light of the affordability of both council and private rents. The LTF suggests that the cost of housing must be index linked.

The London Tenants Federation is very keen to meet with officers from the CGL's Council Housing Review team.

We would be very happy to facilitate a meeting between yourselves and a small delegation of LTF members at Camden Federation of TRAs, where our office is based.

We sincerely hope this is possible. If so please contact the LTF support worker, Sharon Hayward either by email [sharon@londontenants.org](mailto:sharon@londontenants.org) or telephone 020 7874 5464.

Yours sincerely

Michael Beverley  
Secretary  
London Tenants Federation