

## **Housing Advisory Forum calls for compensation for loss of income from rent cut**

*The Housing Advisory Forum has called on Swindon Council to press the government for compensation for the loss of income resulting from the proposed 'Council housing rent cut.'*

**A**t its recent meeting Swindon Council's **Housing Advisory Forum** passed this resolution:

"In the light of the significant loss of income which would result from the proposed rent cut the HAF calls on the Lead member to write to the government and our local MPs, calling for compensation to local authorities for that loss. To that end we believe the government should reopen the 'debt settlement' of 2012. Without such compensation we will have insufficient funds to prevent the deterioration of the stock."

### **The impact of the rent cut**

The government is cutting social housing rent by 1% a year for 4 years in order to stop the rise in housing benefit payments. Whilst tenants will welcome a cut, in contrast with the above inflation increases we have had year after year, [it poses a financial problem for local authority Housing Revenue Accounts](#) (HRA). Contrary to ill-informed opinion the HRA receives no subsidy. Since 2012 the only significant income it receives is from tenants' rent and service charges<sup>1</sup>. Anything which cuts this income depletes the resources for maintaining Council homes.

The government had previously introduced a rent formula for annual increases of CPI + 1%. They said this would apply for 10 years but have abandoned that commitment. The rent cut will have a severe impact on HRA finances. Over 4 years Swindon's rent income will be *£20 million less than expected* under the CPI + 1% formula. Capital expenditure, which funds kitchen and bathroom replacements, new roofs etc., is estimated to be around *£21 million less than expected*. So the current capital budget of £16.8 million for this year would fall to £11.354 million in 2019-20; a cut of 32%. (See Appendix below) This will mean a massive cutback in the work programmes necessary to maintain the Decent Homes Standard. It's the equivalent of at least **1,000 less** kitchen renewals<sup>2</sup>. Without compensation for the loss of income the condition of our housing stock will inevitably deteriorate.

### **More income loss**

The HAF also received a report on the impact of 'right to buy' sales. The 'debt settlement' of 2012 included an estimate of the loss of rent income resulting from these sales. However, no sooner had the new system been introduced than the coalition announced that they would introduce an 'enhanced right to buy', increasing the discount and reducing the qualifying period from 5 to 3 years. This has led to a big increase in sales, from 13 in 2011-12 to 40, 67 and 54 in the following years. Last year's figure of 54 has meant the loss of £232,418 rent. Each sale over and above the low estimate in the 2012 'debt settlement' means more and more rent lost.

---

<sup>1</sup> A small amount of income is from garage and shop rents.

<sup>2</sup> Obviously the cutback would be spread across different areas of work.

Councils are now threatened with the loss of even more homes under the government's proposal to force Councils to sell 'high value' homes on the open market to compensate Housing Associations for the extension of 'right to buy' to their properties. We don't know yet at what level 'high value' will be pitched but any additional sales on top of RTB will eat into the rental income further, decreasing available resources.

With this new threat on 'high value' homes, included in the Housing and Planning Bill currently going through Parliament, the HAF passed this resolution.

"The HAF calls on the Lead Member to oppose the enforced sale of 'high value' Council housing to compensate housing associations for the sale of their homes under the extension of 'right to buy' and to press the local MPs to do likewise."

### **Write off the bogus 'debt'**

when the new finance system was introduced in 2012 the coalition government gave itself the power to 'reopen the debt settlement'. That's what the current government should do. In introducing policies which produce a loss of rental income this and the previous government are [starving council housing of funds](#) necessary to maintain the quality of their stock and the living conditions of their tenants. The various housing components have a standard time-frame in which they are supposed to be renewed. Unless Councils receive compensation for the loss of income resulting from the rent cut and other policies then they will have insufficient funds to do so. Everything will be left in place for longer than it should be. Tenants will have to wait longer for kitchen and bathroom renewals and so on. The coalition and this government have undermined the 'business plans' by severely cutting the rental income.

The easiest way to compensate Councils and to prevent the deterioration of the stock is to cut the 'debt' given to Councils in 2012. The Association of Retained Council Housing (which has more than 30 Conservative Councils affiliated) has called for £6 billion to be refunded as compensation to Councils for the rent cut. Some Councils have called for it to be cut by £10 billion. In reducing the amount of 'debt' each Council's annual payments would be cut and it would compensate for the loss of rent resulting from the abandonment of the CPI + 1% formula.

When the 'debt settlement' was concluded in 2012 136 Councils were given additional 'debt', 34 had their 'debt' cut. The government made a 'profit' of £8 billion from these 'transactions' on one day. At the time Councils were told that the 'debt settlement' would allow all of them sufficient money to maintain their stock over 30 years. Yet the government has introduced policies which have cut their rent income. By the measure of the coalition government in 2012, clearly Councils now have insufficient funds. Refusal to compensate Councils for lost income resulting from government policy would be an injustice to current and future tenants. Swindon Council should demand the government compensate them and other Councils for the loss of income resulting from the rent cut and other policies.

Martin Wicks  
October 26th

## Appendix

### Income from Rent

Business Plan rent income projections		Impact of 1% rent cut	Loss
2015-16	£43,927,000	£43,927,000	
2016-17	£45,322,000	£43,488,000	-£1,834,000
2017-18	£46,937,000	£43,053,000	-£3,884,000
2018-19	£48,588,000	£42,622,000	-£5,966,000
2019-20	£51,344,000	£42,196,000	-£9,148,000
<b>Total</b>	<b>£236,118,000</b>	<b>£215,286,000</b>	<b>-20,832,000</b>

### Capital Spending

	Projected	Impact of rent cut	Loss
2015-16	£16,809,000	£16,809,000	
2016-17	£17,735,000	£15,816,000	-£1,919,000
2017-18	£18,365,000	£14,396,000	-£3,969,000
2018-19	£19,077,000	£13,027,000	-£6,050,000
2019-20	£20,586,000	£11,354,000	-£9,232,000
<b>Total</b>	<b>£92,571,000</b>	<b>£71,401,000</b>	<b>-£21,170,000</b>