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. From 1994 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.

The case for cancelling council housing 'debt'

Preface

At a meeting in Swindon with John Healey, Swindon Tenants Campaign Group argued that Labour should commit to cancelling the so-called council housing debt in order to address the chronic under-funding of council Housing Revenue Accounts (HRAs). John said that he was willing to consider the issue and asked us to present a case in favour of it, with a view to a meeting to discuss the detail. What follows is an update of views we have previously expressed.

Introduction

Local authority HRAs are seriously under-resourced. They have insufficient funds for the maintenance and renewal of existing housing stock over the long term. The reasons for this under-funding are

- The 2012 'debt settlement' associated with the introduction of the new finance system, 'self-financing', which increased an artificial 'debt' which bore no relationship to actual borrowing by HRAs, and
- Government policies which are responsible for income from rent being much lower than was estimated in the settlement. Councils are projected to collect billions of pounds less in rent over the life of the 30 year business plans than estimated in 2012.

To tackle this funding crisis Swindon Tenants Campaign Group and other organisations have called on the Labour Party to

- Press the existing government to use their power under the 2011 Localities Act to reopen the so-called debt settlement, and to cut the debt in line with the projected loss of income resulting from government policies since 2012.
- Commit to cancelling the bogus debt if elected, i.e. all 'debt' which HRAs have with the Public Works Loans Board (PWLB).
- Commit to *ending* Right to Buy and the loss of rent which results from each home sold.

Below we provide evidence that the so-called debt is bogus, threatens the condition of existing council housing (and tenants' living conditions), is a burden on HRAs, and undermines their ability to build new council housing and maintain the existing stock to a decent standard.

Council housing 'debt' real and counterfeit

Historically councils acquired debt as a result of borrowing from the PWLB, an agency of the Treasury, or sometimes market borrowing (depending on government policy), to finance housing building programmes. They were loaned money which they had to pay back over variable periods and annual interest charges on the loans. The loans began in

1919 in connection with the Addison Act which marked the first national council building programme supported by central government funding. It funded the difference between the cost of building and the rents charged. Local rates were supposed to cover 25% of the loss up to 1 penny per resident. If the losses were more than that the government had discretion to increase their contribution. The 1924 Wheatley Act introduced a system of annual subsidy by unit, providing £9 per property for 40 years.

Since then there have been different systems for funding HRAs which accrued debt associated with the succeeding rounds of building up to 1980, after which council building progressively fell away because of central government's decision not to fund it. A historical review of the different systems is beyond the scope of this briefing. We will limit it to 'self-financing' and the system before it, the council housing subsidy system (CHSS).

Under the CHSS each council was given an annual 'allowance' determined by a complicated system which need not detain us here. The allowance was not government funding. Central government merely determined how much of the rent that councils collected they were allowed to keep. There was a national HRA pot from which monies were redistributed around the system ostensibly towards equalisation of service provision. What we know thanks to the House of Commons Council Housing Group was that from 1994 to 2008 councils received allowances of £60 billion though tenants had in fact paid £91 billion in rent. *The £31 billion difference was more than the outstanding historic debt*. That's why the House of Commons Council Housing Group, Defend Council Housing, trades unions and even the Local Government Association called for the cancellation of this so-called debt when the New Labour Government consulted on its proposals for 'self-financing'. *Tenants had paid more in rent than the debt acquired to pay for building programmes.*

In theory it should be possible to trace the borrowing that each council took on in support of the various building programmes from 1919[1]. For instance the borrowing for the 1919 Act was for 60 years, so the debt would have been paid off by 1979 and a few years after that. For the Wheatley Act it was 40 years.

However, it is difficult to trace the borrowing since the PWLB does not differentiate between money borrowed for house building and other local authority borrowing. Moreover, HRA debt is not paid off separately from other borrowing.

By modern standards much of the borrowing was miniscule. After the second world war the average house price did not reach £2,000 before 1951. It only reached £2,500 in 1960. It was still less that £5,000 in 1970. With the inflation of the 1970s associated with the end of the Bretton Woods arrangements and the oil shocks, prices nearly quadrupled by 1979, reaching just under £20,000. (See Live Table 502, ONS for house prices, Live Table 244, Ministry of Housing for council house building completions, England. You can see estimates of the cost of building local authority homes in Appendix 3 below.)

From *State Housing in Britain*[2] we find that the debt reached £11.3 billion in 1976. It was driven up as a result of the inflationary spike resulting from the ending of the Bretton Woods system when the USA unilaterally ended the connection of gold to the dollar. This inflationary period had a drastic impact on housing. Not only was the cost of loans much higher but it would appear that the interest rates charged were variable rather than fixed. Average interest rates on new borrowing from the PWLB rose from 6.9% in 1971-2 to 11.6% in 1975-6 and in the same period the rate on *outstanding debt* rose from 6.4% to more than 10%. (See Appendix 4)

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1 In response to a Freedom of Information request the PWLB said that it does not keep records of HRA borrowing but only of local authority borrowing overall.

2 Steven Merrett, 1979.

As yet we haven't been able to trace what happened after that up to 1997. What we do know is that the Thatcher government obliged councils to hand over 75% of their Right To Buy receipts to central government ostensibly to pay off their historic debts. Councils lost £32 billion from the discounts and their revenue stream declined through the loss of rent from the homes sold. The result was a fall in capital spending on council homes. A House of Commons Library Briefing *The Local Government Finance (Supplementary Credit Approvals) Bill* published in 1997, recorded that investment in the stock had been running at £4-5 billion in the late 1980s but declined to £3.43 billion in 1991/2 and to £2.13 billion in 1996/7. The equivalent spending in 1974/5 (at 1994/5 prices) was £12 billion. This marked a huge cut in spending.

From 2004/5 the New Labour government 'pooled' the 75% of RTB receipts and no longer used this money to pay off HRA historic debt. However, it wasn't recycled into HRA allowances. Between 2004-5 and 2008-9 a total £4.762 billion was lost to the HRA by this means.[3]

Under the CHSS whilst 'historic debt' was still recorded each HRA was given a 'nominal' debt. For example in Swindon the historic debt was said to be just under £12 million but the nominal debt was set at £30 million. The annual allowance was based not on the actual historic debt but on the 'nominal' debt. This helped to explain one of the infamous features of this system, negative subsidy.

Because of the use of 'nominal' debt and the rent equalisation process (which drove up council rents way above the level of inflation[4]) more and more council HRAs were finding themselves in 'negative subsidy'. What this meant in practice was councils were handing over millions of pounds worth of their rent to central government. Indeed the government was making a surplus on council tenants' rent. In 2005 the Audit Commission reported that 82% of local authorities were subject to 'negative subsidy'. The surplus at this time was some £630 million a year. Whilst some of this was redistributed to other Councils, in the four years from 2008 tenants' rents subsidised the Treasury to the tune of almost £1.5 billion. The Audit Commission predicted that if the CHSS continued then eventually *all* local authorities would suffer from 'negative subsidy', largely as a result of year on year rent increases above the level of inflation. Central government was fleecing tenants and the level of 'debt' each council was given was not connected with actual borrowing or historic costs.

Milking council housing like a cash cow

From the time of the watershed 1980 Housing Act local authority HRAs were not only put on short rations, but central government, by various means, stole council rents which should have been used for the upkeep of the stock. The Thatcher government reduced housing subsidy if councils charged rent above a 'notional' level. By the mid 1980s many authorities received no subsidy at all. Consequently they struggled to undertake essential repairs.

Central government control over HRAs was lost when their subsidy was ended. The 1989 Housing Act re-introduced central government control over them. The subsidy calculation was changed. Instead of a single subsidy it was divided into two parts, housing and rent rebate. The Act enabled the government to identify those councils with rental

3 ***Council Housing: Time to Invest***, House of Commons Council Housing Group.

4 In practise this meant council rents rising to meet housing association rents which were around 20% higher because housing associations borrowed from the market whereas councils borrowed from the PWLB with cheaper interest rates.

'surpluses' and to deduct the surplus from the rent rebate which local authorities qualified for. This meant that those tenants who did not receive rent rebate were paying for the rebate of those tenants who did. The government had previously paid the full amount out of general taxation. This became known as 'daylight robbery'. A House of Commons Library Briefing in 2000 showed that the cost of Rent Rebates was £4.2 billion but the government was only paying £2.7 billion. So in that one year alone the HRAs were subsidising Rent Rebates by £1.5 billion.

The 1989 Act also determined that annual surpluses could not be left in the HRA at the end of the year and used for the maintenance of the stock. It had to be passed over to the General Fund. This was especially punitive given the complaint that the Tories had made about rates being used for supporting council housing. So money which should have been used for the upkeep of the stock was used for services other than housing. It was no wonder that there developed a backlog of work on council housing which would be estimated at £19 billion by the time the Tories left office in 1997. This state of disrepair obviously encouraged tenants to take advantage of RTB.

Finally, in 1996 the Tories introduced a 'rent rebate subsidy limitation'. This meant that local authorities only received the rent rebate element for those rents at or below guideline rents set by the government. This punitive measure meant that councils henceforth had little choice but to stick to government guidelines. New Labour inherited this system but left it in place until 2004.

From 1995-2001/2 when the Major Repairs Allowance was introduced, Exchequer subsidy was *negative* by £4.589 billion and transfers from the HRA to the General Fund were £439 million. The negative subsidy from 2008/9 to 2011/12 was £1.584 billion.[5]

The 'debt settlement'

The prospect of negative subsidy applying to all councils forced the New Labour government to review what was clearly an unsustainable system. The review led to the introduction of 'self-financing'. In 2012 136 local authorities were saddled with more than £13 billion additional 'debt' by central government. Another 33 were given 'debt' relief of £5 billion. In other words tenants' rent would subsidise the Treasury by servicing this fictitious debt over the course of local authority business plans by £8 billion, money which could otherwise be used for the upkeep of the housing stock.

Most councils accepted 'self-financing' because HRAs were somewhat better off under the new system, even if they begrudged the one off 'debt settlement'. Yet, contrary to the assertion that they could keep *all* the rent they raised under the new system, they had to pay the cost of servicing the additional 'debt'.

The Association of Retained Council Housing explained:

"The debt settlement was designed to leave each council with a debt equal to a formula based calculation of the net present value of its housing stock, roughly equivalent to the amount the council could afford to repay over 30 years from rent income, after allowing for the costs of managing the stock and keeping it in a good state of repair over that period."

So the 'debt' was based on a quasi-market valuation of the stock, rental income and expenditure, rather than real historic borrowing which may have been outstanding from the later rounds of building. Moreover, as ARCH pointed out "No account...was taken of the actual condition of the stock on the day of the settlement, which varied widely among

5 Figures from the UK Housing Review.

different local authorities."

The New Labour government had previously asked the Building Research Establishment to examine the Management and Maintenance Allowance (M&MA) that councils received. They found that in 2001-02 M&MA should have been £5.5 billion (to measure up to the needs of the work required) but it was only £3 billion. In 2004, in answer to a Parliamentary Question, the government admitted that “the 2004-5 level of allowance would have to increase by about 67% in real terms to reach the estimated level of need”.

They then followed this up with a pilot of 6 authorities to estimate how much they would need if they 'opted out' of the Housing Revenue Account[6]. Just these six authorities would have required £4 billion over 30 years as compared to the £2.6 billion they would receive under the CHSS. However, the government ignored its own research and eventually determined that the Major Repairs Allowance would be increased only by 24% and the M&MA by just 5%. Hence, under-funding was built into the system from its beginning.

The 'debt' was an elastic figure subject to gross government manipulation. By 2004/5 it was estimated to be only £12.7 billion. But it rose to £19 billion *despite the fact that New Labour was not funding new council house building*. Until the housing crash councils were not even allowed to apply for social housing grant. A large part of the increase of the supposed debt was as a result of the government simply dumping the Arms Length Management Organisation (ALMO) programme of £5.7 billion onto the central HRA debt. In other words council tenants everywhere were paying for the work on ALMOs, organisations which were created to circumvent the need to ballot, a legal obligation where transfers of stock to housing associations were proposed.

Whilst New Labour refused to contemplate cancelling real and counterfeit council housing debt when tenants opposed transfer, it was prepared to write off debt if they voted in favour of transfer. From 1988 to 2009 almost £4 billion of debt was written off in England and £1.3 billion in Scotland.

When the 'self-financing' system was introduced, historic debt was set at £18.864 billion. With additional debt added, overall debt was set at £26.933 billion. This was a complete travesty; an injustice. Existing tenants are paying for the servicing of this bogus debt. According to the *Local Government Statistics, England*, debt charges paid by all HRAs in 2017-8 were £1.224 billion, nearly 15% of income. Another £850 million were “interest and similar charges” though it's not clear exactly what these are.

Starving HRAs of funds today

Whilst the 'debt settlement' of 2012 built in under-funding for HRAs into the new system, government policy since 2012 has further starved them of resources. The amount of debt each council was given was in large part based on an estimate of rental income over 30 years. However, *HRAs are taking in billions of pounds less rent than planned for*. Swindon alone is projected to collect £365 million less than its estimated income in 2012. This is the result of two changes in the rent formula which councils had to follow and one relating to Right to Buy:

- The change from RPI + 0.5% + up to £2 a week extra, to CPI+1% (CPI is usually lower RPI);
- The abandonment of the commitment to CPI+1% for 10 years and the imposition of an annual rent cut of 1% for four years;

6 There was a discussion at the time about the possibility of individual councils opting out of the system.

and

- The 'enhanced RTB' which increased discounts and reduced the qualification period from 5 to 3 years. As a result sales increased from less than 3,000 a year to more than 12,000. A four-fold increase in sales means that councils are losing far more rent as a result of RTB than was estimated in the 'debt settlement' since the sales incorporated in the business plans were based on the much lower numbers prior to the introduction of the 'enhanced RTB'.

This huge fall in projected income means that *councils do not have the resources to maintain and renew their existing council housing stock over the long term*. They are cutting their spending and are unable to renew key components such as roofs, bathrooms, kitchens etc., in good time. This will inevitably lead to a decline in the condition of the stock and hence the living conditions of tenants. Even worse, as the recent example of the Grenfell Tower catastrophe shows[7], these financial pressures can lead to councils carrying out work on the cheap with potentially deadly consequences. Appendix 1 gives a snapshot of a range of HRAs which indicate the extent to which they are struggling.

This is why we issued our Appeal to Labour (*Tackling the council housing funding crisis*[8]) to demand that the government use the power it has from the 2011 Localities Act to reopen the 'debt settlement' and to readjust the debt in line with the projected losses of rental income which are a direct result of policies introduced since 2012. Labour's failure to do so is letting the government off the hook and allowing the funding crisis of HRAs to continue without challenge.

The problem with borrowing to build

Borrowing has always been a component of funding council house building. However, central government subsidy (or its absence) has made a significant difference to the actual costs. For instance in 1946 the Atlee government increased the subsidy for building council housing threefold. It set it at £16 10s a year for 60 years, with a £5 10s annual contribution from the local rates. This added up to £1,320 over 60 years. Estimates at the time were that even in Greater London the cost of a house was only £1,375. So the subsidy more or less covered the cost of building. Borrowing enabled a council to pay the builders upfront and the annual subsidy, together with tenants' rent, covered the cost of servicing the borrowing. *But today there is no subsidy so the cost of servicing borrowing has to be covered by the revenue from rent and service charges.*

Whilst raising the borrowing cap gives some scope for increasing building, much of the comment on lifting it has taken no account of two factors:

- The level of existing debt which has to be serviced. At the end of 2017/18 the combined debt of local authority HRAs in England was £26 billion.
- Under the new council housing finance system debt servicing is paid for by tenants through their rent and service charges. *If there is no central government grant available for new building then the cost falls entirely on the shoulders of existing tenants*. The danger is that if councils take on more debt then *the cost of servicing it will eat into the resources available to maintain existing housing stock*.

7 See **https://swindontenantscampaigngroup.org/2017/06/21/grenfell-tower-the-deadly-consequences-of-under-funding-of-council-housing/**

8 **https://council-housing-debt-campaign.org/our-appeal/**

Of course, new homes add to the revenue stream. But the key thing is how long it takes for the annual deficit to be overcome; in other words when the rental income is more than the annual cost of servicing the debt. The examples for Swindon shown below indicate that borrowing alone over 30 years produces a deficit for the first 17 years. The deficit for each of the first six years is more than £500,000. This is just for 200 properties. The more building the bigger the deficit. *This annual deficit has to be borne by the HRA* which has only £15 million available for capital spending, i.e. renewal of housing components, each of which has a nominal lifetime under the Decent Homes Standard (not a very high standard). Over the course of 30 years it does not make a surplus. If RTB receipts were used then a small surplus would be made, but this bears no comparison to the grant shown at £80,000 per property which makes a surplus in Year 2. Of course, under Labour's existing policy of suspension of RTB there would be no receipts available.

Certainly, financial projections over 30 years are very broad brush estimates. The projections we made are based on the assumptions shown in the tables. Apart from the fixed term interest rate all the other factors are variables which can and will change. Even the most sophisticated accountant cannot predict what will happen in five years never mind over 30. So these and any other financial projections are *working hypotheses* which have to be amended year by year. In real life, variables change and impact on each other.

The main purpose of these projections is as *an illustration* of the process of “borrowing to build”, and a comparison of what happens with no grant, and two different amounts of grant. The big difference that government grant makes can be seen in Tables 2 and 3 of Appendix 5. For both the examples of grant at £60,000 (the grant which was available under New Labour's National Affordable Homes Programme in 2008) and £80,000 there is an annual surplus (rent income being more than repayment of loan and interest charges) in year 2. Over the course of the 30 years the overall surplus would be £14 million and £20 million respectively. (This is a necessary simplification. See the Note on borrowing at the end of the text.)

Whilst tenants' rent has always been a component of servicing debt, unless there is government subsidy or grant available for building costs, then existing tenants are paying for new building both by the use of their rent to pay off the loans and interest charges, and potentially, by depletion of HRA resources for the maintenance and renewal of their homes.

Debt write off

One of the ironies of the refusal of the New Labour government to write off the bogus council housing debt was that it had been prepared to write off debt for stock transfer, provided that tenants voted the 'right way'. A House of Commons committee called this blackmail. Essentially tenants who wanted to remain council tenants were penalised because debt write off was denied them if they voted against transfer. According to the UK Housing Review, from 1997/8 to 2010/11 providing the funding to support transfer and writing off debt totalled £6.560 billion for England alone.

The motivation for transfers was to take housing debt off of the Public Sector Borrowing Requirement. But, of course, the burden of increased borrowing which the new housing associations would be given, fell on the shoulders of the tenants who were transferring. Loan facilities at transfer (i.e. the amount of borrowing they were allowed) were £21.966 billion for England.

Writing off council housing debt would have a nominal cost; the loss of payments of principal and interest to the PWLB. But these payments are largely not the result of borrowing by councils but of financial manipulation by central government. It is quite clear that council tenants have paid more in rent than the historic costs associated with the building of their homes. Cancellation of this debt is both an act of justice for council tenants and a necessary measure to clear the way for a large scale council house building programme. To leave a largely fictitious debt in place threatens the future living conditions of tenants as under-funding will lead to a deterioration in the condition of existing stock.

Conclusions

1. What is deemed to be council housing debt was subject to government manipulation. Tenants have paid more in rent that the historic cost of borrowing.
2. From the 1980s onwards tenants rent was leached out of the HRA by measures that undermined their finances and left them with insufficient resources to maintain their stock.
3. Under-funding was built into the 2012 'self-financing' system which took no account of the actual condition of stock. The uprating of allowances was significantly less than was required for the maintenance of homes and capital investment.
4. The moving of the goalposts immediately after the introduction of 'self-financing' fundamentally undermined the business plans of HRAs and falsified the original projections for income. Whilst the current government is in office it is Labour's responsibility to denounce it for underfunding HRAs and to demand that it uses its power under the Localities Act to at the very least cut the debt each council was given in 2012 in line with the projected losses over the course of the business plans. HRAs have insufficient funds for the maintenance of existing stock and renewal of key components in order to maintain the DHS.
5. To ensure that justice is done to tenants and council HRAs are funded sufficiently to maintain the stock in good condition Labour needs to commit to cancelling the 'debt' held by the PWLB. This would ease the financial pressure on HRAs and would open the way to a large scale council house building programme if combined with significant central government grant.[9]

Note on borrowing from the PWLB

If councils borrow large sums from the PWLB they don't usually borrow one lump sum. When Swindon was obliged to borrow £138.6 million at the time of the 2012 'debt settlement' it took out 22 loans of varying sizes and maturities (the date when they have to repay them). The system is further complicated by the fact that the PWLB does not differentiate between loans for housing and other local authority loans. For the purposes of a local authority treasury all borrowing is treated as a single entity. So even though Swindon decided to 'pay off' £5 million a year of its housing debt that sum is transferred into the council's General Fund and is marked as a 'future debt payment'. It served as a convenient means of the General Fund raising money for other purposes. The General Fund would then pay the interest due on the £5 million but at a rate of interest which was at the time the policy was set was cheaper than if they had to take out a new loan from the PWLB.

9 The newly formed Labour Campaign for Council Housing is calling for Labour to commit to grant of £100,000 per property and 100,000 council homes a year.

Appendix 1

Here are some examples of the financial crisis faced by council HRAs:

- **Brighton.** The rent cut will reduce resources by £14.1 million over four years with a cumulative reduction in resources of £223 million over 30 years compared to previous business plan assumptions.
- **Bristol.** The council estimates that it can balance its budget up to year 16 of its business plan but from year 17 to 30 it will have a funding gap of £210 million for capital spending (i.e. for renewal of key housing components).
- **Hammersmith & Fulham**. £76 million of necessary major works was postponed as a result of the shortage of resources.
- **Kensington & Chelsea**. Such was the impact of government policies on their finances that over the next five years the HRA has £87 million less money than required for crucial capital spending. They have only £59 million available for £146.1 million of necessary work.
- **Lambeth.** The four year rent cut means a loss to the HRA of £80 million. A deficit of £190 million is forecast by the end of the HRA business plan.
- **Leicester**. The council's budget document for last financial year states that "The combined impact of rent reductions and reducing stock will result in £2.96 million less income in 2017/18 compared to the previous year, rising to £11.4 million a year in 2019/20. By 2019/10 annual income will be reduced by 14.2%."
- **Leeds.** The council says in relation to the rent cut: "When compared to the level of resources assumed in the last approved Business Plan, the rent reduction policy equates to a loss of £283 million of rental income over a ten year period."
- **Newham.** The rent cut will result in the loss of £33 million by 2020. Potential loss of rental income over 30 years of £488 million.
- **Newcastle.** The council estimates it will lose £593 million over the course of its 30 year business plan as a result of the cumulative impact of the four year rent cut.
- **Nottingham.** The council's capital investment programme will fall from £61 million in 2017/18 to £33 million in 2020/21 as a result of shrinking resources.
- **Reading.** As a result of the 4 year rent cut the HRA will lose an estimated £233 million over the life of the business plan. Their plan to build 1,000 homes over 30 years was no longer affordable.
- **Sheffield.** Capital expenditure will fall from £70 million a year in 2016/17 to £55 million in 2021/22. Because of the loss of income it will "extend life cycles"; that is components will not be renewed when they should be.
- **Swindon.** The council is estimated to take in £365 million less rent over the remainder of the business plan compared to its 2012 projections.

Appendix 2
Council home building, and house prices UK

	Numbers built	Average house price
1949-1960	2,116,820	£1,911 to £2,530
1961-1970	1,583,300	£2,770 to £4,975
1971-1980	1,208,960	£5,632 to £23,596
1981-1990	321,270	£24,188 to £59,785
1991-2000	31,380	£62,455 to £101,550
2001-2010	4,620	£112,835 to £251,634
2011-2018	19,140	

Appendix 3

Average cost of local authority dwellings in tenders approved in England & Wales by cost category 1963-75 (a) £

Year (b)	Estimated land acquisition costs (c)	Dwelling construction	Estimated other costs (d)	Estimated total cost	Land costs as a proportion of total (%)
1963	£200.00	£2,190.00	£410.00	£2,800.00	7.1
1964	£240.00	£2,390.00	£510.00	£3,140.00	7.6
1965	£310.00	£2,690.00	£540.00	£3,540.00	8.8
1966	£370.00	£2,830.00	£590.00	£3,790.00	9.8
1967	£410.00	£3,090.00	£650.00	£4,150.00	9.9
1968	£420.00	£3,180.00	£740.00	£4,340.00	9.7
1969	£420.00	£3,040.00	£730.00	£4,190.00	10
1970	£420.00	£3,230.00	£910.00	£4,560.00	9.2
1971	£590.00	£3,590.00	£960.00	£5,140.00	11.5
1972	£700.00	£4,230.00	£1,200.00	£6,130.00	11.4
1973	£900.00	£5,860.00	£1,600.00	£8,360.00	10.8
1974	£1,500.00	£7,040.00	£1,900.00	£10,440.00	14.4
1975	£2,300.00	£7,690.00	£2,100.00	£12,090.00	19

From Stephen Merrett, *State Housing in Britain*, 1979

Appendix 4

Debt redemption and debt interest on local authority dwellings in England & Wales 1969-70 to 1975-6 (£m)

Year	1969-70	1970-71	1971-2	1972-3	1973-4	1974-5	1975-6
Debt redemption	76	81	88	93	101	116	137
Debt interest	451	500	507	556	726	988	1180
Total debt charge	527	581	595	649	827	1104	1317

Appendix 5
Table 1

End of year	Interest	Debt repayment	Total Payments	Debt	Rent	+ or -
Year 1	£725,000.00	£833,333.33	£1,558,333.33	£25,000,000.00		-£1,558,333.00
Year 2	£700,833.34	£833,333.33	£1,534,166.67	£24,166,667.00	£864,000.00	-£670,166.34
Year 3	£676,666.68	£833,333.33	£1,510,000.01	£23,333,334.00	£881,280.00	-£628,719.68
Year 4	£652,500.00	£833,333.33	£1,485,833.33	£22,500,001.00	£898,905.60	-£586,927.40
Year 5	£628,333.37	£833,333.33	£1,461,666.70	£21,666,668.00	£916,883.71	-£544,782.66
Year 6	£604,166.71	£833,333.33	£1,437,500.04	£20,833,335.00	£935,221.38	-£502,278.33
Year 7	£580,000.05	£833,333.33	£1,413,333.38	£20,000,002.00	£953,925.80	-£459,407.25
Year 8	£555,833.40	£833,333.33	£1,389,166.73	£19,166,669.00	£973,004.31	-£416,162.09
Year 9	£531,666.74	£833,333.33	£1,365,000.07	£18,333,336.00	£992,464.39	-£372,535.35
Year 10	£507,500.08	£833,333.33	£1,340,833.41	£17,500,003.00	£1,012,313.57	-£328,519.51
Year 11	£483,333.43	£833,333.33	£1,316,666.76	£16,666,670.00	£1,032,559.84	-£284,106.59
Year 12	£459,166.77	£833,333.33	£1,292,500.10	£15,833,337.00	£1,053,211.04	-£239,288.73
Year 13	£435,000.11	£833,333.33	£1,268,333.44	£15,000,004.00	£1,074,275.26	-£194,057.85
Year 14	£410,833.45	£833,333.33	£1,244,166.78	£14,166,671.00	£1,095,760.76	-£148,405.69
Year 15	£386,666.80	£833,333.33	£1,220,000.13	£13,333,338.00	£1,117,675.97	-£102,323.83
Year 16	£362,500.14	£833,333.33	£1,195,833.47	£12,500,005.00	£1,140,029.49	-£55,803.65
Year 17	£338,333.48	£833,333.33	£1,171,666.81	£11,666,672.00	£1,162,830.07	-£8,836.41
Year 18	£314,166.83	£833,333.33	£1,147,500.16	£10,833,339.00	£1,186,086.67	£38,586.81
Year 19	£290,000.17	£833,333.33	£1,123,333.50	£10,000,006.00	£1,209,808.40	£86,475.23
Year 20	£265,833.51	£833,333.33	£1,099,166.84	£9,166,673.00	£1,234,004.56	£134,838.05
Year 21	£241,666.86	£833,333.33	£1,075,000.19	£8,333,340.00	£1,258,684.65	£183,684.79
Year 22	£217,500.20	£833,333.33	£1,050,833.53	£7,500,007.00	£1,283,858.34	£233,025.14
Year 23	£193,333.54	£833,333.33	£1,026,666.87	£6,666,674.00	£1,309,535.50	£282,868.96
Year 24	£169,166.88	£833,333.33	£1,002,500.21	£5,833,341.00	£1,335,726.21	£333,236.33
Year 25	£145,000.23	£833,333.33	£978,333.56	£5,000,008.00	£1,362,440.73	£384,107.50
Year 26	£120,833.57	£833,333.33	£954,166.90	£4,166,675.00	£1,389,689.54	£435,522.97
Year 27	£96,666.91	£833,333.33	£930,000.24	£3,333,342.00	£1,417,483.33	£487,483.42
Year 28	£72,500.26	£833,333.33	£905,833.59	£2,500,009.00	£1,442,832.99	£536,999.73
Year 29	£48,333.60	£833,333.33	£881,666.93	£1,666,676.00	£1,471,689.64	£590,023.04
Year 30	£24,166.94	£833,333.33	£857,500.27	£833,343.00	£1,501,123.43	£643,623.49
	£11,237,504.05	**£24,999,999.90**	**£36,237,504.05**	**£0.00**	**£33,507,305.18**	-£2,730,178.90

Assumptions

200 new homes, average cost £125,000, total £25 million.
Equal annual debt repayment of £833,333.33 for 30 years.
Funded by borrowing only.
Fixed PWLB interest rate of 2.9% for 30 years.
Rents projected as 2% annual increase, starting rent at £90 a week (48 weeks).

Table 2

End of year	Interest	Debt repayment	Total Payments	Debt	Rent	+ or -
Year 1	£261,000.00	£300,000.00	£561,000.00	£9,000,000.00		-£561,000.00
Year 2	£252,300.00	£300,000.00	£552,300.00	£8,700,000.00	£864,000.00	£311,700.00
Year 3	£243,600.00	£300,000.00	£543,600.00	£8,400,000.00	£881,280.00	£337,680.00
Year 4	£234,900.00	£300,000.00	£534,900.00	£8,100,000.00	£898,905.60	£364,005.60
Year 5	£226,200.00	£300,000.00	£526,200.00	£7,800,000.00	£916,883.71	£390,683.71
Year 6	£217,500.00	£300,000.00	£517,500.00	£7,500,000.00	£935,221.38	£417,721.00
Year 7	£208,800.00	£300,000.00	£508,800.00	£7,200,000.00	£953,925.80	£445,125.80
Year 8	£200,100.00	£300,000.00	£500,100.00	£6,900,000.00	£973,004.31	£472,904.31
Year 9	£191,400.00	£300,000.00	£491,400.00	£6,600,000.00	£992,464.39	£501,064.39
Year 10	£182,700.00	£300,000.00	£482,700.00	£6,300,000.00	£1,012,313.57	£529,613.57
Year 11	£174,000.00	£300,000.00	£474,000.00	£6,000,000.00	£1,032,559.84	£558,559.84
Year 12	£165,300.00	£300,000.00	£465,300.00	£5,700,000.00	£1,053,211.04	£587,911.04
Year 13	£156,600.00	£300,000.00	£456,600.00	£5,400,000.00	£1,074,275.26	£617,675.26
Year 14	£147,900.00	£300,000.00	£447,900.00	£5,100,000.00	£1,095,760.76	£647,860.76
Year 15	£139,200.00	£300,000.00	£439,200.00	£4,800,000.00	£1,117,675.97	£678,475.97
Year 16	£130,500.00	£300,000.00	£430,500.00	£4,500,000.00	£1,140,029.49	£709,529.49
Year 17	£121,800.00	£300,000.00	£421,800.00	£4,200,000.00	£1,162,830.07	£741,030.07
Year 18	£113,100.00	£300,000.00	£413,100.00	£3,900,000.00	£1,186,086.67	£772,986.67
Year 19	£104,400.00	£300,000.00	£404,400.00	£3,600,000.00	£1,209,808.40	£805,408.40
Year 20	£95,700.00	£300,000.00	£395,700.00	£3,300,000.00	£1,234,004.56	£838,304.56
Year 21	£87,000.00	£300,000.00	£387,000.00	£3,000,000.00	£1,258,684.65	£871,684.65
Year 22	£78,300.00	£300,000.00	£378,300.00	£2,700,000.00	£1,283,858.34	£905,558.34
Year 23	£69,600.00	£300,000.00	£369,600.00	£2,400,000.00	£1,309,535.50	£939,935.50
Year 24	£60,900.00	£300,000.00	£360,900.00	£2,100,000.00	£1,335,726.21	£974,826.21
Year 25	£52,200.00	£300,000.00	£352,200.00	£1,800,000.00	£1,362,440.73	£1,010,240.73
Year 26	£43,500.00	£300,000.00	£343,500.00	£1,500,000.00	£1,389,689.54	£1,046,189.54
Year 27	£34,800.00	£300,000.00	£334,800.00	£1,200,000.00	£1,417,483.33	£1,082,683.33
Year 28	£26,100.00	£300,000.00	£326,100.00	£900,000.00	£1,442,832.99	£1,116,732.99
Year 29	£17,400.00	£300,000.00	£317,400.00	£600,000.00	£1,471,689.64	£1,154,289.64
Year 30	£8,700.00	£300,000.00	£308,700.00	£300,000.00	£1,501,123.43	£1,501,123.43
Totals	**£4,045,500.00**	**£9,000,000.00**	**£13,045,500.00**		**£33,507,305.18**	**£20,770,504.80**

Assumptions

200 homes, average cost £125,000, total £25 million.
With £80,000 grant per property = £16 million and borrowing £9 million.
Equal annual debt repayments of £300,000 per year for 30 years.
Fixed PWLB interest rate of 2.9% for 30 years.
Rent projected as 2% annual interest with starting rent of £90 per week (48 weeks).

Table 3

End of year	Interest	Debt repayment	Total Payments	Debt	Rent	+ or -
Year 1	£377,000.00	£433,333.33	£810,333.33	£13,000,000.00		-£810,333.33
Year 2	£364,433.33	£433,333.33	£797,766.66	£12,566,666.67	£864,000.00	£66,233.34
Year 3	£351,866.66	£433,333.33	£785,199.99	£12,133,333.34	£881,280.00	£96,080.01
Year 4	£339,300.00	£433,333.33	£772,633.33	£11,700,000.01	£898,905.60	£126,272.27
Year 5	£326,733.33	£433,333.33	£760,066.66	£11,266,666.68	£916,883.71	£156,817.05
Year 6	£314,166.66	£433,333.33	£747,499.99	£10,833,333.35	£935,221.38	£187,721.39
Year 7	£301,600.00	£433,333.33	£734,933.33	£10,400,000.02	£953,925.80	£218,992.47
Year 8	£289,033.33	£433,333.33	£722,366.66	£9,966,666.69	£973,004.31	£250,637.65
Year 9	£276,466.66	£433,333.33	£709,799.99	£9,533,333.36	£992,464.39	£282,664.40
Year 10	£263,900.00	£433,333.33	£697,233.33	£9,100,000.03	£1,012,313.57	£315,080.24
Year 11	£251,333.33	£433,333.33	£684,666.66	£8,666,666.70	£1,032,559.84	£347,893.18
Year 12	£238,766.66	£433,333.33	£672,099.99	£8,233,333.37	£1,053,211.04	£381,111.05
Year 13	£226,200.00	£433,333.33	£659,533.33	£7,800,000.04	£1,074,275.26	£414,741.93
Year 14	£213,633.33	£433,333.33	£646,966.66	£7,366,666.71	£1,095,760.76	£448,794.10
Year 15	£201,066.66	£433,333.33	£634,399.99	£6,933,333.38	£1,117,675.97	£483,275.98
Year 16	£188,500.00	£433,333.33	£621,833.33	£6,500,000.05	£1,140,029.49	£518,196.16
Year 17	£175,933.33	£433,333.33	£609,266.66	£6,066,666.72	£1,162,830.07	£553,563.41
Year 18	£163,366.66	£433,333.33	£596,699.99	£5,633,333.39	£1,186,086.67	£589,386.68
Year 19	£150,800.00	£433,333.33	£584,133.33	£5,200,000.06	£1,209,808.40	£625,675.07
Year 20	£138,233.33	£433,333.33	£571,566.66	£4,766,666.73	£1,234,004.56	£662,437.90
Year 21	£125,666.66	£433,333.33	£558,999.99	£4,333,333.40	£1,258,684.65	£699,684.66
Year 22	£113,100.00	£433,333.33	£546,433.33	£3,900,000.07	£1,283,858.34	£737,425.01
Year 23	£100,533.33	£433,333.33	£533,866.66	£3,466,666.74	£1,309,535.50	£775,668.84
Year 24	£87,966.66	£433,333.33	£521,299.99	£3,033,333.41	£1,335,726.21	£814,426.22
Year 25	£75,400.00	£433,333.33	£508,733.33	£2,600,000.08	£1,362,440.73	£853,707.40
Year 26	£62,833.33	£433,333.33	£496,166.66	£2,166,666.75	£1,389,689.54	£893,522.88
Year 27	£50,266.66	£433,333.33	£483,599.99	£1,733,333.42	£1,417,483.33	£933,883.34
Year 28	£37,700.00	£433,333.33	£471,033.33	£1,300,000.09	£1,442,832.99	£971,799.66
Year 29	£25,133.33	£433,333.33	£458,466.66	£866,666.76	£1,471,689.64	£1,013,222.98
Year 30	£12,566.66	£433,333.33	£445,899.99	£433,333.43	£1,501,123.43	£1,055,223.44
	£5,843,499.90	**£12,999,999.90**	**£18,843,499.80**	**0**	**£33,507,305.18**	**£14,663,805.38**

Assumptions

200 homes, average price £125,000, total £25 million
Grant of £60,000 per property = £12 million, borrowing £13 million
Equal annual debt payment of £433,333.33 for 30 years
Fixed PWLB interest rate of 2.9% for 30 years
Rents projected as 2% annual increase, starting rent at £90 a week (48 weeks).