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07.11.18

LTF response to consultation on rents for social housing from 2020-21

London Tenants Federation brings together borough- and London-wide federations and organisations of tenants (including leaseholders) of social housing providers. Its membership also includes the London Federation of Housing Co-operatives and the National Federation of Tenant Management Organisations. A number of its member organisations involve both council and housing association tenants and a few (a minority) also involve some private tenants. LTF's main focus is on engaging its member organisations in London-wide and national strategic policy – particularly relating to housing and planning.

We organised a conference on 'A Tenant-led Deal for Social Housing in London', in partnership with the London Federation of Housing Co-ops and the National Federation of Tenant Management organisations on 20th October 2018. The conference included workshops and discussion in part focused on the Social Housing Green Paper and the consultation on the government's consultation on Rents for Social Housing 2020-21. It was attended by 110, mostly social housing tenant representative attendees,

Our response to this consultation comprises

- agreed key points from our 20th October conference (mentioned above),
- parts of LTF's 'policy positions' which have been built on over many years and are formally updated bi-annually.

Question 1: Do you agree that the rent standard should apply to local authority registered providers from 2020?

Question 2: Do you agree that the same requirements should apply to both local authorities and private registered providers?

Question 3: Do you agree with the proposal to permit registered providers to increase rents by up to CPI+1% each year?

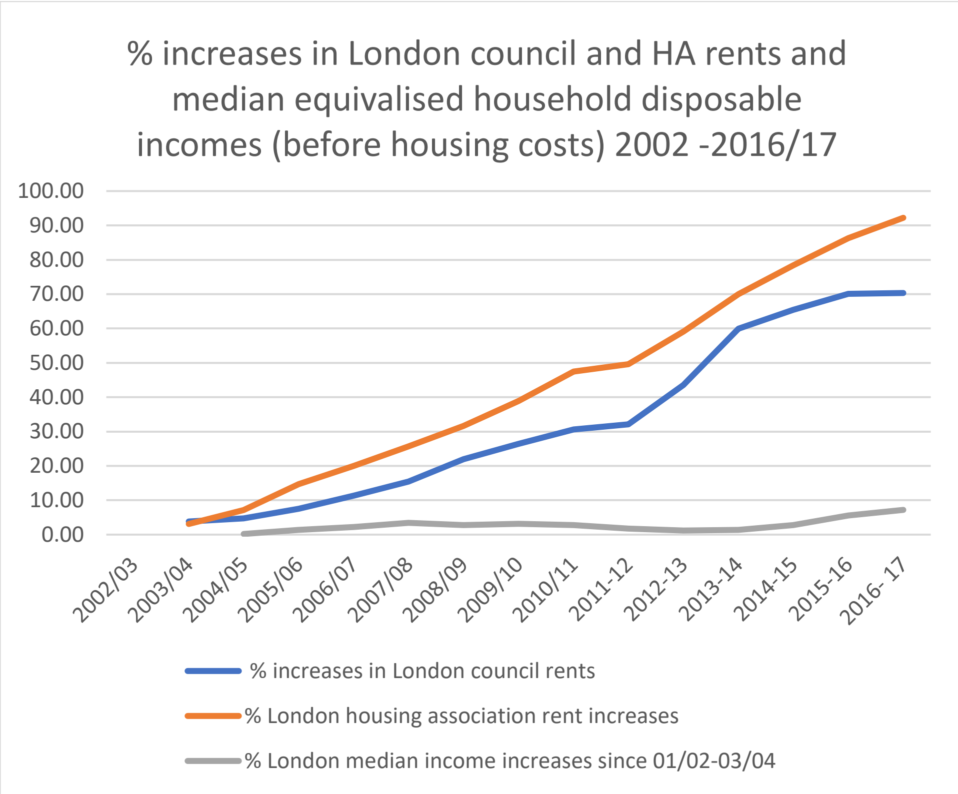
No.

(i) We fear that that rent increases will continue to exceed inflation and that social rents will continue to rise at very much higher rates than incomes in London. This is not **'protecting'** tenants.

In London, weekly council tenants' rents increased by more than 70% (from£63.44 to £108.06) between 2002 and 2017 and housing association tenants' rents by more than 92% (£65.94 to £126.76).[1] Over the same time frame the weekly increases in

[1] https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies (see tables 702 and 704)

equivalised household disposable incomes (before housing costs) rose just 7% (from £501 to £536).[2]



(ii) Rent convergence did not occur in London. The gap between council and housing association rents widened and formula / target rents were not reached in the capital.

Despite the apparent ending of convergence by the Coalition Government, it appears that this is only consistently being applied in respect of rents for existing social housing tenants.

In relation to re-lets and new social rented homes it appears these are at least in some instances being let at full target or formula rents or London Affordable Rents (which the Mayor's office and certainly a number of boroughs / planning authorities are referring to 'social rents'). This has created a further level of unfairness in respect of differences in rent levels for social housing tenants.

There is much fudging or lack of clarity in this respect.

The planning application for the Oaklands development of 2016 in the Old Oak and Park Royal Development Corporation area is an example of this (section set out below).

What is deemed to be 'social rent' is much higher than existing social rents and could be formula rents / London Affordable Rents – which don't include service charges and are thus (see in table 5.4) are higher than the previous London Mayor's 'capped affordable rents' (at 50% market rents including service charges).

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[2] http://researchbriefings.files.parliament.uk/documents/CBP-8191/CBP8191-regional-incomes---online-tables.xlsx

5.9 *Table 5.3 Indicative rent levels for social rented and affordable rented units without service charge*

Unit type	Open market rent	Social rent	Social rent % of market rent	Affordable rent	Affordable rent % of market rent
1B2P	£251.00	£120.38	48%	£165.00	66%
2B3P	£298.00	-	-	£195.00	65%
2B4P	£339.00	£143.60	42%	£200.00	59%
3B5P	£354.00	£154.92	44%	-	-
3B6P	-	£154.92	-	-	-

5.10 *Table 5.4 Indicative rent levels for social rented and affordable rented units with indicative service charge*

Unit type	Open market rent	Social rent	Social rent % of market rent	Affordable rent	Affordable rent % of market rent
1B2P	£286.00	£155.38	54%	£200.00	70%
2B3P	£333.00	-	-	£230.00	69%
2B4P	£374.00	£178.60	48%	£235.00	63%
3B5P	£389.00	£189.92	49%	-	-
3B6P	-	£189.92	-	-	-

On average we are talking about what are being called 'social rents' at £158.84 pw (at the formula rent cap / London Affordable Rent benchmark for a 2-bed home) for 2018/19.

This amounts to:

- an extra £50.78 pw on existing average council rents - a further 47% rental increase or a total **155% increase of average council rents in 2002** and
- an extra 25% increase in existing housing association rents – or a total of **141% rent increase compare to average HA rents in 2002.**

(iii) We raise concerns here (again) that the London Mayor's London Affordable Rent does not include service charges, which seemingly as an 'affordable rent', it should do.

(iv) We also raise concerns about the overall housing costs, once service charges are taken into account. In the example above, we are talking about an extra hike of £35 a week on service charges. All this is unacceptable as a 'social rent'.

(v) We don't understand why average housing association rents have continued to rise in London since 2015 when convergence was supposed to have ended.

(vi) The Government consistently fails to acknowledge the impact of national policy in different part of the country. The issue of affordability in London, particularly in respect of households with below the median equivalised income levels is far different from the rest of the country and must be acknowledged. It seems increasingly the case that the vast majority of housing being delivered / proposed to be delivered is either not meeting need of below the median and less so for low income households (at 60% of median incomes) and will continue to increase the number of in work households that are unable to meet housing costs without access to housing benefit.

Question 4: Do you agree with the proposed direction as it relates to social rent properties?

No.

Convergence has had a negative impact on social rents in London (as detailed above).

It fails to acknowledge the differences in term of the cost of accessing finance for delivery of new homes – which is more expensive for housing associations as private organisations than for local authorities.

We propose that

(i) All social housing tenants need greater transparency on what our rents are spent on (particularly over the period of 2002-15 and in the case of housing associations in London where it seems that rents have continued to increase to 2017). We want to know:
   - what that additional money collected in rent since 2002 has been spent on, including where there have been any apparent increases in costs of management and maintenance of homes has occurred,
   - the extent to which tenants' rents have paid for decent homes works,
   - whether there has been any decrease in management and maintenance costs post decent homes work being carried out and
   - the extent to which social housing tenants are paying towards the capital cost of new homes (which they will never own individually – except those exercising the Right to Buy – nor collectively).

(ii) Social housing should be acknowledged as delivering long-term social benefit including around health and wellbeing. In this respect, we feel it would be fair if all capital costs relating to the delivery of new social rented homes – both grant funding and paying back of loans and interest of loans came from the public purse.

(iii) Rents should be determined in relation to the running costs of social housing tenants' homes and social infrastructure such as tenants' halls on estates. It is unreasonable that they reflect market values in any way.

(iv) *Rents should be agreed with tenants on an annual basis (for both council and housing association tenants with full transparency on what rents are being spent on).*

(v) Rents should be similar for similar sizes of properties across a social landlord boundary area – be they old or new, existing let or re-let homes. The current situation where much higher rents are being charged in terms of re-lets and letting of new properties is unfair and divisive – particularly given the wide differences in actual or potential costs in London between existing (based in the ending of convergence in 2015) and relets or new based on target rents (as detailed in our response to q3). 6

(vi) Acknowledge that having lower rents generally in London would not only be fair but that it would continue to reduce the national housing benefit bills (noting particularly that increases in housing benefit is occurring mostly in relation to in work claimants).

(vii) Housing associations should have ring fenced accounts (as local authorities have) for holding social tenants rent and service charges exclusively for housing costs and related community infrastructure, and excluding other items such as employment training and job hunting – which should more fairly be paid for via the public purse.

Question 5: Do you agree with the proposed direction as it relates to affordable rent properties, including the proposal relating to the re-setting of affordable rent?

Question 6: Do you agree with the proposed arrangements for making exemptions from the rent standard on financial grounds?

No. Funding for new social rented homes should instead be targeted to local authority and community-based organisations.

We note that even with apparent statutory rental decreases under the Welfare Reform and Work Act 2016 (-1%) that housing associations surpluses are still at £3.5 billion as of December 2017[3].

Question 7: Do you have any other comments on the proposed direction (including the draft Policy Statement)?

Ron Hollis and Pat Turnbull

LTF regional delegates

[3]https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/666695/2017_Global_accounts_of_private_registered_providers.pdf