London Tenants Federation
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London Tenants Federation response to consultation on Pay to Stay

1. Introduction.

1.1 London Tenants Federation (LTF) is an umbrella organisation. It brings together borough- and London-wide federations and organisations of tenants 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) are also involving some private tenants.

1.2 LTF's key focus is engaging its member organisations in London-wide strategic regional housing, planning and community related policy. It facilitates a consensus voice for tenants of social housing providers in the capital. LTF has had representation on the Mayor's Housing Forum since 2005 (although the Forum rarely meets now). Its delegates are often invited to attend (as panel members) London Assembly housing and planning committee meetings. Its members have attended, by invitation, almost all the Examinations in Public, relating to the London Plan, since 2007.

1.3 LTF has strong links with other community and voluntary sector organisations in London that also have an interest in housing, planning and community related issues.

1.4 LTF generally feel the that Pay to Stay is unfair, unworkable and will result in tenants either struggling to exercise their right to buy or trying to keep their households incomes lower than £40,000 a year.

2. Social housing tenants do not benefit from 'subsidised rents'.

2.1 Social housing rents cover the cost of managing, maintaining, repairing and paying off interest on loans taken out to cover the cost of the homes in the first place. Social rents are cheaper at sub-market rents (much cheaper in London) than private rents because social landlords do not make a profit from them.

2.2 Council tenants in the past have contributed to the treasury income, in addition to paying for the cost of managing, maintaining, repairing and paying off interest on loans taken out to cover the cost of the homes in the first place.

2.3 Between 1997 and 2008 council tenants actually paid £1.9b more in rent (through the redistributive national Housing Revenue Account system) than the government allocated to councils to manage, maintain, carry out major repairs and repay debt on their homes.

2.4 When councils became 'self-financing', in 2012, they took on the existing council housing debt plus an additional £7.6 billion of national debt (which is serviced through council tenants rents) on the basis that councils would have a better deal in terms of the future funding of management, maintenance and major repairs to their homes (which had as far back as 2005/6 been assessed, by the Building Research Establishment, as being underfunded).

2.5 Long-term social housing tenants (those who have been renting for 20 or 30 years) will already have paid a phenomenal amount in rent and are likely to have paid, in rent, more than the original cost of building their home.

2.6 Homeowners, however, are subsidised through the public purse. Homeowners get capital gains tax relief and pay no tax on the value of their homes (except council tax, which tenants also pay). The combined effects of taxes, like stamp duty and inheritance tax and the various tax reliefs, was a net subsidy in 2013/14 of over **£14 billion**. A further **£723 million** was provided in 2012/13 in renovation grants, right to buy discounts, support for mortgage interest payments and low cost homeownership subsidy.

2.7 Delivery of new market homes, like that of affordable homes, is subsidised; amounting to more than **£30 billion pa** in grants, loans and guarantees (UK Housing Review 2015) and just **£4.7 billion for affordable housing** (for 2015-20) or just under £1billion each of those 5 years.

3. Social housing tenants should not be expected to pay the highly inflated market rents in the capital.

3.1 According to the GLA datastore, average monthly market rent in London for the year prior to quarter 1 of 2015 was £1,308 in outer London and £1,876 for inner London.

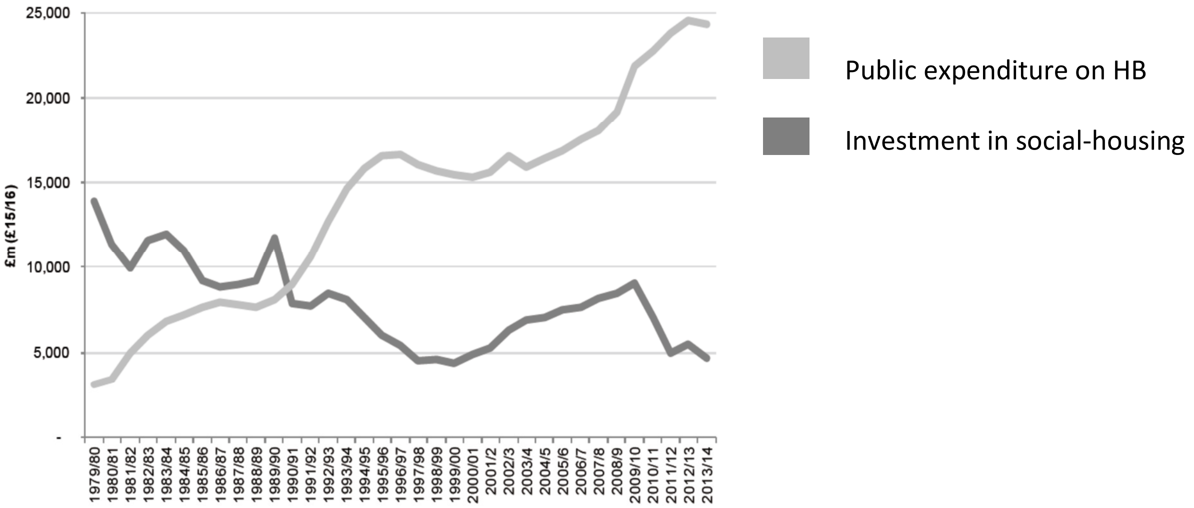
3.2 Sensible alternatives to year on year increased housing benefit bill levels would be (i) for government to stop lining the pockets of private landlords (much through housing benefit) and legislate to ensure rents in the private sector are fair and (ii) provide sufficient grant funding to deliver social-rented, rather than affordable rent, homes that are genuinely affordable.

3.3 In other words a strategy of both delivering more homes to meet evidenced need (particularly since a large number of households renting in the private sector would rather own their own home or live in social housing) alongside one that at least calms or control rents, such as those used in Germany, France and Spain (where there are high levels of private renting) is essential.

3.4 The government already knows that long-term delivery of social-rented homes rather than affordable-rent homes would better reduce overall government costs.

3.5 There are huge risks that families living in social rented homes with household income levels of £40,000 or more could, depending on rental increases, end up have to claim benefits to meet the cost of their rents.

3.6 Please see graph below produced by John Perry, CIH in a presentation for LTF in early November 2015 showing the increase in public expenditure on housing benefit as investment in social-rented housing has decreased.



4. In London, £40,000 is not a high income level.

4.1 £40,000 is the equivalent to two relatively low incomes. This could be an adult tenant and an adult child who might be attempting to save for a deposit for a mortgage or for private rented accommodation. A rental increase could prevent this from occurring; possibly resulting in ongoing or unsolvable overcrowding in a home.

4.2 £40,000 is just above the median household income level (39,100 in 2013) and almost £12,000 less than the average household income in London.

5. Most social rented households with above £40,000 household incomes can't afford to buy or rent from the private sector.

5.1 Savills estimates that 60.1% of the 27,108 affected households in London will never be able to meet afford market rent or to buy their homes under the Right to buy. There is risk that households will put in the Right to Buy (rather than pay high rents) but will struggle or not be able to keep up mortgage costs.

5.2 The risk is greater at a time when, through public spending cuts, people are losing jobs. Low income households are increasing employed on short-term contracts or with zero hour contracts.

5.3 The proposal that rents will not be adjusted frequently appears not to understand the precarious nature of employment particularly for low income households in London.

6. The pay to stay proposal is a disincentive to seek to find work if jobs are lost or to increase income levels.

6.1 LTF's analysis around household income gain or loss for a household with an income of £40,000 or more a year (compared to a household that earns just less than this amount) with step changed increased in rents, shows how rapidly any additional income would be taken away in rent. The question for many households would be why bother to earn more if all or a large proportion of it is taken in higher rents.

6.2 Households that are managing to pay rents but perhaps also have to pay relatively high childcare costs may find that they are better off with only one rather than two adults being in employment, if rental costs are too high.

7. Difference in treatment of those who exercise their right to buy.

6.1 It would appear extremely unfair that £100,000 discounts will be given to those who can afford to exercise their right to buy (should they chose to) while taking higher rents from those who for the most part will not be able to exercise the right to buy their homes. The £100,000 is a guaranteed handout to any that chose to move after five years having exercised their right to buy.

6.2 While LTF members wouldn't blame any tenant for taking advantage of this, there is vast contrast in the treatment of households that have an income of £40,000 or more, but may not be able to buy (perhaps because they are too old to get a mortgage) and who have nothing to look forward to but higher rents, is dramatic.

7. **Pay to Stay would involve an unprecedented principle of taxpayer confidentiality – allowing tax information to be passed on to landlords including private companies**

7.1 LTF members cannot support this.

Yours sincerely

Henry Talman
Treasurer
London Tenants Federation