

London Tenants Federation

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Written submission - Housing and Planning Bill 2015-16

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 members continue to be concerned that successive governments' have failed to deliver genuinely affordable social-rented homes to meet evidenced need in the London and that this particular bill will in many respects make matters worse. The cumulative effect of bill will have an almost catastrophic impact on the lives of a growing number of ordinary people; the fear being that the underlying strategy is to destroy the social welfare state.
- 1.5 LTF is particularly concerned about governments' failures to consider fully, in a detailed evidence-based fashion, how national policy might impact on different regions of the country. Particularly of concern for LTF members is impact on availability and affordability of homes in London for those in the bottom half and more by income that consistently appear to be disregarded. General failures to delivery sufficient social-rented homes to meet evidenced need has been compounded by promotion of 'regeneration' and 'renewal' of social housing estates that have resulted in severe loss of social-rented homes and their replacement with luxury housing.
- 1.6 The backlog of need for social-rented housing continues to increase even with the time assessed to address need, through the London Plan, being stretched to 20 years. The results are ongoing increases in homelessness, street homelessness, overcrowding and households being forced into so-called 'affordable' rent homes and private rented homes which they will never be able to afford without claiming benefits to meet the cost. In addition households that should be able to access genuinely affordable

social-rented homes in the capital are being displaced from their communities, family and support networks, some to places outside London.

Research carried out for Shelter in 2010¹ provides evidence that inner London is pretty much unaffordable to private tenants that are dependent on Local Housing Allowance and inner London boroughs have been moving homeless families out to outer London boroughs and outer London boroughs moving their homeless families outside London since 2011/12.

- 1.7 LTF members are concerned that in respect of paragraphs 1.5 and 1.6 above that the Bill does not conform to Resolution 42/187 of the United Nations General Assembly defined sustainable development as meeting the needs of the present without compromising the ability of future generations to meet their own needs and (ii) the UK Sustainable Development Strategy *Securing the Future* set out five 'guiding principles' of sustainable development, particular around supporting strong vibrant communities, by providing the supply of housing required to meet the needs of present and future generations.

2 Starter homes

- 2.1 There is no evidence that delivery of starter homes at up to £450,000 will address London's chronic housing need. Clause 4 allows for provision of Starter Homes through planning obligations. Planning authorities will only be able to grant planning permission for certain residential developments if a specified requirement for starter homes are met. This would allow Starter Homes to replace social and affordable rent homes that may have been delivered through section 106 (as an important mechanism for delivering social and affordable rent homes). Statements made by the permanent secretary for the DCLG, at a Savills seminar on 16th November, that she expects starter homes to replace other forms of affordable housing 'in some cases', is extremely worrying. LTF members fear this can't be anything but detrimental to the delivery of homes to meet objectively assessed needs in London.
- 2.2 The Greater London Strategic Housing Market Assessment 2013 assessed a backlog of housing need at 121,399 homes; 60,893 requiring social-rented homes, 45,705 requiring intermediate homes and 14,801 requiring market. It assessed an annual affordable housing requirement of 25,600 homes (covering the backlog of housing need and newly arising need) comprising 15,700 social rented and 9,900 intermediate homes. The current London Plan target of 10,200 (at 60% of the London Plan affordable housing target) is only 41% of the requirement, leaving the backlog of need growing by 2,455 social-rented homes a year (rather than reducing it).
- 2.3 Since at least 2007 London Plan targets for delivery of social-rented homes in London have only been 50% met (covering years with targets for social/affordable rented homes being set at 35% and, since 2011, 25% of the total housing target).
- 2.4 According to Savills, buyers on median incomes would face a cash shortfall in 48% of areas across England and almost all of London and the SE when buying a starter home. A couple seeking a mortgage up to 3.5 times their income would come up short in all London boroughs and would face a shortfall of more than 30% in two thirds of them. £450,000 is 12 times the median London household income level. Savills have also assessed that in London, some households that earn £60,000 cannot afford to buy or rent and that in a typical London borough, market rent levels would

¹ http://england.shelter.org.uk/__data/assets/pdf_file/0016/290041/CCHPR_final_for_web_2.pdf

need to be reduced by half to make them affordable to households excluded from the housing market.²

2.5 London is a special case with severe issues relating to affordability which LTF members feel can only be address through a large house building programme of social-rented homes – which this bill should support – not building homes that are just not affordable to those in greatest identified need.

2.6 It is of concern that there are suggestions (although not in the bill) that starter homes could be exempted from CIL.

2.7 Recommendations:

- **The introduction of starter homes should not conflict with a planning authorities' requirement 'to meet meets the full, objectively assessed needs for market and affordable housing in the housing market area' This requirement should reasserted.**
- **CIL must be applied to starter homes developments.**
- **Clauses 3-6 should be removed.**

3. Self-build and custom housebuilding

3.1 LTF supports this section of the Bill.

3.2 Recommendation:

- **The Mayor of London as one of the largest public sector landowners in London should also be required to grant a proportion of land to develop service plots to meet demand for self-build and custom housebuilding in London.**

4. Implementing the Right to Buy on a Voluntary Basis and Vacant High Value Local Authority Housing

4.1 Given that the implementation of Right to Buy to housing association tenants has been accepted by housing associations, on a voluntary basis, there is no reason to legislate on this.

4.2 LTF members find it incredible that having legislated for Local Authorities to be self-financing, the legislative changes set out in this Bill will constrain them in their ability to determine the future of their stock through (i) forcing them to cover the costs of discounts for housing association tenants exercising the right to buy and (ii) directing them to sell off their most valuable properties.

4.3 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 rent payments) 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.

4.4 The treasury also benefited through the previous national HRA redistributive system in allocating £1.9billion less to local authorities to cover the cost of management,

² <http://www.independent.co.uk/news/business/news/housing-crisis-350000-uk-households-unable-to-rent-or-buy-without-help-by-2020-a6736541.html>

maintenance and repairs of council homes than was paid by council tenants between 1997 and 2008.

- 4.5 Around a third of London council homes have been sold through right to buy and nationally around 1.89 million homes have been sold since 1980. Despite the £60 billion or more capital receipts gained from RTB (principally by the Government) the majority of those council homes have not been replaced and are thus no longer in supply for future tenants.
- 4.6 Councils already cover the cost of discounts given to their own tenants exercising their RTB (from their own resources) and in some cases still have to pay any remaining capital receipt over to the Treasury rather than be able to re-invest in housing locally.
- 4.7 Tying in an unreasonable and unjustified financial relationship between housing association tenants gaining a right to buy and local authorities having to sell high value properties to foot the bill is grossly unfair interference in local authority finance which LTF is totally opposed to. This appears to be more about getting rid of remaining social rented homes than supporting low income households to buy. LTF is extremely concerned about the ongoing loss of social-rented homes in London and the impact of this section of the Bill.

Government's assertion that a new home will be built for each home sold through the right to buy is simply not occurring (backed by DCLG data)³ and replacement of social-rented with affordable-rent homes can't but add to an increasing housing benefit bill in London. At a London Assembly Housing Committee meeting on 16th July 2015 LB of Islington's Executive Member for Housing said that 'in terms of the RTB programme, the number has been something like one new home built for every ten that have been sold. That is not necessarily even replacing a like-for-like property; it could be replacing a good family home for social rent with a one-bed affordable rent home'.⁴

- 4.8 In some parts of London, market rents are four times that of social-rents. Even 50% market rents are unaffordable to most households' without access to housing benefit.
- 4.9 The introduction of affordable-rent homes was based on a short term maximisation of so called 'affordable' homes within the constraints of a massive cut in grant funding, regardless of whether or not need is being met. This was highlighted in the National Audit Report 'Financial viability of the social housing sector: introducing the affordable homes programme' (July 2012) which assessed that over a 30 year period, continuing to fund the previous National Affordable Housing Programme offered the highest ratio of benefits to costs and hence best value for money.⁵
- 4.10 The conclusions of and recommendations of the Government's Public Accounts committee 12.10.12⁶ which considered the financial viability of the social housing sector included that '*the department has not done enough to understand the full impact of higher rents than before of up to (65% of market rents in London and 80% elsewhere) This will affect tenants' ability to afford the new housing and may exclude some of the poorest from accessing this new housing. Where higher rents are paid through increased housing benefit, tenants may find themselves caught in an even stronger benefit trap where it has become even harder to find sufficiently well paid*

³ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales> (tables 691 and 693)

⁴ <https://www.london.gov.uk/moderngov/documents/b12862/Minutes%20-%20Appendix%201%20-%20Transcript%20of%20Item%205%20S1%20Thursday%2016-Jul-2015%2010.00%20Housing%20Committee.pdf?T=9>

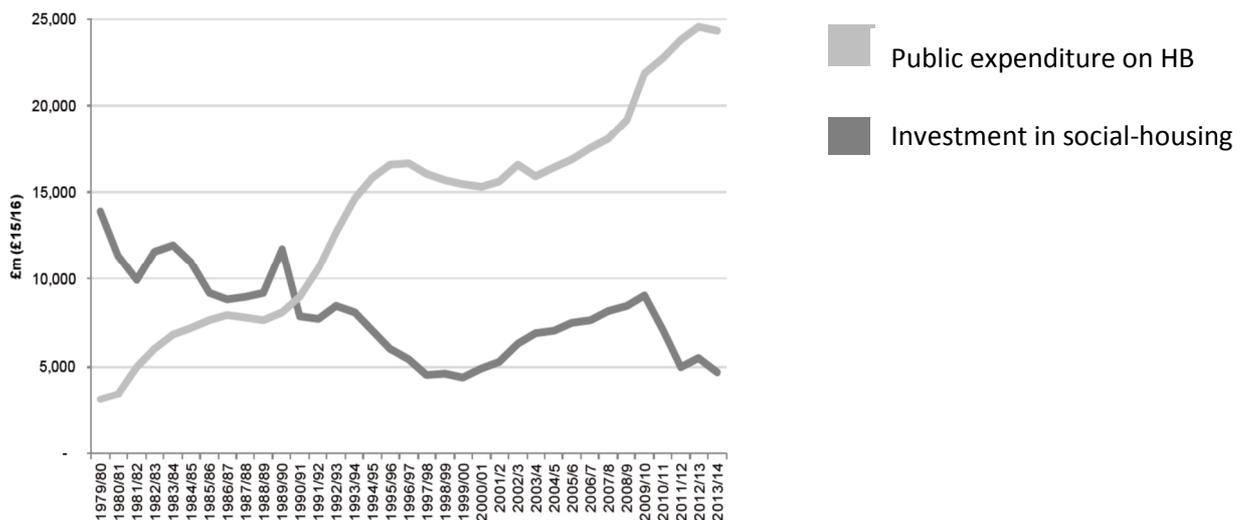
⁵ http://www.nao.org.uk/publications/1213/affordable_homes.aspx

⁶ <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpublic/388/38804.htm>

employment to make working worthwhile, countering the Government's objective of ensuring that the benefit system makes work pay.'

4.11 We note that while the Mayor of London suggested that the average affordable rent in London would be 65% market rent (anyway far too high) the average rent (according to the GLA 2013 SHMA) was actually 69% market rent

4.12 The madness of failing to invest in social housing can be seen in the graph below showing public expenditure on housing benefit and investment in social housing over 35 years⁷.



4.13 The London Mayor's office has estimated that the policy of forcing the sell-off of the most expensive council homes in London will result in the loss of 3,000-4,500 council home per annum.⁸ Around two-thirds to three quarters of these will be from inner London. The boroughs most affected will be Islington and Camden. In the first five years it is likely that 34% of Islington's stock and 38% of Camden's stock would be sold. With less stock more homeless households will be forced to outer London boroughs and thus the impact on temporary housing, social services and more would then be higher in outer London boroughs.⁹

4.14 A further detrimental impact is the ability of boroughs to deliver new housing and the likelihood that new council homes would also be 'high value' council homes.

4.15 Implementation of both the voluntary RTB and selling high value council homes will be extremely damaging for communities.

4.16 Recommendations:

- **A full analysis should be carried out to assess (i) the impact of both the introduction of affordable rent homes and reinvigorated right to buy on overall loss of social rented homes and (ii) the additional increase in the**

⁷ Graph provided in a presentation by John Perry (CIH) to London Tenants Federation November 2015

⁸ <https://www.london.gov.uk/moderngov/documents/b12862/Minutes%20-%20Appendix%201%20-%20Transcript%20of%20Item%205%20S1%20Thursday%2016-Jul-2015%2010.00%20Housing%20Committee.pdf?T=9>

⁹ <https://www.london.gov.uk/moderngov/documents/b12862/Minutes%20-%20Appendix%201%20-%20Transcript%20of%20Item%205%20S1%20Thursday%2016-Jul-2015%2010.00%20Housing%20Committee.pdf?T=9>

housing benefit bill for separate regions of the country (including London) and (iii) the displacement of households from London as a result of lack of social-rented homes.

- **Clauses 56-72 should be removed.**

5. Reducing Regulation

5.1 LTF opposes amendments being allowed to be made to primary legislation without reference to parliament.

5.2 Recommendations:

- **Clause 73 should be removed to ensure protection of tenants' from potential business failures of their landlord and to protect previous investments in affordable housing (both of low cost rented and intermediate / low cost ownership housing)**

6. High income social tenants: mandatory rents

- 6.1 LTF suggests these clauses are unfair, unworkable and will ultimately result in tenants either struggling to exercise their right to buy or trying to keep their households incomes lower than £40,000 a year.
- 6.2 Despite the ongoing misuse of the term 'subsidised', in relation to social housing rents, they are not actually subsidised by the tax payer. 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.
- 6.3 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 as highlighted in sections 4.3 and 4.4 above.
- 6.4 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.
- 6.5 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 (according to the UK housing review)¹⁰
- 6.6 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).

¹⁰ <http://www.york.ac.uk/res/ukhr/>

- 6.7 Social housing tenants should not be expected to pay the highly inflated market rents in the capital. According to the GLA datastore the 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.
- 6.8 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.
- 6.9 The government already knows that long-term delivery of social-rented homes rather than affordable-rent homes would better reduce overall government costs.
- 6.10 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.
- 6.11 In London, £40,000 is not a high income level. £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. £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.
- 6.12 Most social rented households with above £40,000 household incomes can't afford to buy or rent from the private sector. 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 end up struggling to keep up mortgage costs.
- 6.13 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.
- 6.14 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.
- 6.15 Pay to stay proposal is a disincentive to seek to find work if jobs are lost or to increase income levels. 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.
- 6.16 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.
- 6.17 Difference in treatment of those who exercise their right to buy. 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. While we wouldn't blame tenants for taking advantage of this, the contrast in the government's 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.

6.18 Recommendation:

- **Clauses 74-83 should be removed.**