

London Tenants Federation

Tel: 07931 214 913 Web address: www.londontenants.org Email: info@londontenants.org

Written submission – House of Lords Select Committee on Economic Affairs Inquiry into the Economics of the UK Housing Market – Call for Evidence

Introduction

- 0.1 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.
- 0.2 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.
- 0.3 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.
- 0.4 LTF members are particularly concerned that successive governments have failed to deliver genuinely affordable social-rented homes to meet evidenced need in London and that the market has failed to deliver homes to meet targets set in the London Plan.
- 0.5 LTF is particularly concerned about governments' failures to consider fully, in a detailed evidence-based fashion, how national housing and planning 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.
- 0.6 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 of this 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.

- 0.7 LTF members are concerned that policy is failing in terms of 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, particularly around supporting strong vibrant communities, by providing the supply of housing required to meet the needs of present and future generations.
- 0.8 This submission necessarily focuses mostly on London.

1. Private Ownership: What measures can be taken to increase the supply of reasonably priced housing in the UK?

- 1.1 No private housing in London is reasonably priced. It is inaccessible to an increasing number of households despite relatively high levels of financial support from government both for homeowners, buy to let landlords and delivery of private sector housing. The cost of home ownership in London is double the national average. Savills say that some London households that earn £60,000 cannot afford to buy or rent market housing in the capital and that in a typical London borough, market rent levels would need to be reduced by half to make them affordable to households excluded from the housing market.
- 1.2 Government funding to support homeowners and delivery of market housing is consistently much higher than that for social housing tenants and delivery of social rented homes. While delivery of new social-rented homes has been supported by government grant, ongoing management, maintenance and repairs to social housing tenants' homes is covered by tenants' rents and even where rents may be covered by housing benefit this is at a much lower cost than it would be should they be housed in the private rented sector.
- 1.3 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, including 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.
- 1.4 The total package of financial support from Government for private sector housing investment amounts to **more than £30 billion** (for 2013/14) while that for delivery of affordable homes is **less than £1b a year**. This includes (for private sector housing) £518 million in grants, £13.7 billion in loans and £16.5 billion in guarantees. It covers subsidy for help-to-buy equity schemes and mortgage guarantees, right to buy, private rented sector guarantees, built to rent, loans for infrastructure to unlock large housing sites, funds to start small housing developments, local growth fund, locally led

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

Garden Cities, housing zones, new homes bonus, 'Getting Britain Building', Custom Build investment and service plot funds and NewBuy guarantee schemes.²

- 1.5 The failures by Governments to support delivery of sufficient social-rented homes has, over the last 10 years or more, resulted in huge numbers of households who can only afford social-rented homes being housed in over-priced private-rented homes – increasing the cost of housing benefit in London. The authorities have known this for a very long time. By 2005, 60,000 homeless households in London were living in temporary accommodation and in 2008 the Greater London Strategic Housing Market Assessment³ identified that 46,700 households had been placed by their boroughs in private rented homes (covered by housing benefit) that would otherwise only have been able to afford social rented homes. This amounted to 90% of the increased use of the private rented sector from 2002-2007.
- 1.6 The backlog of housing in London (according to the GLA's 2013 SHMA⁴) was 121,399 made up of 60,893 social-rented homes, 45,705 intermediate homes, yet only 14,801 market homes. The backlog of social-rented homes is the equivalent to almost **13 years'** average annual delivery of social-rented homes (for 2007-13). The backlog of need for intermediate housing is the equivalent to **11 years** average annual delivery of intermediate housing. The backlog of need for market housing, however, is the equivalent of **less than one year** of the average annual delivery of market housing.
- 1.3 London Plan social rented housing targets are consistently only 50% met while those for market housing (certainly for 2007-13) were 92% met and those for intermediate housing 83% met.

Government Schemes (a)

- 1.4 Low cost home ownership schemes such as **right to buy and right to acquire** have certainly made home ownership affordable to households who would not otherwise be able to afford market costs of home ownership. However, the ongoing problem has been the failure to reinvest the capital receipts into delivery of new social-rented homes to replace those sold. Even though promises have been made by the current government that each RTB home would be replaced, 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'.⁵
- 1.5 Shelter's '*Forgotten Households - Is Intermediate housing meeting affordable housing needs?*⁶ found that **intermediate housing** was not meeting the need of those who are not able to afford market homes.

² Figures from the UK Housing Review 2015 <http://www.york.ac.uk/res/ukhr/>

³ <https://www.walthamforest.gov.uk/documents/ke53-greater-london-strategic-housing-market-assessment2008.pdf> (paragraph 5.28 page 50).

⁴ Link to the Strategic Housing Market Assessment 2013 on this link (under Housing) <https://www.london.gov.uk/what-we-do/planning/london-plan/london-plan-technical-and-research-reports>

⁵ <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>

⁶ https://england.shelter.org.uk/__data/assets/pdf_file/0003/279651/The_forgotten_households_policy_discussion_per.pdf

There are most certainly issues around the redirection of grant funding from delivery of social-rented homes to intermediate housing. From 2006 the delivery of social-rented homes in London as a percentage of the total homes delivered was reduced to support delivery of more intermediate homes. Between 2003/04 and 2005/06 a total of 68,067 homes were delivered in London; 22% (14,926) of homes were social-rented and 10% (6,801) intermediate. Thereafter roughly equal percentages of intermediate and social-rented homes were delivered each year⁷.

In London, households with annual incomes up to 66,000 can access intermediate housing with up to 2-bedrooms and households with annual incomes of up to £80,000 can access intermediate housing with up to 3-bedrooms. The fact that the Independent Planning Inspector found these acceptable in terms of the London Plan undoubtedly demonstrates the madness of London's housing market. However, redirecting grant funding to higher income households has resulted in less for lower income households.

- 1.6 There is no evidence that delivery of **starter homes** at up to £450,000 will address London's chronic housing need. The official impact assessment published on 7th December reveals that for every 100 starter homes built with section 106 funding, between 56 and 71 fewer households will be able to move into social or affordable rent homes or other low cost (presumably intermediate homes).
- 1.7 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 need to be reduced by half to make them affordable to households excluded from the housing market.⁸

Planning (d)

- 1.8 Unfortunately the planning system is being altered to facilitate the delivery of starter homes that will make life increasingly harder for households that are in housing need in London, particularly those that have below median household income levels and can really only afford social-rented homes. The proposal to amend the NPPF to have starter homes included in definitions of 'affordable housing' is ridiculous. Like the inclusion of 'affordable rents' at up to 80% market rents these are just not affordable to the majority.
- 1.9 LTF notes that the introduction of affordable-rent homes was based on a short term maximisation of so called 'affordable' housing within the constraints of massive cuts 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

⁷ Figures derived from the Annual Monitoring Reports of the London Plan.

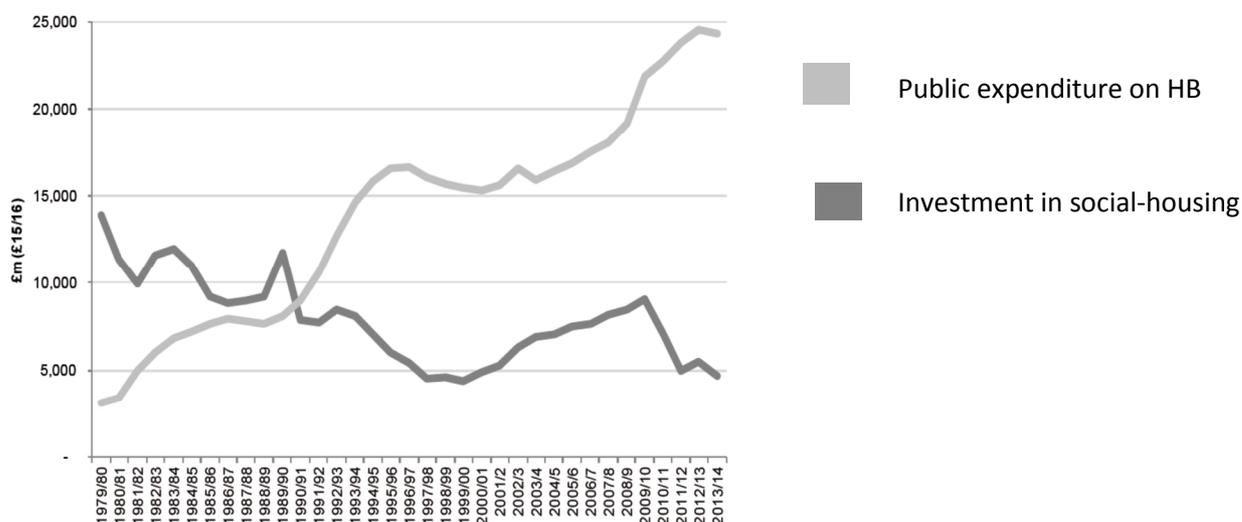
⁸ <http://www.independent.co.uk/news/business/news/housing-crisis-350000-uk-households-unable-to-rent-or-buy-without-help-by-2020-a6736541.html>

offered the highest ratio of benefits to costs and hence best value for money.⁹ LTF would like to see clauses 3-6 of the housing and planning bill relating to starter homes removed and for the House of Lords to challenge the proposed changes to the NPPF.

1.10 The conclusions of and recommendations of the Government's Public Accounts committee 12.10.12¹⁰ 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 employment to make working worthwhile, countering the Government's objective of ensuring that the benefit system makes work pay.*'

2. **Privately Rented Accommodation: What measures can be taken to increase the supply of low cost private rental properties in the UK?**

- 2.1 LTF members are most concerned about the needs of households who have ended up in private-rented homes but will never be able to afford those homes without access to housing benefits. LTF feels that everyone should have a right to a secure and stable home in a community where they may safely raise their families and grow old in.
- 2.2 Please see graph below showing how public expenditure on housing benefit has grown as investment in social housing has fallen over a 35 years period¹¹.



2.3 LTF members would support legislation to ensure that private rents are fair.

Tax relief for Buy to Let Landlords (a)

2.3 LTF members support the reduction in tax relief available for buy to let landlords. That money should be invested in delivering new social-rented homes.

⁹ http://www.nao.org.uk/publications/1213/affordable_homes.aspx

¹⁰ <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpubacc/388/38804.htm>

¹¹ Graph provided in a presentation by John Perry (CIH) to London Tenants Federation November 2015

3. Social housing: Are any measures needed to increase the supply of social housing?

- 3.1 A full long-term analysis of the financial costs and benefits to health and wellbeing of delivering social-rented homes – rather than supporting delivery of affordable rent homes, higher cost private-rented homes and starter homes – should be commissioned.
- 3.2 Grant funding for social-rented homes should be provided to address chronic evidenced need. In London this would require funding to deliver 28,850 social-rented homes per annum to meet existing need and to address London's backlog of need over a five year period.

Impact of extension of Right to Buy on social housing need and supply in London (revised a)

- 3.3 LTF members find it incredible that having legislated for Local Authorities to be self-financing, the impact of the extension of the Right to Buy to housing association tenants will constrain councils 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.
- 3.4 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' 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.
- 3.5 The treasury also benefited through the previous national HRA redistributive system in allocating £1.9 billion less to local authorities to cover the cost of management, maintenance and repairs of council homes than was paid by council tenants between 1997 and 2008.
- 3.6 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.
- 3.7 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.
- 3.8 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.

- 3.9 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)¹² and replacement of social-rented with affordable-rent homes can't but add to an increasing housing benefit bill in London.
- 3.10 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.¹³ 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.¹⁴
- 3.11 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.
- 3.12 Implementation of both the voluntary RTB and selling high value council homes will be extremely damaging for communities.

What will be the impact of the proposed changes to social housing rents announced by the Chancellor of the Exchequer in the 2015 budget? Are any additional or alternate changes to social housing rents needed? (b)

- 3.13 LTF notes that these changes are now only compulsory for council tenants.
- 3.14 LTF suggests the proposed changes are unfair, unworkable and will ultimately result in tenants in London either struggling to exercise their right to buy or trying to keep their households incomes lower than £40,000 a year.
- 3.15 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.
- 3.16 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. Social housing tenants' rents cover the ongoing costs of management, maintenance and repairs to their homes (and indeed the paying off of loans taken out to build the homes in the first place).
- 3.17 Sensible alternatives to year on year increases in housing benefit expenditure 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.

¹² <https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales> (tables 691 and 693)

¹³ <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>

¹⁴ <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>

- 3.18 The government already knows that long-term delivery of social-rented homes rather than affordable-rent homes would better reduce overall government costs.
- 3.19 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.
- 3.20 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.
- 3.21 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.
- 3.22 The risk is greater at a time when, through public spending cuts, people are losing jobs. Low income households are increasingly employed on short-term contracts or with zero hour contracts.
- 3.23 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.
- 3.24 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.
- 3.25 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.
- 3.26 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 choose 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 choose 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.

Henry Talman
LTF Director and Treasurer
On behalf of **London Tenants Federation**

