

# Policy Paper

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Tackling the housing crisis:

*Alternatives to declining standards,  
displacement and dispossession*

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# Executive summary

An incoming Labour government will need to put housing at the top of their agenda if the challenges of declining standards, displacement and dispossession are to be tackled. Decent housing is a right, and inequality of access to affordable housing is an injustice that a new government must remedy.

Housing security is essential to ensure participation in all major aspects of life: securing employment, contributing to local communities, accessing stable education and caring for friends, family and neighbours. This paper discusses how a new progressive government could develop strategic approaches to ensure housing policies prioritise supporting active participation in all aspects of life. Building more housing is essential, but this is only part of the solution to the problems that need to be addressed.

This paper shows how policies such as the Right-to-Buy, combined with financial controls on local authority capital spending, have led to a reduction in the supply of affordable housing. In the private sector, supply of new homes has also declined as the market has favoured land hoarding over construction to ensure prices remain artificially high. Now, capital grants to housing associations have also been cut, forcing them into the private market and making it more difficult to retain social-rented stock or build new social-rented homes.

Meanwhile, the private rented sector expanded to 3.6 million households in 2011/12<sup>1</sup> - an increase of 1.5 million households since 2001 - housing those who can no longer find secure rented accommodation in social housing. The private rented sector lacks effective rent regulation or security of tenure for the vast majority of housing tenants, making it problematic for tenants to raise concerns over poor maintenance or lack of basic repairs without risking losing their homes.

Increasing amounts of government funding are now going on housing benefit (£26.7 billion), funding rent rises and doing nothing to ameliorate housing supply shortages or improve housing conditions. Changes in housing policies have been compounded by the Coalition Government's welfare reforms, leading to rising rent arrears and increasing welfare claimants' vulnerability to displacement and dispossession.

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Local authorities can – and many do – work alongside local communities to make important differences, even in the current context, anticipating some of the changes that will be required to begin to tackle some of these problems. National policy changes and more resources are needed urgently if local authorities are to continue to resist displacement of their most vulnerable constituents.

This paper recognises that housing problems will not be solved without rebalancing the economy, reducing the demand pressure on London and the South East, and redirecting public funds to other regions. It makes the following recommendations to address the housing issues raised:

1. The next government should aim to build 200,000 social rented homes each year and at least 100,000 private sector homes a year by the end of the next Parliament.
2. Restrictions on local authority borrowing must be removed.
3. Additional funds will be required to reach the target of 200,000 social rented homes a year. The Royal Institute of British Architects' (RIBA) call for an independently-managed £10 billion Local Housing Development Fund, which would be financed and owned by the largest local authority pension fund, should be supported. Housing investment should be prioritised above other infrastructure projects.
4. Private developments should contain at least 20-40 per cent council housing. Funding is required to deal with brownfield sites with negative values.
5. Legislation should be introduced to tax land banks that are not being developed or to ultimately compulsory purchase such sites.
6. Legislation is required to enable councils to increase the council tax on empty properties and to be able to compulsory purchase any property that is left empty for more than 2 years.
7. The government should recreate the new town model in a more sustainable and democratic way.
8. National legislation is required to end the Right-to-Buy and the Government should immediately end discounts for Right-to-Buy.

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9. Before an ex-council house can be re-let privately it should be offered to local authorities at a fixed price that reflects the original price, improvements and inflation so it can be re-let at a social rent.
  10. The affordable rents strategy should be abolished. Housing associations should be grant funded again and retain their social housing mission.
  11. The Labour Party Housing Group's list of 50 recommendations<sup>2</sup> should be supported, particularly those relating to the private rented sector including: more secure tenancies with regulated rents, licensing of letting agents, regulation of estate agents, a Decent Homes Standard in the private rented sector, registration of landlords and a review of the tax treatment of private landlords.
  12. In addition there should be a 5 year freeze on rent rises beyond inflation; resources devoted to enforcing registration and a Decent Homes Standard; the end of tax relief on buy-to-let mortgages; and streamlining the use of compulsory purchase powers to deal with landlords who are slow in meeting the Decent Homes Standard.
  13. It is vital to protect tenants from destitution, rent arrears and eviction by: abolition of the housing benefit cap, the total benefit cap and the bedroom tax; restoring 100 per cent council tax reduction subsidy; only applying the shared accommodation rate to those under 25 and using sanctions only as a last resort.
  14. A new National Tenant Voice should be created for all tenants linked to local tenant voice organisations in each local authority area as part of a strategic approach to democratising social housing, backed by locally available information, advice and advocacy to enable tenants to access their rights.

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# Chapter 1:

## Introduction

Displacement and dispossession in Southern England are increasing fears for poorer families suffering from the effects of austerity in Britain. Meanwhile in the North, poor-quality private rented homes, the bedroom tax and derelict empty houses undermine aspirations and economic recovery. The lack of genuinely affordable, good-quality housing together with welfare reforms are having damaging impacts and are affecting wider and wider sections of the population, especially in areas with the highest housing costs.

In 2013, UN housing specialist Raquel Rolnik, concluded during her fact-finding trip to Britain that the national housing crisis, compounded by the 'spare room subsidy' (the bedroom tax), was negatively impacting on the human right to "adequate housing and (the) general wellbeing of many vulnerable individuals and households"<sup>3</sup>. Households were facing "hard choices between food, heating or paying the rent". Many were feeling targeted "and forced to give up their neighbourhoods, their carers and their safety net"<sup>4</sup>.

Thousands have already been taken to court for council tax and rent arrears as the combined effects of benefit cuts and the new obligation on the very poorest households to pay some council tax. But this is just the tip of the iceberg. More court cases are imminent. The full effects of the changes have been masked by temporary money given by government to local authorities to be paid out on a discretionary basis to those in financial hardship because of welfare changes. However, these Discretionary Housing Payments (DHPs) are increasingly unable to meet the growing demand. DHPs have declined by 9 per cent this year, and funding in 2016/17 is uncertain.

Meanwhile some in the South are being squeezed out of their homes and displaced from their communities by market forces, even without taking account of the impact of welfare reforms. With house prices and private sector rents rising faster than wages, the demand for genuinely affordable housing has far outstripped supply in most areas. Homes have become more unaffordable in every local authority since 1997<sup>5</sup>. The result of these combined forces is a national housing crisis of potentially major proportions.

This paper examines the underlying causes of the housing crisis and seeks to develop effective strategies in response. Why are people at risk of being displaced from their homes, and communities fragmented, and what would a progressive government need to

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do in order to reverse these processes? What can local authorities do in the meantime to protect local communities, especially the most disadvantaged? And what alternative policies and strategies need to be developed – and campaigned for – at national and local government level?

The paper draws upon existing research, together with original research, carried out in two inner London boroughs, illustrating some of the most extreme examples of the effects of current housing policies. Although there are significant regional differences to be taken into account, these London examples do serve to demonstrate the extent of the challenges to be faced by an incoming Labour government.

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## Chapter 2:

# What are the underlying causes of the housing crisis?

Displacement has occurred for a variety of reasons, over the years, from the demolition of working class neighbourhoods to make way for the railways in Victorian times through 'Rachmanism' in the 1950s and 1960s and more recent forms of gentrification and urban redevelopment. From the 1920s, council housing provided some protection from the pressures of unregulated market forces. Becontree in Dagenham, started in the 1920s, was the largest area of council housing in the UK, providing accommodation for over 100,000 Ford workers and their families. In the post-war welfare settlement, with nearly 4 million homes destroyed, new council houses for those displaced became a priority. New towns and estates were built where people from many different backgrounds formed new communities. Aneurau Bevan, Minister for Health and Housing in the post-war Labour government, promoted a vision of new estates where "the working man, the doctor and the clergyman will live in close proximity to each other".

Council house construction grew steadily. Even the Conservative manifesto for the 1951 election argued that housing was fundamental to productivity:

**"Housing is the first of the social services. It is also one of the keys to increased productivity. Work, family life, health and education are all undermined by overcrowded homes. Therefore a Conservative and Unionist Government will give housing a priority second only to national defence."**<sup>6</sup>

Under Conservative Housing Minister Harold Macmillan, construction rose to 348,000 new homes (239,580 of which were council houses) in 1954. The construction of housing reached a peak in 1968 with 425,830 homes built (199,760 council houses and 226,070 private sector homes) but until the mid-1970s there were still more than 300,000 homes completed in most years. As the UN Rapporteur recently explained, housing had been a pillar of the post-war welfare state, with council housing providing the main source of affordable homes for low and middle-income households. This served as "a social equalizer, with mixed neighbourhoods even in 'high value' inner-urban areas"<sup>7</sup>. History shows what could be done, even in challenging times in the past.

From the late 1970s policies shifted. Funding was withdrawn, and the Right-to Buy eroded council housing stock.

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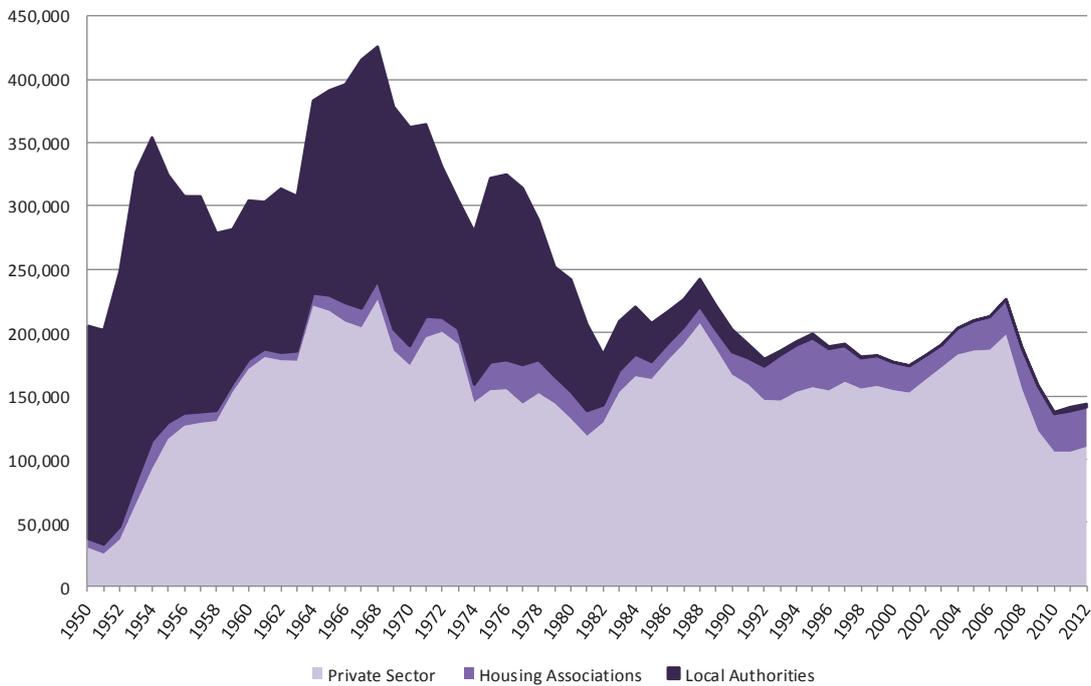
## The Right-to-Buy

The Right-to-Buy, enshrined within the 1980 Housing Act, enabled tenants to buy their council house at a minimum discount of 32 per cent of the market value for a house in England. 1.78 million homes have been sold under the Right-to-Buy since it was introduced. From April 2012 the discounts available to council tenants exercising the Right-to-Buy rose to £75,000 or 60 per cent of the house value (70 per cent for a flat) depending on which is lower. The Deregulation Bill going through Parliament reduces to 3 years the time that a tenant has to live in a house before they can to exercise the Right-to-buy. Right-to-Buy sales are increasing again, rising from 3744 in 2011/12 to 8398 in 2012/13<sup>8</sup>. The income generated by sales did not result in new council housing stock. Until 2012 councils had to pay 75 per cent of their receipts to the Treasury and the money that remained had to be used to pay off debt rather than build new homes. This contributed to a reduction in the supply of affordable housing. Furthermore, many of the council houses sold were resold as buy-to-let properties. Typically bought by small landlords who did not invest in the properties, these now offer some of the poorest housing conditions in the private rented market.

## Problems with building new affordable housing

Since 1980, local authorities have been prevented by financial controls from building new properties or improving existing homes. The 1980 Local Government, Planning and Land Act made local authorities seek permission for capital spending and between 1979 and 1983 capital spending fell by 60 per cent<sup>9</sup>. Even with a modest shift to support for housing associations, total social housing production in the UK declined from around 200,000 in the period to the mid-1970s, to little over 30,000 a year from the mid-1980s through the early 1990s<sup>10</sup>. From 1997, under the Labour Governments, the number of council houses built continued to decline. In the whole 13 year period from January 1997 to June 2010 only 3130<sup>11</sup> council houses were built in England, an almost negligible number. In 2012, councils were finally allowed to use income from rents and receipts from assets sold to build new housing or spend on refurbishment and the green agenda, but this still generates very limited capital for new homes in a time of major government cuts. Only 4480 council houses have been built in England in the last three years, some 2-4 per cent of the annual production that was produced up to 1980<sup>12</sup>.

**Figure 1: Housing completions by tenure (cumulatively) in the UK 1950-2012**



Source: DCLG Table 241: permanent dwellings completed, by tenure, UK, historical calendar year series

It is notable that private housing construction has followed the trends of social housing construction. Private housing construction also peaked in the 1960s with over 200,000 units built in most years. Private sector house completions fell to under 100,000 in 1981, rose slightly to 150,000 in 1989 and then fell consistently, with less than 90,000 units built each year since 2010<sup>13</sup>. Government ministers have tried to blame this decline on planners. But as Griffiths<sup>14</sup> argues, “For decades our developers have focused more on playing the land market and the planning system than on building homes”. In August 2013, there were 400,000 homes with planning permission still waiting to be built<sup>15</sup>. Over 80 per cent of London boroughs have identified a sufficient land supply for 5 years, as have councils in many other major cities<sup>16</sup>. The current system encourages land hoarding and limited construction to keep prices high. Meanwhile the population is growing and the number of households is expanding even faster. In 2011 there were 23.4 million households in England and Wales; this was a 35 per cent rise from 1981 when there were 17,362,000 households<sup>17</sup>. This rise in demand linked to a declining supply has pushed house prices up higher and higher. The result is that housing is

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becoming increasingly unaffordable and council waiting lists continue to grow - increasing by 81 per cent between 1997 and 2012<sup>18</sup>.

## Decent homes and housing associations

When housing associations were grant funded from 1980 they were enabled to provide alternative sources of affordable housing. But even at their peak in terms of constructing new homes in the mid-1990s, they were only able to provide around 30,000 new dwellings a year.

However, this changed after 1988 as governments decided that council housing needed improvement but were not prepared to allow local authorities to borrow to improve their properties. Housing associations could borrow on the open market without public sector debt increasing. Councils were encouraged to offload their housing stock onto housing associations following a ballot of tenants, where the options were: a vote in favour of transfer brought improvement, while a vote to remain as council tenants meant no new money for refurbishment. By 2008, 170 local authorities had transferred all their stock and had no council housing<sup>19</sup>. Together with the Right-to-Buy, this policy has reduced council housing in England from 32 per cent of the stock in 1979 to 18 per cent by 2007<sup>20</sup>. 2.4 million properties were owned by housing associations in 2012 compared to 1.7 million council houses<sup>21</sup>. Until recently, housing association property remained social housing with rents close to council rents. Many housing associations did a competent job of improving the housing stock.

The Housing Market Renewal programme was instituted in 2002. This was a long-term strategy to improve housing quality and create a housing market in areas of low demand. There has been some criticism of the programme, arguing that some housing capable of renovation was cleared. However, the programme was starting to improve areas with high concentrations of back-to-back Victorian terraces as houses were refurbished and new houses built. The Coalition Government pulled the plug on the programme. This has left cities like Liverpool with £126 million less funding, areas of housing half demolished and in varying degrees of refurbishment or rebuild, and 7000 properties which have been empty for more than six months in need of improvement<sup>22</sup>. The policy has aggravated the North/South divide by putting more funding into housing benefit in London and the South and cutting capital spending in the North.

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More recently however, the situation has changed further. The 2011 Localism Act, ended the era of providing generous grants to housing associations to build new property, placing the emphasis instead on housing associations paying for new homes through efficiency savings, higher levels of borrowing and higher rents<sup>23</sup>. As part of this policy new social housing was to be let at an 'affordable rent' – to be calculated at 80 per cent of market rent, a percentage that may be far from genuinely affordable in areas of high property prices such as London and the South East. When an existing housing association property becomes vacant, it too can be let at this 'affordable rent' rate. The result in areas of rapidly rising rents has been dramatic. In 2010-11 housing associations built or acquired 39,170 new homes for social rent but this level dropped to 24,550 in 2012-13<sup>24</sup>. More seriously, while in 2010-11 all the properties were let at social rents, in 2012-13 6960 (28 per cent) of these rented properties were let at so-called 'affordable rents'<sup>25</sup>.

The latest Homes and Communities Agency (HCA) prospectus for the National Affordable Homes Programme 2015/2018 confirms that the provision of new social rented housing by housing associations is at an end: "Social rent provision will only be supported in very limited circumstances"<sup>26</sup>. As a result, more and more existing housing association homes in areas of high housing demand are now out of the reach of poorer tenants, with the larger providers in particular becoming increasingly driven by commercial agendas.

#### **Case Study 1: The reality of 'affordable rent'**

Mr Raines had a serious accident 2 years ago and has been unable to return to work, although he hopes to do so in the future. He has a wife and two small sons. The whole family used to live in a studio council flat in London and were severely overcrowded. Camden Council offered to transfer them to a two bedroom flat owned by a housing association. They decided to take this, a year and a half ago, but the rent is £304 a week while their studio flat rent was only £95 a week. The housing association more than doubled the rent of the flat when it became vacant, moving from a rent that was equivalent to those charged by the Council to the so called 'affordable rent', forcing Mr Raines into arrears and increasing risk of homelessness.

**Source: Interview with Ines Newman**

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## Unregulated rents in the private rented sector

Meanwhile the private rented sector has been expanding to 3.6 million households in 2012, which was an increase of 1.5 million households since 2001. With access to the supply of social housing shrinking, this has become the only option for those unable to purchase their own homes. Although there was a dip - following the economic crisis of 2008 – median house prices have been increasing again over the last year, rising far faster than wages and benefits. There are, of course, regional differences: London house prices rose by 17 per cent in the year to April 2014 reaching an average of £435,034, while the North East saw a rise of only 2.9 per cent with average house prices at £99,001. Oldham saw price rises of 12.1 per cent, while Knowsley saw a price drop of 1.6 per cent. But overall the annual increase was 6.7 per cent and the average house in England now costs £172,069<sup>27</sup>. The proportion of young people in their 20s able to afford a mortgage is expected to halve by 2020<sup>28</sup> leaving them with few, if any, alternatives to private renting.

The private rented sector has had its own problems in terms of affordability too, lacking effective rent controls for the vast majority of tenants. Rent controls have been applied in Britain in the past, just as they have been applied and continue to be applied in many contexts internationally, including in New York. But in Britain regulated (or controlled rents) ceased for new tenancies from 1989. Regulated rents were replaced by assured tenancies, where the landlord could raise the rent at the end of the fixed term or evict the tenant with two months' notice. This weak security of tenure makes it problematic for tenants to complain about poor maintenance and the lack of basic repairs without risking losing their homes. The UN Report identified insecurity of tenure as a major cause of homelessness: "Tenants feel that they are powerless and afraid to confront amateur landlords who use the threat of eviction towards 'problematic' tenants"<sup>29</sup>. 26 per cent of homelessness acceptances were triggered by the loss of one of these 'assured tenancies'. Even the minority of tenants who do still have regulated tenancies (i.e. those with tenancies that were regulated at the time when they moved in, before 1989) face problems in the current context. Many in high price areas face harassment from their landlords who can only obtain significantly higher rents when the regulated tenant leaves or dies.

Almost one-third of the current housing benefit caseload – around 988,000 households – consists of private sector tenants<sup>30</sup>. Housing benefit now costs £24.6

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billion<sup>31</sup>. Public subsidy has been switched from bricks and mortar to landlords: supporting rent rises and doing nothing to ameliorate housing supply shortages or improve housing conditions.

## The London factor

London may be an extreme case, but its housing problems serve to highlight the effects of wider national trends. Growing housing inequalities have their roots in the underlying causes of widening inequality in Britain more generally, but the effects of neoliberal policies have been particularly marked in London. As a result London is the richest part of Britain, but also the most unequal<sup>32</sup>. Governments' policies towards the financial sector have resulted in deeply dysfunctional social and spatial effects, pushing up house prices and increasing inequalities within and between regions. Private investors can realise attractive capital gains in London, for example, whether their properties are inhabited or simply standing empty, whilst prices continue to rise.

Meanwhile young people are drawn to London in search of career opportunities, only to find that in their late 20s and 30s they are unable to afford to live there any longer. Dwellings stand empty in some regions, while median private sector rents in Inner London have increased by a staggering £2,076 a year<sup>33</sup>. Last year, house prices rose by 17 per cent and London ranks third, amongst world cities, in terms of having the most billionaires<sup>34</sup>.

Ultimately the housing crisis is not going to be resolved by housing policies alone. A future progressive government would need to combine changes in housing policy with policies to tackle these regional imbalances, as part of alternative strategies for the economy more widely.

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## Chapter 3:

# Welfare reforms – compounding the housing crisis

Changes in housing policies have been compounded by the Coalition Government's welfare reforms increasing welfare claimants' vulnerability to displacement and dispossession. The key welfare reforms in question are as discussed below.

### Local Housing Allowance

Local Housing Allowance (LHA) was introduced by the Labour Government in April 2008 to support tenants in the private rented sector. With private sector rents spiraling, the cost of housing benefit grew. In an attempt to limit this increase, entitlement to benefit was calculated on the average rent paid by similar sized households in a broad market area. This was supposed to provide an incentive for those on housing benefit to find cheaper accommodation.

Changes to LHA, announced in the June 2010 Budget and the Comprehensive Spending Review of 2010, formed an important part of the Coalition Government's package of measures to reform housing benefit. The measures included: changing the basis for setting LHA rates from the median (50th) to the 30th percentile of local market rents; capping weekly LHA rates (in 2012, £250 per week for one bed; £290 per week for two bed; £340 for three bed; £400 for four bed or more – thereby scrapping the five bed rate); uprating housing benefit rates annually from April 2013 at the 30th percentile of market rents or the September 2012 Consumer Price Index (CPI) rate, whichever is the lower. A more recent measure annually uprates housing benefit by 1 per cent for April 2014 and April 2015. As the LHA rate drops even below the 30th percentile and housing benefit rises are capped, there are fewer properties, in the high demand areas in particular, with rents within the LHA.

This has affected tenants in inner London particularly harshly. The median rent in inner London in autumn 2013 hit £1,500 a month<sup>35</sup> having risen £200 a month over the previous year. Shelter had calculated the year before that a family would need a net household income of just over £41,100 a year (an estimated £51,900 gross in wages) to afford the rent for a two bedroom home at the median London rent (£1,200 per month

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at this time)<sup>36</sup> and that a family with London's median gross household income of £34,200 would find the median rent for a two bedroom home unaffordable in 26 out of the 32 boroughs. Any family now looking for housing who is accepted as homeless by an inner London council is typically offered temporary private rented accommodation in some of the poorer parts of outer London. While most households are still being housed within the Greater London Area, recent figures suggest that the rate of households being placed out of London has more than doubled<sup>37</sup>. Figures obtained through Freedom of Information requests covering 23 boroughs found that 222 families with children of school age had been placed outside of London from April to December 2013, compared with 21 in the whole of 2010/11<sup>38</sup>.

### **Case Study 2: Local Housing Allowance**

Amina and her four children had been living in a privately rented flat in the London borough of Camden. In May 2013 her rent rose to £430 a week, but her housing allowance was capped at £330 per week. She fell into arrears as a result and was given notice to quit, moving to a three bedroom flat, further out in Brent, which was cheaper at £280 per week. As the weather became wetter in the autumn of 2013 it became clear that there were major problems with damp and related disrepair in the flat, causing health problems and high heating charges. Given the insecurity of her tenancy, she has struggled to get any progress in relation to these repairs.

Additional travelling has caused pressures in terms of time and costs. Amina is spending £35-£40 per week on travelling at present and gets up at 5am to get to her job in West London. Amina's eldest daughter is aged 15 so there have been powerful reasons for not disrupting her schooling at this point. But even if she had been prepared to move her children to schools in Brent, this was not an option as the local authority was unable to offer them places in the same schools. The resulting travel between Brent and the children's Camden schools, together with the additional travel for Amina – have been posing major problems for the family.

**Source: Interview with Marjorie Mayo**

Meanwhile the Government's welfare reforms have meant that many private landlords in high demand areas are becoming unwilling to make their properties available for benefit claimants, opting for more profitable alternatives. The number of those on housing benefit living in inner London has already dropped rapidly and is likely to start falling in outer London too. There has been a four-fold increase in the number of assured short-hold tenancy terminations since 2010, rising from 300 to over 1,400 per quarter<sup>39</sup>. Soon the only low income residents left in inner London will be those in social housing.

The situation has been made worse by a further change in housing benefit introduced in January 2012. Since then, those under the age of 35 are only allowed the Shared

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Accommodation Rate (SAR) rather than the rate for a separate residence. Crisis recently conducted a snapshot survey of private rented accommodation advertised in Lewisham over the course of one week. They found that only six rooms in the whole of the borough were affordable and available for SAR claimants<sup>40</sup>. The SAR rate is having a devastating impact on agencies in London that are trying to find accommodation for those who have been in hostels, such as ex-offenders and young people who have been in care. Women who have been affected by domestic abuse have been particularly affected by these changes and by other aspects of the Coalition Government's welfare reforms, including the spare room subsidy<sup>41</sup>.

### **Case Study 3: Shared Accommodation Rate**

Sharon is 36, single and lives as a private tenant in a family house in the London borough of Camden. The cost of her room is £120 p.w. but she only receives £90.45 housing benefit because it is shared accommodation. As she is over 35, she could get £250 a week if she moved into a one bedroom flat but she can't find one at this price. Those under 35 wouldn't have the option of getting the higher rate, even if they could find a flat at that price in Inner London.

**Source: Case Study taken from Camden Citizen Advice Bureau (CAB) client and included in Camden CAB's submission to the London Assembly Housing Committee's inquiry on the impact of welfare reform December 2013.**

## The spare room subsidy; i.e. the bedroom tax

Since 1 April 2013, persons deemed to have one spare bedroom have had their housing benefit reduced by 14 per cent and persons deemed to have two or more spare bedrooms have had their housing benefit reduced by 25 per cent. This has particularly affected the North. A National Housing Federation study found that 90 per cent of housing associations operating mainly in the North East reported that they had been significantly affected by the bedroom tax, along with 80 per cent of housing associations operating mainly in the North West, compared with the national average of 58 per cent<sup>42</sup>. In Liverpool, some 40 per cent of working age households in one housing association has been affected, losing on average £14 per week<sup>43</sup>. Many of the small Victorian houses with two or three bedrooms have a smaller square footage and a lower rent than a one or two bedroom flat. Liverpool City Council had a policy of building two or three bedroom houses "homes that gave people hope, vision and aspiration"<sup>44</sup> and now this is being destroyed by the bedroom tax.

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While disabled children are judged to need a separate bedroom from their siblings, the same does not apply to disabled adults. This is despite the fact that for many, the extra bedroom is used by their partner when sleeping together is difficult, or to store essential equipment.

#### **Case Study 4: Bedroom Tax**

Jacqueline and Jayson Carmichael are unable to share a room because Jacqueline, who is severely disabled with spina bifida, needs a specialist bed with a pressure mattress and her wheelchair next to the bed. They are subject to the bedroom tax and as Jayson cares for Jacqueline 24 hours a day, 7 days a week, this seems particularly unjust.

**Source:** Jane Young, 'The bedroom tax court judgment has thrown up some puzzling anomalies', *The Guardian* 30 July 2013.

There are about 200,000 disabled people receiving Disability Living Allowance (DLA) expected to be hit by the bedroom tax. Data from 24 local authorities also shows that three in ten (29 per cent) disabled people hit by the tax have been refused Discretionary Housing Payments so far. Nine out of ten of these (90 per cent) are cutting back on food or bills<sup>45</sup>.

The UN Report highlighted the problems with the bedroom tax affecting social housing tenants. This policy was failing, even in its own terms, as there were "insufficient properties to enable tenants to move to accommodation of an appropriate size, even if tenants wished to move and landlords were able to facilitate this movement"<sup>46</sup>. A detailed study commissioned by East 7 (a group of the 9 largest developing housing associations operating across the East of England region) has illustrated the problems graphically<sup>47</sup>. There is a very significant mismatch between the number of social tenants who require one bedroom homes by the Bedroom Standard in the East (nearly 30,000) and the number of such homes available each year (under 4,000). Assuming that all suitable vacancies were let to downsizing transfers, it would take over 8 years to rehouse them all. This would mean that no homes could be let to those on the waiting list who were requiring one bedroom flats - and that many tenants would have to pay the bedroom tax for over 5 years. Furthermore this approach would result in there being a surplus of three bedroom properties over the next 3 years.

In summary then, this tax has significant perverse effects. Tenants are falling into rent arrears and facing the risk of eviction. The Labour Party has already committed to

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abolishing the bedroom tax, a very significant step in the development of alternative strategies to tackle Britain's housing crisis, but until the policy is repealed many will face displacement from their homes.

## Total benefit cap: compounding the effects of housing policies, particularly in areas with the highest private sector rents

Whilst not directly related to housing policy changes, the total benefit cap has compounded their impact on the most disadvantaged, especially in areas with the highest private sector rents. The benefit cap was introduced across England, Scotland and Wales between April 2013 and October 2013. The total amount of benefits that can be received by any individual is now capped at £350 per week, while single parents or couples with children are only eligible for £500 a week. This creates problems across the country but especially so in London where high rents mean that the total benefit cap can be reached quite easily, particularly for private sector tenants.

In the London borough of Camden the average benefit lost by households affected by the benefit cap is £54.76 a week. Some households can be helped into work and enabled to receive tax credits; or helped to claim for the support element of the Employment and Support Allowance (ESA) or the Disability Living Allowance (DLA). In these circumstances the benefit cap no longer applies. But for those who are unable to work and are not disabled the situation is very serious. The majority of private tenants in this situation risk being forced out of their accommodation and becoming homeless - placing further costs on local authorities.

The problems caused by the total benefit cap are exemplified in the case study below on adult dependents. Adult dependents are considered part of a separate household, so even if they are disabled the family is not exempt from the benefit cap.

### **Case Study 5: Total benefit cap**

Tony and Christine care for their disabled daughter Jess who is 19 and receives Disability Living Allowance. Jess lives with her mum and dad but her benefits (DLA and Employment and Support Allowance) are not considered to be part of the same 'household' because Jess is an adult. So whilst Jess's benefits would not be capped, Tony and Christine could have their benefits (including Carer's Allowance) capped because no-one in their benefits 'household' receives one of the benefits which offer protection from the cap.

Source: <http://www.carersuk.org/help-and-advice/help-with-money/benefits-a-tax-credits/the-benefit-cap>

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## Council tax reduction scheme

The council tax reduction scheme is another welfare reform compounding the impact of changes in housing policies for local authorities as well as for tenants. Council tax benefit has been devolved to local authorities but the budget was cut by 10 per cent. Local authorities were also told they could not reduce the benefit of pensioners, leaving them with the problem of how to cope with the resulting shortfall. Three quarters (244) of the 326 English local authorities that collect council tax have now adopted schemes that require working-age households to make a minimum council tax payment, regardless of income. This has meant an effective poll tax on poor working-age households. In 60 local authorities this payment is over £3.60 a week<sup>48</sup>. As the New Policy Institute argues:

**Losing £3.60 is a 5% cut in living standards. Since the value of these cash benefits hasn't changed other than to keep up with inflation since the late 1970s, local discretion in the last 53 weeks has altered the value of the safety net by a bigger amount than all the governments from Thatcher to Brown succeeded in doing.<sup>49</sup>**

Having to pay this 'poll tax' is already impacting on tenants in terms of increasing debt, rent arrears and homelessness – leaving local authorities to cope with the consequences as best they can.

## Welfare to work impacts/sanctions

Growing rent arrears are also being caused by the sanctions regime in Welfare to Work schemes and are further compounding the risks of displacement and dispossession. Academic research cited in a recent Work and Pensions Select Committee Report found that 19 per cent of all Jobseeker's Allowance (JSA) claimants in the period from April 2008 to March 2012 were sanctioned – a total of 1.4 million people<sup>50</sup>. The rate has been increasing as the result of pressure on Jobcentre Plus staff to reduce the number of unemployed on their books, with a 24 per cent increase in the number of sanctions from July 2012 to July 2013<sup>51</sup>. The Select Committee report<sup>52</sup> claims that Jobcentre staff have been referring many claimants for a benefit sanction inappropriately, with no consideration of the financial hardships caused. Appeals against sanctions are taking months to resolve, making people more and more dependent on food banks. This is also contributing to rent arrears and the associated risks of housing displacement and dispossession.

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### **Case Study 6: Benefit sanctions**

A man in his 50s has been plagued with various administrative errors that, seemingly through no/minimal fault of his own, have led to his benefit being sanctioned. Administration errors included the fact that an error in his Universal Jobsearch profile has meant that Jobcentre Plus has been unable to access his search history and he has been sanctioned for not doing sufficient job searching. The Jobcentre transferred the client to a Work Programme scheme nearer his home - but failed to register him at the new scheme. So he was turned away and sanctioned for non-attendance. The client was helped by CAB with a hardship grant form, appeals and food voucher but was left with insufficient funds to live on.

**Source: Camden Citizen Advice Bureau - one of the 50 Case Studies contained in Press Release Wednesday 14 May 'Benefits Scroungers, Jobcentre Plus Failures or a Punitive System?' Available at: <http://www.camdencabservice.org.uk/about-camden-cab/campaigns/press-releases-contact/>**

In summary, then, welfare reforms have been compounding the effects of the Coalition Government's policies more generally. Alternative policies need to be developed strategically and implemented as a matter of urgency.

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## Chapter 4:

# What is being done at the local level in the meantime?

Ultimately, poor quality housing, displacement and dispossession need to be tackled by alternative strategies at the national level. But progressive local authorities can – and do – work alongside local communities to make important differences, even in the current context, anticipating some of the changes that will be required to adequately begin to tackle some of these problems.

### The London Borough of Islington

The London borough of Islington has been facing particular challenges given its inner London location. Yet it has been trailblazing, both in terms of its strategies to support those at risk of displacement and in terms of its advocacy and campaigning for wider policy changes at national level.

Building on existing commitments to tackle poverty, council officers have sought to identify those potentially affected by the changes discussed above. Some are being supported in claiming benefits and / or moving into employment. The Council's commitment to resisting displacement outside of the borough means that they are actively assisting others, who want to move into smaller properties, where available in an area of serious social housing shortages.

Islington Council has also managed to avoid evictions by providing resources to tide people over these changes, including through the use of Discretionary Housing Payments and the Social Fund which have been delegated to the Cripplegate Foundation and merged with their resident funding scheme to provide a flexible and joined-up residents support scheme.

Supporting private tenants has been even more challenging than supporting social housing tenants. The gaps between available benefits and market rents are just too great for the majority of those in receipt of welfare payments. The Council has been supporting the provision of expert advice and advocacy, via the Law Centre and the Citizens Advice Bureau, working alongside voluntary organisations and community

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groups, including the newly formed private tenants association. Expert advice can certainly make all the difference in particular cases. In March 2014, for example, the Law Centre hailed three victories in battles over the ‘bedroom tax’ where tenants were assisted to win their appeals and “are now getting full housing benefit”<sup>53</sup>.

Islington Council has also prioritised advocacy and campaigning. For example, Islington, along with a number of other local authorities, mounted a legal challenge to the Mayor of London’s proposal that new ‘affordable rents’, charged by housing associations, could be up to 80 per cent of the market rate. In addition, Islington Council has explored levying fines of up to £60,000 on new vacant properties, to stop buyers treating them as global financial investments rather than homes.

Most importantly, too, Islington Council has continued to build social housing, with 2,000 new affordable homes to be completed by 2015. This has been despite all the challenges faced in terms of financial constraints and the shortage of suitable sites in an inner city area like Islington.

## Liverpool City Council

Liverpool City Council faces very different challenges to Islington: 7000 empty derelict homes, negative land values in some areas and an imbalance in the housing stock. The council has no housing stock, having transferred it to a variety of housing associations which now own 40 per cent of the homes in the city.

The Mayor pledged to build 5000 new homes and bring 1000 empty homes back into use. Liverpool City Council is working with its partners to achieve these targets. Some innovative policies have been developed, particularly in relation to empty properties. These include ‘Purchase and Repair’ and ‘Lease and Repair’, which involve providing capital funding to refurbish around 450 empty homes for either affordable rent or low-cost home ownership, and ‘Homesteading’, which provides an opportunity for first-time buyers to purchase empty homes from the council for £1 and take on the refurbishment of them<sup>54</sup>.

In Anfield Village and Rockfield, housing regeneration involves the demolition of nearly 300 dwellings and the retention and improvement of over 550 homes to provide a sustainable housing mix for the area within an improved environment. Private properties are to benefit from front improvement works up to a value of £10,000 in Anfield Village and

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£15,000 in Rockfield. The cost of the works is placed as a charge on the property that is repayable in full by the owner if the property is sold within 10 years. Owner-occupied houses, which were going to be demolished, have been offered a grant of £20,000 for improvements, again repayable if the house is sold within 10 years. Selected properties have also benefitted from energy insulation.

Liverpool City Council is also rightly proud of their work to ensure rough sleepers do not spend a second night on the streets. In addition, they are likely to be the first city to adopt a city-wide licensing scheme to tackle the low housing standards in much of the private sector, but more funding and powers will be needed to enable effective enforcement of this policy.

## National reform is still needed

Local authorities will need to be centre stage, working with their communities to tackle the housing crisis, but local strategies need to be part of alternative strategies nationally, backed by national resources. As previous governments have demonstrated, even when faced with the challenges of the post-war period, much more can be achieved, in terms of providing genuinely affordable housing, as well as improving the quality of housing and security of tenants' tenure across different housing sectors.

Housing policies can be geared towards meeting housing needs, rather than facilitating the provision of housing as sources of capital gains. Tenants can become more directly involved in the management of their homes and democratic accountability can be further promoted through increasing support for the development of housing co-operatives (currently only 1 per cent of housing provision in Britain, compared with up to 15 per cent in European contexts). Furthermore, welfare policies can provide social security for those in need, rather than compounding their problems and increasing the risks of displacement and dispossession.

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## Chapter 5:

# What are the implications for a new progressive government?

An incoming progressive government will need to put housing at the top of their agenda if the challenges of declining standards, displacement and dispossession are to be tackled. Decent housing is a right and inequality of access to affordable housing is not only an injustice, but is also a major source of stress and mental health problems. Housing security is essential to ensure participation in all major aspects of life: securing employment, contributing to local communities, accessing stable education and caring for friends, family and neighbours. Having a mix of different types and tenures of housing, rather than gated developments contrasting with poorer neighbourhoods, allows for a thriving, lively community with a common understanding of different people's needs and interdependencies.

However, as we have emphasised in this paper, housing problems will not be solved without rebalancing the economy, reducing the demand pressure on London and redirecting public funds to poorer areas. When the present welfare reforms have come into full effect they will take nearly £19 billion a year out of the economy<sup>55</sup>. This is equivalent to around £470 a year for every adult of working age in the country. The North of England will have been particularly hard hit. Blackpool, in the North West, has borne the brunt with an estimated loss of more than £900 a year for every adult of working age<sup>56</sup>. This regional inequality provides the background to the different housing markets in the UK and requires change that goes beyond the recommendations of this paper. The recommendations below address the causes of the current housing crisis examined in this paper.

### Building more homes

The Labour Party has committed to building 200,000 homes a year by the end of the next Parliament. Any increase in housing construction must be gradual and linked to training schemes – not only to ensure a wider benefit to society and particularly to those needing skill training in the UK, but also to prevent the cost of construction

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spiralling. However, 200,000 units of social and private housing, though welcome, is really a very modest target. Given the scale of the problem more needs to be done:

- The Royal Institute of British Architects' (RIBA) Future Homes Commission<sup>57</sup> in 2012 stated that over 300,000 new homes a year were needed to stem the present housing crisis. **We should be aiming for 200,000 social rented homes each year and at least 100,000 private sector homes a year by the end of the next Parliament.**

- In order to achieve this, **restrictions on local authority borrowing must be removed.** The Association of Retained Council Housing has estimated that:

**...with the cap removed, councils would have the capacity to deliver up to an additional 60,000 homes over five years. This would require an additional £7 billion of borrowing which would be well within what councils could reasonably afford to borrow.**<sup>58</sup>

- **Additional funds will be needed to get to the 200,000 social rented homes.** These funds could be found from general taxation and local authority pension schemes. The RIBA's Future Homes Commission<sup>59</sup> called for an independently-managed £10 billion Local Housing Development Fund to kick-start an expansion in construction which would be financed and owned by the largest local authority pension fund. Funding could also be generated by a re-orientation of some questionable current infrastructure projects most of which will just further fuel the growth of London. Projects like HS2 Phase 1 (£17.16 billion (2011 prices)), Crossrail 2 (estimated £16 billion) or the new Silvertown Road Tunnel (at least £700 million), however desirable, are not the top priority.
- Furthermore, **private developments should contain at least 20-40 per cent council housing.** It is not acceptable, for example, that the redevelopment of Battersea Power Station, which will eventually see 3400 new luxury homes built, does not contain a single council house. Building more homes at social rent levels will reduce the £24.6 billion currently spent on housing benefit and liberate more resources for construction.

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- The construction of private housing also needs to be stimulated. This means ensuring the existing 400,000 homes with planning permission are built. **Legislation should be introduced to tax land banks that are not being developed or, ultimately, to compulsory purchase such sites, as Labour is proposing.** Measures must be taken to ensure construction companies revert to their intended role: building rather than land hoarding.
  - **Funding is required to deal with brownfield sites with negative values** particularly in Northern cities. Legislation is also required to ensure that new-build houses and flats are not able to become merely capital investments, bought in other countries for security and left standing empty; or that their value is so low they end up empty and derelict. This has been the case in many inner London boroughs. **Legislation is required to enable councils to increase the council tax on empty properties and to compulsory purchase any property that is left empty for more than 2 years.**
  - The government should also look to **recreate the new town model**, whereby, land is compulsory purchased for new settlements to ensure the proceeds of such developments are fed back into the community facilities of the new town. However, there must be two key differences. Firstly, **construction should be within or at the edge (without breaching Green Belt policy) of existing towns and cities** as this makes the maximum use of existing infrastructure and is more sustainable. Secondly, **local people and the new residents must be involved in the design and strategies for such new towns.** The Urban Development Corporation model is unacceptable as it meets neither representative nor participative democratic requirements.

## Safeguarding existing social housing stock

This paper has made clear that existing social housing stock in the South is threatened through Right-to-Buy and so called 'affordable rents' policy, while throughout England council house sales are resulting in stock becoming poor-quality private-rented accommodation.

- **National legislation is required to end the Right-to-Buy**, as is proposed in Scotland.

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- Furthermore **before an ex-council house can be re-let privately it should be offered to local authorities at a fixed price that reflects the original price, improvements and inflation so it can be re-let at a social rent.** Current restrictions cover re-sale within 10 years and are at market value, rather than original sale price plus inflation and the costs of improvements. They are often too expensive for local authorities to re-purchase. There are no restrictions on letting the property. Many ex-council houses are being allowed to degenerate while let out at relatively high rents. This should be rectified.
  - On coming to power a progressive government should **immediately end discounts for Right-to-Buy** while the new legislation passes through Parliament.
  - Finally, **the affordable rents strategy should be abolished.** In its current form it results in Government paying out higher levels of housing benefit or in homes going to those in less housing need. Housing associations should not be allowed to raise rents in existing social housing to 80 per cent of market rents in high cost areas. Social rents need to be protected.

## Protecting private tenants

This paper has shown how private tenants face rising rents, insecurity and in many cases declining housing standards. The Labour Party is already committed to bringing in some level of rent control but again more needs to be done. The following recommendations were in The Labour Housing Group's<sup>60</sup> list of 50 recommendations<sup>61</sup>:

### Labour Housing Group recommendations

20. The private rented sector should be modernised and reformed, with longer tenancies, greater security, more predictable rents, better regulation, and proper enforcement of safety and decency standards.

21. There should be licensing of letting agents supported by tough regulation. Labour should encourage the establishment of not-for-profit lettings agencies.

22. Estate agencies should be brought under the ambit of the Financial Conduct Authority.

23. All landlords should be registered in a self-financing scheme. Landlords may be removed if found guilty of illegal eviction, harassment, theft of deposits or serious disrepair.

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24. A minimum Decent Homes Standard should be introduced for private renting. Shared housing should be regularly inspected to ensure compliance with standards.

25. As part of a package of reforms, Labour should review the tax treatment of private landlords to encourage investment and introduce equity share repair loans to achieve the new decency standard.

26. Buy-to-let mortgages for existing homes should be discouraged with priority given to the new build market.

We would support these recommendations but suggest they need to go further. Research on housing across 24 European countries has suggested that housing conditions are better in countries where the non-profit and profit rental sector are unified<sup>62</sup>. There should therefore be less focus on owner occupation and **attempts should be made to bring the private rented sector up to the level of the social rented sector**. This means similar tenure conditions, a focus on decent homes and much lower rents with rent rises linked to inflation. To move in this direction we suggest new secure leases and:

- **A 5 year freeze on rent rises** beyond inflation to allow the increased supply to build up and reduce demand pressure.
- Resources devoted to **enforcing registration and a decent homes standard**.
- **The end of tax relief on buy-to-let mortgages** with funds going instead to promote co-operative housing or commonholding. Commonholding was introduced in 2002, where each flat occupant owns their property and has a collective interest in the association which owns and manages the shared parts of the property.
- **Streamlining the use of compulsory purchase powers** to deal with landlords who are slow in meeting the Decent Homes Standard so councils can take over management and maintenance of poor-quality private rented property.

## Protecting tenants from destitution, rent arrears and eviction

The cumulative impact of welfare reforms has been compounding the problems and increasing risks of displacement and dispossession. Evictions can cost local authorities

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more than is owed in rent arrears. Existing policies make little economic sense and are causing an incredible amount of stress and misery among the poorest in our society. In order to begin to tackle the housing crisis the following recommendations must first be implemented:

- **The housing benefit cap should be abolished and LHA should be based on the actual 50 percentile of market rents.** As explained earlier the LHA increase has been limited so in many areas they are now below the 30 percentile.
- **The Shared Accommodation Rate should only apply to those under 25 years old,** and not be applicable to vulnerable groups such as women who have experienced domestic violence and those with mental health issues.
- The spare room subsidy or **bedroom tax should be abolished** as the Labour Party has already committed to do.
- **The total benefit cap should be abolished.**
- **Sanctions in relation to employment benefits should only be used as a last resort** and all benefits appeals should be dealt with within specified time limits.
- **Tenants on benefits should receive 100 per cent council tax reduction subsidy.** As the European Commission recently stated, along with numerous experts in local government finance, council tax needs to be reformed to make it less regressive.

## Giving tenants a voice

If this programme is to be successful tenants need a stronger voice to fight for their rights. The Labour Housing Group has recommended a **new National Tenant Voice should be created for all tenants**<sup>63</sup>. We would like to see **local tenant voices in each local authority** area bringing together private rented tenants federations with social tenants and linking into a national body. We would also like to see a national website, where tenant rights are promoted, developed as soon as possible, supported by access to welfare rights information, advocacy and advice, at the local level.

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This strategy to promote the democratisation of social housing needs to include housing associations tenants as well as tenants in other tenures. Furthermore, the strategy must include support for the development of other, mutual, forms of tenure, increasing the proportion of housing co-operatives and co-housing, as a powerful counter balance to the marketisation of social housing and accelerating commercialism since 2010<sup>64</sup>.

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## Conclusion:

# Alternatives to declining standards, displacement and dispossession

An incoming progressive government must prioritise these reforms as part of wider strategies to promote balanced and sustainable development, tackle inequality and secure social justice. Local authorities have vital contributions to make, but they need the powers and resources to play their parts, developing alternatives to meet the needs of their communities most appropriately.

As the Islington case study has illustrated, so much can be achieved when local authorities work alongside voluntary and community organisations and trade unions, ensuring access to services, advocating for rights and campaigning for social justice for the future. Broad-based campaigning has already shifted public opinion, raising public awareness of the fundamental flaws and inherent injustices of the bedroom tax. Further campaigns are now needed to get real change and make sure housing once again provides all citizens with opportunities to participate fully and positively in society.

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