

Above inflation increases for council tenants should be opposed

The government has announced that from 2020 they will introduce a rent increase of CPI + 1% for council and housing association homes. This formula will last for five years. Currently they are operating a 4 year annual rent cut of 1% which began in April 2016. It was a means of saving money on housing benefit payments. Before the rent cut the Tories had committed to CPI + 1% for ten years. They announced this policy in May 2014 to apply from April 2015. Yet in the summer budget in July 2015, only 3 months after the introduction of the supposed 10 year new rent formula, the government decided to abandon it and introduce the rent cut from April 2016!

The current proposal to reinstate CPI + 1% has been welcomed by housing associations and some councils since it will boost the finances of their Housing Revenue Accounts (HRAs). However, *for tenants it would mean five years of above inflation rent increases*. This is under circumstances whereby rents, despite the recent rent cut, have increased to such an extent that they are too high even for some poor tenants.

For many years council tenants faced above inflation rent increases as a result of the New Labour government's 'rent equalisation' rules. This was designed to drive up council rents to housing association levels¹. Since the Tories came to power in 2010 rents have continued to increase way above inflation and earnings. In the 10 years up to 2015/16 council rents in Swindon rose by just under 57%² compared to inflation of 29% RPI³. As a result of these increases and benefit reforms we now face a situation where council rents are too high for some of the poor. So much so that Swindon Council has introduced a policy, "Greenlight for Housing", which imposes an "affordability test" to assess whether a council officer thinks that have sufficient income to pay the rent. Even if a particular household bids for a property and comes out top of the list they will not be given a tenancy if a council officer judges they can't afford the rent. Thus far about 5% of the people who have undergone the process have been deemed as unable to afford the rent and stopped from being given a tenancy. This number could well increase if above inflation rent increases become the norm again.

Being given the "Greenlight" for a council tenancy, does not, of course, guarantee that a household will not get into difficulties in the future. Given the fact that many people are in and out of temporary work, zero hours contracts etc, it is easy for them to fall prey to circumstances beyond their control.

If poor people can't afford council housing rent where are they supposed to live? Private rent is way above council rents. People under 35 in private rented accommodation can only receive the 'shared accommodation rate' (SAR). In Swindon this is only £61.04 a week, more than £40 less than the rate for a one bedroom property. Young people are less likely to be given a council tenancy unless they are disabled, have children or are

1 Housing Association rents were around 20% higher than council rents because they had to borrow money at commercial rates, whereas councils borrowed money at cheaper rates from the Public Works Loans Board.

2 DCLG Live Table 702 Local authority average weekly rents

3 23.5% CPI

considered in some way vulnerable.

The financial crisis faced by local authority Housing Revenue Accounts can't be resolved by above inflation rent increases. As a result of government policies, including the 4 year 1% annual rent cut, existing council housing is [underfunded](#)⁴. Driving up council rents will not provide sufficient funding, it will only impoverish already poor people, will lead to an increase of rent arrears⁵, and effectively prevent the poorest people from being able to afford council rents.

That's why Swindon Tenants Campaign Group will be opposing the introduction of CPI + 1% rent increases. The solution to the funding crisis is to fund them sufficiently so they can maintain and renew existing council housing stock rather than make the rents unaffordable for more and more people. Above inflation rent increases will simply worsen the homelessness crisis because councils will not offer tenancies to the poorest people.

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4 <http://keepourcouncilhomes.wordpress.com/2017/10/20/under-funding-of-council-housing-time-to-reopen-the-council-housing-debt-settlement/#more-1182>

5 Estimated arrears in 2012/13 were £632,186 but climbed to £1,285,313 the following year and have been over £1.3 million in each of the following two years.