STCG submission on Rents for social housing 20102-21

The proposal to introduce above inflation rent increases of CPI+1% for five years, from 2020, is said to be a means of

- establishing “a stable financial environment to support the delivery of new homes”, and
- “ensuring that providers have sufficient income with which to manage and maintain their properties.”

This is somewhat disingenuous given that the coalition and Conservative government have previously introduced policies which have destabilised the finances of council and housing associations. When the new council housing financing system was introduced in 2012 we were told that it would provide enough resources to maintain homes over the long term. However, no sooner had the system started than the government undermined the financial plans of councils by increasing the discount for Right to Buy (RTB). The amount of 'debt' each council was given was, in part, based on an estimate of RTB sales over the course of the 30 year business plans. The 'enhanced RTB' increased sales more than fourfold, so that councils are losing far more rent income than was included in their business plans.

Next, after abandoning their original proposal to introduce rent increases based on CPI+1% they introduced the four year rent cut. As the current consultation document admits, rents are 12% lower than they would have been if the rent cut had not been introduced.

The scale of the loss of income over the 30 years, resulting from these policies, is huge. Individual councils will take in hundreds of millions of pounds of rent less than they planned for in 2012. In the case of Swindon it is estimated that it will collect £360 million less rent than planned for. The CPI+1% will have no impact on this loss since a return to CPI+1% was built into the plans, in line with many other councils.

Whilst the four year rent cut obviously benefited tenants, the loss of income to Housing Revenue Accounts has led to a scaling back of work on their homes. Although existing tenants will have had a 1% rent cut for 4 years, the flexibility that councils have to raise rents by 5% above the rent formula (or 10% in the case of supported housing) means that new tenants are paying higher rents.

Despite the four year rent cut there has been a massive increase in rents as a result of the 'rent equalisation' policy implemented by New Labour and subsequent governments. From 2010 to 2017 council rents in England increased by 32%, way above the level of inflation and wage increases.

Given these facts, to reintroduce five years of above inflation rent increases would in effect make tenants pay the price for the destabilisation of the finances of housing revenue accounts resulting directly from government policies since 2010. The best way to ensure that councils “have sufficient income with which to manage and maintain their properties” is to reopen the 2012 debt settlement and readjust the 'debt' that councils were given, in line with the amount of income they are losing over the life of their 30 year business plans, owing to government policies.

Above inflation increases will be counter-productive. They will increase financial pressure on low paid tenants, many of whom are in precarious work, and will drive up the Housing Benefit bill (HB). Indeed, the consultation documents highlights that increases of no higher than inflation would save £2.4 billion on HB payment from 2020-25.

For these reasons, Swindon Tenants Campaign Group is opposed to CPI+1% increases and calls on the government to limit rent increases to no more than inflation. Although the document says that CPI + 1 % is an upper limit and that councils can set lower rents, given the financial situation which most HRAs face, it is unlikely that many councils will refuse to raise rent the full amount.

What of the concern expressed about the impact of such a policy on new building? If the government had been concerned with promoting building new council housing then it would not have ended support for it, offering grant only for the puny figure of 8,000 supported housing units nationally, in the second round of its Affordable Homes Programme

The consultation document refers to the introduction of “affordable rent” which was supposedly a means of promoting more building by housing associations and councils. In this “affordable rent” has failed as you can see from the Table below. Building is no higher after the introduction of “affordable rent” than it was in 2011-12, the high point of the National Affordable Homes Programme introduced by New Labour.

We are of the view that **“affordable rent” should be abandoned in favour of 'social rent'**. Its introduction was counter-productive both from the point of view of increasing financial pressure on tenants whose rent is not covered by HB, while at the same time driving up the national HB bill. If the government wants to “limit the welfare costs associated with social rent” then it should reinstate universal social rent since “affordable rent” produces higher HB payments.

Even with an end to the borrowing cap the Ministry of Housing estimates that this will only produce an extra 10,000 council homes a year. The OBR suggests this might be only 20,000 in five years. As Tory Leader of the Local Government Association, Lord Porter, has said, the last time there were 300,000 homes built, more than 40% of them were council housing. “We have to get back to this” he said. Building on such a scale cannot happen without the reintroduction of central government grant. What is certain is that above inflation rent increases will not provide the resources to build on any scale. The saving on the HB bill with inflation level rent increases could be directed towards grant for councils to build new homes.

Martin Wicks
on behalf of Swindon Tenants Campaign Group

'Social housing' new building - England

Year	Housing Associations	Councils
2008-09	26,690	490
2009-10	26,520	270
2010-11	23,550	1,140
2011-12	27,460	1,960
2012-13	22,060	1,360
2013-14	21,790	910
2014-15	27,020	1,360
2015-16	26,470	1,900
2016-17	25,230	1,850
2017-18	27,250	1,870