

A war of attrition against Council Housing, and Council tenants



A SHAC Briefing on the Housing and Planning Bill, January 2016

The government's housing and planning bill, which is currently going through parliament, marks the stepping up of its war of attrition against Council housing and Council tenants. It will lead to a decline in the numbers of Council homes available at a time when there is a shortage of genuinely affordable homes for rent. Here is what it's doing.

Sale of 'high value' homes – stealing Council homes

The government is extending 'right to buy' to Housing Associations. In order to raise the money to compensate them for the difference between the discounted price for the sale of their homes and the market value, Councils will be forced to sell 'high value' homes when they become vacant. Like much in the Bill a government Minister will decide what 'high value' means and he/she will have the power to change it *at will*. It's outrageous that Councils would be forced to sell homes and give the proceeds to completely different organisations, leading to a decline in the number of Council homes available for people on the waiting list. We have no guarantee that Councils will be able to retain any receipts since the level of sales may be insufficient to fund Housing Association 'right to buy' sales.

Housing Association homes sold off will not be replaced with homes for 'social rent' but 'starter homes' or houses for sale on the market. So the number of 'social rent' homes will decline instead of being replaced 'like for like'.

'Pay to stay' will promote more sales

The coalition government introduced 'pay to stay', giving Councils the right to charge tenants with a household income of £60,000 and above, private market rents. Hardly any Councils took up this right because of the onerous administrative burden of finding a small number of households with that level of earnings and operating a means test. Indeed the government does not even keep statistics on how many Councils have applied 'pay to stay' nor the amount that has been raised. Now the new Housing Bill includes the *compulsory* introduction of 'pay to stay' for Council tenants. What the government ironically calls 'high earners' with household income¹ of £40,000 in London and £30,000 elsewhere will be subject to paying a market rent. This income level is actually below the *average* household income. As the Association of Retained Council Housing has pointed

out two people earning the minimum wage earn about £27,000 a year. These are not 'high earners'.

We don't yet know how this system will be operated. It will be introduced by Ministerial regulation. But we can be sure of two outcomes. It will provide an incentive for turning down a promotion or a better paid job if the outcome is a massive increase in rent. For those significantly above that income, faced with paying a market rent, it will be an incentive to take advantage of 'right to buy'. A mortgage is likely to be cheaper than a market rent. *More desperately needed homes will be lost as a result.*

To add insult to injury the government is proposing to *confiscate* the extra rent income which Councils would take in, to use it towards 'paying off the national debt'. This is legally questionable as it is in breach of the 'ring-fence' of the Housing Revenue Account, which stops tenants' rent being used for non-housing purposes. Housing Associations will be able to keep their extra income but Councils won't!

Ending secure tenancies

In a late amendment to the Housing and Planning Bill the government is proposing to impose a duty on all Councils to have fixed term or 'flexible' tenancies for new tenants. Currently they have the right to introduce 'flexible' tenancies but many Councils have not done so because of the instability it will cause for tenants and the administrative burden it will impose on them. They will have to carry out thousands of reviews when each tenancy ends, to determine whether to renew or end them. As well as making 'flexible tenancies' compulsory the government is imposing a maximum of 5 years for a tenancy.

This will transform Council housing into *means-tested social welfare*. It will introduce *permanent instability* into the lives of tenants who will face the threat of eviction even if they pay their rent on time and do not behave in an anti-social way.

Tenants have had 'secure' tenancies since 1980. They gave them real security, knowing that they could not be forced out as in the private sector, unless they fell into arrears or broke their tenancy agreement. This security generally meant that they treated the property well, spent time, effort and money on its upkeep, because they knew it was a long term *home*. Forcing tenants onto 5 year tenancies will mean that they are unlikely to spend any money on them, unsure as to whether they will be allowed to stay or be forced to move against their wishes. It will work

1 The top two earners.

against settled communities, and threaten to disrupt schooling if tenants are forced to move.

Subsidising home ownership, no support for 'social rent'

The government's ideological opposition to 'social housing' is reflected in its abandonment of support for 'social rent'. Less than 10,000 new 'social rent' homes were built last year. It is introducing subsidies for 'starter homes', 20% below the market price. The government is introducing an *obligation* on Councils to promote a certain percentage of 'starter homes' on all sites. In another example of centralising more power in Whitehall the Minister will decide what percentage they have to promote. Of course, there will be no obligation on Councils to build council housing.

The government is also subsidising a Help to Buy Shared Ownership scheme with part-ownership with a share of 25-75%, to the tune of £4 billion. Shared ownership enables people who can't afford a full mortgage to get a roof over their head but there is little evidence of them serving the declared purpose of increasing their share to the point where they own 100%.²

There is still £700 million available for 'social housing' left in the pot of the government's "affordable homes" programme 2015-18. However, it has just been announced that the majority of this will be devoted to part-ownership. So those local authorities such as Swindon that were expecting to put in bids for this second tranche of money will either have to scale back their plans for building or not put in a bid at all. The money that was previously available could only be bid for if Councils agreed to apply 'affordable rent' (up to 80% of market rents). *They were not allowed to build Council homes with Council rents with these grants.*

Starving Council housing of funds

In 2012 the coalition government introduced a new Council housing finance system, 'self-funding'. What was supposed to be the national housing debt was divided up amongst Councils³ and henceforth they could keep all the rent

² Under law those with shared ownership remain tenants. They are responsible for repair and maintenance costs and there will be a service charge for common areas. According to the home ownership alliance rents can increase by inflation plus 2% each year.

³ Swindon had an extra £138.6 million 'debt' imposed on it.

income from tenants, some of which had previously gone to the government. The level of 'debt' was based on an assessment of how much rent Councils would take in over 30 years, and how many homes they were likely to sell under 'right to buy'. Since then the government has introduced policies which have meant Councils taking in much less rent than estimated in 2012. They increased the discount for 'right to buy' which led to a three fold increase in sales, meaning that Councils took in less rent than was estimated in the 'debt settlement'. This year they are introducing a rent cut of 1% a year for four years, which will mean the loss for Swindon's Housing Revenue Account of £22.8 million. The forced sale of 'high value' Council homes and the introduction of 'pay to stay' will increase sales. Each one sold is lost rent income.

What this means is that Councils were given a level of 'debt' based on a much higher income from rent than has in fact been taken in. *It means that Councils will have insufficient income for the upkeep and improvement of their homes.* That's why tenant groups have been demanding part or full write off of the 'debt' owing to the loss of income resulting from government policies. The so-called 'debt' was not the result of actual borrowing but the product of 'creative accountancy' by the Treasury which has fleeced tenants for years.

War of attrition

The result of government policy overall will be to progressively cut the number of 'social housing' homes available and force people either to buy (if they can) or to go into the growing private rental sector with its high rents and often poor living conditions. The English housing survey estimates that a third of the private rental sector fails the 'decent homes standard'. Perhaps that's why the government is considering doing away with this standard.

They are starving Council housing of funds and reducing it to a tenure designed for people who they dismiss as 'failures' because they can't afford to buy a home.

**Swindon Housing Action Campaign
Addressing Swindon's Housing Crisis**

Join our campaign for decent, secure and genuinely affordable homes for all.

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