

## **UNISON briefing on the Coalition government's housing policies**

### **1 Introduction**

Housing is a significant issue for UNISON members. The union represent hundreds of thousands of members in housing related roles in local authorities, housing associations and ALMOs, on terms and conditions, industrial and occupational matters. In addition UNISON is an active campaigner on housing from a citizenship perspective, seeking to highlight issues around the availability, condition and affordability of decent housing for public services workers and the population more widely.

In the recent past the union's main policy focus has been on:

- i) keeping council housing in house and supporting national and local campaigns for a level playing field, including the ability to bring the quality of housing up to the Decent Homes Standard without having to transfer stock / management of stock to a housing association or arms length management organisations (ALMOs) or enter into a PFI;
- ii) campaigning for an increase in the supply of affordable homes, including new council homes
- iii) calling for an effective mortgage rescue package following the credit crunch in 2008.

The former issue in particular carried industrial significance for our members, who faced transfer from their local authority, but was also important in terms of the union's commitment to public housing as an important and accountable public service. The campaign for an increase in the supply of affordable homes, whilst more of a citizenship campaign, took place in the context of a fast evolving public / social housing sector characterised by the promotion of different types of affordable housing (e.g. shared ownership) and the emergence of new and transformation of existing providers (e.g. ALMOs and housing associations )

Whilst the aim of this paper is not to provide a thorough evaluation of successes and failures hitherto, its useful to note the main housing developments over recent years in order to provide a *state of play* against which to set out the policies of the new coalition government.

In terms of our objective of keeping housing and housing management in-house, there have been many success stories in which branches have campaigned with tenant groups and succeeded in winning ballots against stock transfer. However, in terms of the wider picture, ALMOs now manage more than half of all council housing. Although the Decent Homes programme, which ALMOs were established to address, is drawing to a close, it remains to be seen whether councils will bring the management of their homes back in-house.

<http://teams.unison.org.uk/departments/PPA/Policy/Housing/coalition%20housing%20analysis%20of%20PDCC.doc>

In addition, one million council homes have been sold to housing associations, who have now overtaken local authorities as the main providers of social housing.

In relation to the supply of new affordable homes, there was a sense that the previous government did turn the corner and wake up to the need for housing to become a political priority. The Barker Review, published in 2004, recommended planning reforms, a major increase in overall housing supply and higher investment in social housing. Shortly after Gordon Brown became Prime Minister in 2007 a target was set to accelerate house building to 240,000 homes a year by 2016. This included 50,000 social homes a year from 2015, and an overall ambition for 3 million new homes by 2020. Similarly ambitious targets were set by the government in Scotland.

The Homes and Communities Agency (HCA) was set up to drive development of affordable homes and link housing with regeneration. A new regulator, the Tenants Services Authority (TSA), was also established.

In 2007 224,680 homes were built in the UK across all sectors. This was the highest figure since 1981 and the first time in at least 20 years that the number of new social homes built outstripped those lost through right to buy. Unfortunately, this proved to be the high water mark. The global financial crisis resulted in a significant reduction in the number of new homes, to approx 100,000 during 2008, and a far greater reliance on the public sector. Nearly three quarters of housing starts in England in 2009/10 were part funded by the HCA.

Over the same period local authorities began to re-emerge as developers and providers of new council housing. A review of the Housing Revenue Account (HRA) was established and a budget established for local authorities to bid to build new council homes. Labour went into the 2010 General Election with a manifesto commitment to reform the HRA in England so that local authorities could maintain properties to a decent standard (the Decent Home Standard) and build up to 10,000 council houses a year by the end of the parliament. The manifesto also pledged to deliver a 'new form' of affordable housing, by which it meant an expansion of intermediate housing. Although Labour had been persuaded of the logic of new council homes, they continued to see local authorities role within the context of a mixed economy, in which the main providers of social and affordable homes would be housing associations.

Against this backdrop the next section of the paper provides an overview and analysis of the coalition government's policies and their implications.

## **2 The Coalition's housing policies and their implications**

### **2.1 Planning changes and housing targets**

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The coalition is abandoning Labour's housing targets. Hitherto the targets were agreed through a framework of regional spatial strategies. The Decentralisation and Localism Bill, announced in the Queen's Speech, will scrap regional spatial strategies altogether. Decision making on housing and planning will now rest entirely with local councils.

The Bill will also provide for the creation of new trusts that will enable 'communities to provide homes for local people.' This is an idea that first emerged in the conservative's 2009 housing green paper, with the aim of allowing 'villages and towns to develop the local homes that local people want provided there is strong community backing.' Strong community backing was originally conceived as any proposal that did not attract more than 10 per cent opposition in a community referendum. Reports in Inside Housing suggest that current thinking in the Department for Communities and Local Government is that the percentage of participants required to block a development in a ballot is likely to be lower than 10 per cent.

The coalition's programme for government envisages such measures being augmented by changes to the HRA and incentives for local authorities 'to deliver sustainable development, including for new homes and businesses.'

The housing minister has subsequently announced plans for a New Homes Bonus, under which the government will match the council tax raised on each new dwelling for six years. The government envisage this financial incentive encouraging councils to approve the development of new homes. Councils would be free to use the income as they pleased. A consultation on the scheme is to be published in October.

Other planning changes announced by the coalition include altering the classification of gardens within the planning system to prevent 'garden grabbing.'

### **Implications**

- *Fewer new homes*

Both the Chartered Institute of Housing (CIH) and the National Housing Federation (NHF) have voiced concern that planning reforms will have serious implications for the number of new homes.

Recent newspaper reports revealed that the NHF had written to the new housing minister warning that plans to replace the regional planning system with local decision making risked pushing housing development 'off a cliff.'

- *A nimby veto*

CIH have undertaken opinion polling that indicates small but active minorities opposed to new homes being built in their areas. 15 per cent of respondents were opposed to new homes being built, a figure that rose to 20 per cent of retired people and 22 per cent of those who owned their home outright.

Such opposition, if replicated, could clearly act as a blocking veto on many developments in towns and villages, particularly for affordable and social housing which, as CIH point out, can be more unpopular with existing residents.

- *Impact of New Homes Bonus*

The housing minister has indicated that there would be no new money for the New Homes Bonus. Although details of the New Homes Bonus will not be published until October, there are already concerns that the scheme, were it to actually work (and there are many who think it won't) would result in cuts to other services. The previously published Conservative policy document, Strong Foundations, envisages such a scheme being funded by top slicing existing grant.

## **2.2 Cuts to spending - the deficit reduction plan**

Magnifying the threat to the number of new homes being built from planning changes are cuts to the housing budget as a consequence of the government's deficit reduction plan. Initial cuts of £150 million were announced in May. Shelter and the NHF have warned of further cuts amounting to £610 million and then even deeper reductions following the spending review in October. The HCA has a budget of £6.12 billion, of which £2.4 billion supports the National Affordable Housing Programme. Given that only the Health and International Development budgets are ring fenced the HCA is vulnerable to the 25 per cent of cuts that its parent department, Communities and Local Government, will potentially have to make. Some commentators are predicting housing and regeneration will be easier to cut because they are heavily reliant on capital spend. The NHF is lobbying for housing to be considered within the capital spend totals that the Chancellor has said he would retain and prioritise in the forthcoming spending review.

There are also a series of other housing related cuts, the most significant of which are the £30m cut to the Supporting People administration grant (which comes on top of potential cuts to the service as a consequence of the removal of the ring fence) and the 10 per cent cut in the cost of quango running costs.

### **Implications**

- *Even fewer new homes*

NHF have estimated that a £610m cut will mean 9000 fewer homes. These will spread across a range of different programmes funded by the Homes and Communities Agency, including new council homes (in many cases the first homes built by councils in 20 years), housing association homes, housing market renewal programmes and the kickstart scheme which re-starts building projects mothballed during the credit crunch.

- *Fewer jobs*

Shelter have calculated that every pound cut from public expenditure in housing, the wider economy takes a hit of £3.50. Projected reduction of expenditure of £760m (the initial £150m, plus the additional £610m), they suggest, will mean 12,625 fewer homes, 19,000 job losses and a cost to the economy of £2.7 billion.

- *Higher waiting lists*

Waiting lists for social rented housing currently stand at around 1.8 million. Fewer new homes being built will result in longer waiting lists and a whole series of social consequences associated with homelessness, overcrowding and unfit accommodation. These include mental health and educational impacts.

- *Greater pressures on housing providers to do more with less*

Cuts in funding will intensify pressure on housing providers to do more with less. Housing commentators have suggested that existing housing associations that do not currently develop new homes will be under pressure to make better use of their assets. Others have suggested that we will see a wave of mergers, and new partnerships between housing associations, local authorities and the private sector as providers look for ways of plugging gaps created by reduced grant levels from the HCA.

Doing more for less could well include a greater prevalence of intermediate housing. The National Housing Trust, set up by the Scottish Government, is setting up the first of what some suggest will be many large scale developments of intermediate rented housing in the UK. In Scotland the developments will be joint ventures between local councils and private developers and deliver homes targeted at households on low to moderate incomes who can't afford to buy or afford market rents but aren't in a priority group for social rented housing.

Typically, intermediate rented housing implies assured shorthold tenancies and rents in the region of 80 per cent of market level

### **2.3 Housing Benefit**

A package of reforms to housing benefit (HB) were announced in the budget, including:

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- capping the maximum Local Housing Allowance payable for each property size as follows
  - £250 for one bed properties
  - £290 for two bed properties
  - £340 for three bed properties
  - £400 for four bed properties
- time limiting the receipt of full HB for claimants who can be expected to look for work to 12 months. At this point HB is reduced to 90 per cent
- restricting HB for working age claimants in the social rented sector who are occupying a larger size property than their household size warrants
- changing the way in which Local Housing Allowance (LHA) rates are calculated, resulting in claimants only being able to afford to rent 3 in 10 of available local rented properties, rather than 5 in 10 at the current time
- linking rises in LHA with the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI), The CPI excludes housing costs and is historically lower, implying a growing gap between LHA and rent levels.

### **Implications**

- *exporting poverty*

Capping HB will push claimants out of high rent areas, and force people out of their communities. Some commentators have pointed to the effect that this measure will have in terms of exporting poverty to suburbs, and its potential electoral implications.

- *difficulties in finding accommodation for HB recipients*

The reforms could result in landlords avoiding lets to people in receipt of housing benefit (many of whom are low paid workers rather than the unemployed) due to their perceived high risk.

- *homelessness and evictions*

There is also a serious risk that these policies will result in higher levels of evictions and homelessness.

- *Higher rent arrears*

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Housing Associations and councils face an increase in rent arrears, as tenants HB no longer keeps up with rent levels.

## **2.4 Council housing**

The future for the way in which council housing is financed remains uncertain. As stated above, Labour established a review of the Housing Revenue Account (HRA) for England. This resulted in proposals to dismantle the national system of annual determinations of positive and negative subsidies across different local authority areas. The proposals would involve a one off settlement in which all existing debt would be distributed across local authorities. In return local authorities would get to keep all revenues from rents and sales. The ring fence for the HRA would remain.

The coalition housing minister has announced that he will consider responses to the consultation around the proposals begun by his predecessor before making a decision on the proposals. The consultation ends in early July.

By contrast, in Scotland the Executive continue to demonstrate a clearer commitment to new council housing. Recent announcements have been made regarding new funding for a scheme that will build on other recent initiatives and provide a total 3,300 new council homes. The Executive are also passing legislation to scrap the Right to Buy.

## **2.5 Security of tenure**

David Cameron has opened a debate about tenure for future council and housing association tenants, proposing to end security of tenure. Cameron said he wanted to see fixed terms for all new council and housing association tenancies lasting as little as five years to help increase social mobility.

He said "there is a question mark about whether, in future, we should be asking when you are given a council home, is it for a fixed period? Because maybe in five or 10 years you will be doing a different job and be better paid and you won't need that home, you will be able to go into the private sector."

### **Implications**

- *Disincentives to work*

Whilst the government themselves argue that such an approach will benefit those currently on waiting lists and lead to greater social mobility, critics have suggested that it will create an incentive to tenants not to take higher paid work and lead to social housing estates becoming ghettos of the workless poor.

- *Insecurity*

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Tenants of social housing would face uncertainty about their future housing arrangements. This might well carry a high price in terms of stress, quality of life, health and the educational attainment of children being brought up in transient and insecure conditions.

## **2.6 Regulatory change**

Labour introduced a number of changes to the regulatory framework. These included establishing the Tenants Services Authority (TSA) to regulate the social rented sector and beginning to introduce a tougher regulatory regime in the private rented sector. Both initiatives have been scrapped. UNISON has members in the TSA.

- *Implications for rates at which housing associations can borrow*

One important consequence of scrapping the regulator is that it will impact on the rate at which housing associations can borrow. Financial regulation provided by the TSA has been priced in by ratings agencies to loan rates. Scrapping the regulator could impact on rates at which housing associations can borrow, which in turn will have implications for their business models.

- *A worse deal for private tenants*

Citizens Advice Bureau have heavily criticised the coalition's announcement that they will scrap plans for a National Register for Landlords, create statutory regulation of letting and managing agents and make written tenancy agreements compulsory. They say that the unregulated system badly lets down tenants and landlords by allowing rogue letting agents to operate completely unchecked, impose unjustified and excessive charges, provide poor or non-existent services and sometimes disappear with tenants and landlords money.

## **3 Conclusions**

These developments will clearly impact on UNISON members, their families and their communities in the coming months and years. As such the union will play an active part in campaigning against the coalition's housing policies and be fully involved in developing alternatives that deliver the secure and affordable homes that our members' families and others on modest incomes need. Further briefings and updates on the union's response will be published in due course.