

**AFFORDABLE HOUSING COMMISSION: CALL FOR EVIDENCE**

**UNISON SUBMISSION**

**APRIL 2019**

**ABOUT UNISON**

UNISON is the largest trade union in the UK, with 1.3 million members. It is also the largest trade union in the UK that represents people that work in housing. Approximately 100,000 members are employed by local councils and private registered providers (housing associations) delivering a range of services for people living in a variety of tenures, for people in housing need or substandard housing, for people requiring assistance in meeting their housing costs.

UNISON welcomes the opportunity to submit evidence to the Affordable Housing Commission.

The current policy context for this submission is:

- austerity
- a government housing policy framework directed primarily at supporting and promoting homeownership
- a deregulated private rented sector
- a wholly inadequate supply of new housing
- a collapse in the development of new housing for social rent
- the continued depletion of the local authority housing stock
- increasing limitations on the housing choices open to people in low paid employment due to:
  - house prices rising faster than wages
  - (unaffordable) private sector rents rising with wages
  - more restricted access to ‘social housing’
  - a growing gap between the actual rent charged and the rent supported by the state through housing benefit or universal credit

The scale and impact of these limitations is subject to variation by and within regions

**A policy framework directed primarily at supporting and promoting homeownership**

Wilcox and Williams<sup>1</sup> found that private renting and homeownership are being funded and supported by almost £39 billion over the five years to 2020/21 and that of that, about 60% exclusively relates to homeownership.

The level of funding and support for new social rented housing has been minimal reflecting the significant policy imbalance.

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<sup>1</sup> Dreams and Reality; Steve Wilcox and Peter Williams; Chartered Institute of Housing; September 2018

## **A wholly inadequate housing supply**

The UK Housing Review (2018) says that the current backlog of households with housing need is 4 million and that over a fifteen year timeframe the level of new house building required is 340,000 new homes a year.

A critical policy shift took place during the 1980s when the government sought to effectively end the role of local authorities in building new homes for (social) rent and encouraged the depletion of the local authority housing stock a) through what has become known as the Right to Buy, but in reality was the right to a discount when purchasing a public asset and b) through the large scale voluntary transfers of the local authority housing stock.

The impact of the policy shift can be seen in Table 1 where the annual number of new local authority starts drops from over 90,000 in 1977/78 to less than 2,000 in 2017/18.

Permanent Dwellings started (England)				
	Private Enterprise	Registered Social Landlords	Local Authorities	Total
<b>1977-78</b>	115,640	26,350	90,750	232,740
<b>1987-88</b>	174,890	9,920	15,980	200,790
<b>1997-98</b>	136,280	19,630	260	156,170
<b>2007-08</b>	146,160	24,100	180	170,440
<b>2017-18</b>	133,820	24,730	1,630	160,180

A key component of any solution must be the return of major public sector house building programmes.

If that is to be achieved national government policy needs to undergo a major policy shift setting out:

- significant public subsidy for the construction of new social rented housing
- that new social housing will meet high standards of sustainable construction, have good space standards and high levels of energy efficiency to assist the government in meeting its' climate change objectives
- that the subsidy not only results in the creation of public assets but is also in the interest of taxpayers because it also results in a reduction in public expenditure in the long term (30 plus years) as the support for housing costs provided to the enlarged social rented sector replaces expenditure that would otherwise be incurred in the private rented sector
- that all local authorities will need to play their part in contributing to a major public sector house building programme and that this is a long term policy shift that will give local authorities the confidence to re-establish the in-house teams that will be essential to delivering it.
- the national workforce strategy required to deliver the major public sector house building programme

It is worth noting that since 1939, the delivery of 200,000 new homes per year in England has largely been due to major public sector building programmes.

## The virtual disappearance of new housing for social rent

Homes England (previously known as the Homes and Communities Agency) published data on starts on site for various aspects of its programme. The figures reveal just how minimal the 'social rent' programme has become.

Note: The reference to (Un)affordable has been inserted by UNISON.

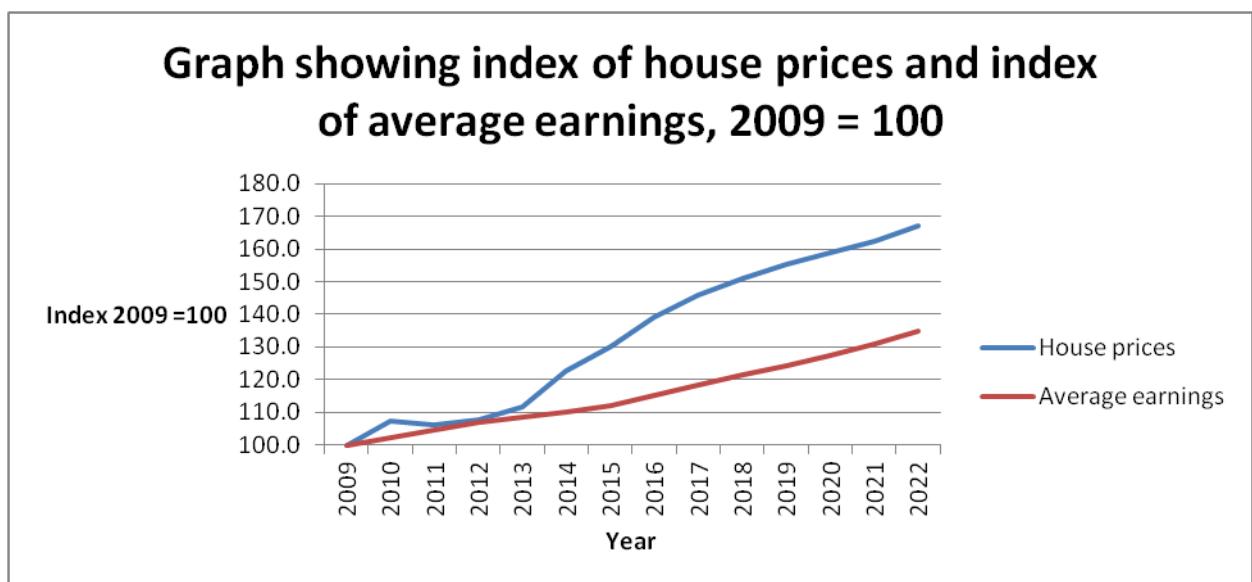
	'(Un)Affordable' Rent - up to 80% of Market Rent	Social Rent	Intermediate Rent	Affordable Home Ownership	<b>Total 'Affordable'</b>	Market	<b>Total</b>
Total (Apr - Sep 2018)	5,714	493	190	3,512	9,909	5,857	15,766
Total 2017/18	17,159	1,409	153	9,184	27,905	14,747	42,652
Total 2016/17	22,113	950	24	6,043	29,130	11,810	40,940
Total 2015/16	16,544	630	5	4,139	21,318	11,790	33,108
Total 2014/15	21,879	1,245	21	3,313	26,458	8,902	35,360
Total 2013/14	25,182	2,580	-	4,630	32,392	5,909	38,301
Total 2012/13	18,056	2,785	34	4,370	25,245	14,533	39,778
Total 2011/12	7,045	2,281	-	1,941	11,267	4,071	15,338
Total 2010/11	..	24,316	708	7,113	32,137	5,963	38,100
Total 2009/10	..	28,859	1,646	7,721	38,226	9,275	47,501

## House prices and earnings

Owning a home has become virtually impossible for many of our public sector workers who provide vital services such as health and social care. Our 2018 research, [Priced Out: home ownership and public sector workers](#), shows that getting a deposit together and obtaining a mortgage are often insurmountable hurdles for those living in the majority of local authority areas across England, Scotland and Wales. Saving the money for deposit on a property would take decades – or more than a century for public service workers in some parts of London.

With wages stagnating and costs of living rising, a growing number of UNISON members spend increasing amounts of time and money on long commutes to work because they cannot afford to live near their place of work. Many of our members also have grown up children living with them, not out of choice but out of necessity, because of the high costs of housing.

The Economic and Fiscal Forecasts published by the Office for Budget Responsibility show a widening gap between house prices and earnings.



The reasons for house price inflation are complex and are subject to significant regional variations, but there is a growing body of evidence - reflected most recently in the profits declared by developers (both overall profits and profits per property), and the Morgan Stanley report – that Help to Buy may be acting as an inflationary stimulus to house prices.

The consequences of house prices increasing faster than earnings are numerous, delayed access to the owner occupied sector, an increase in the number and length of time adults live with their parents, delays to couples starting a family, lenders offering mortgages with longer periods for repayment and an increasing divide between families with housing wealth and those without.

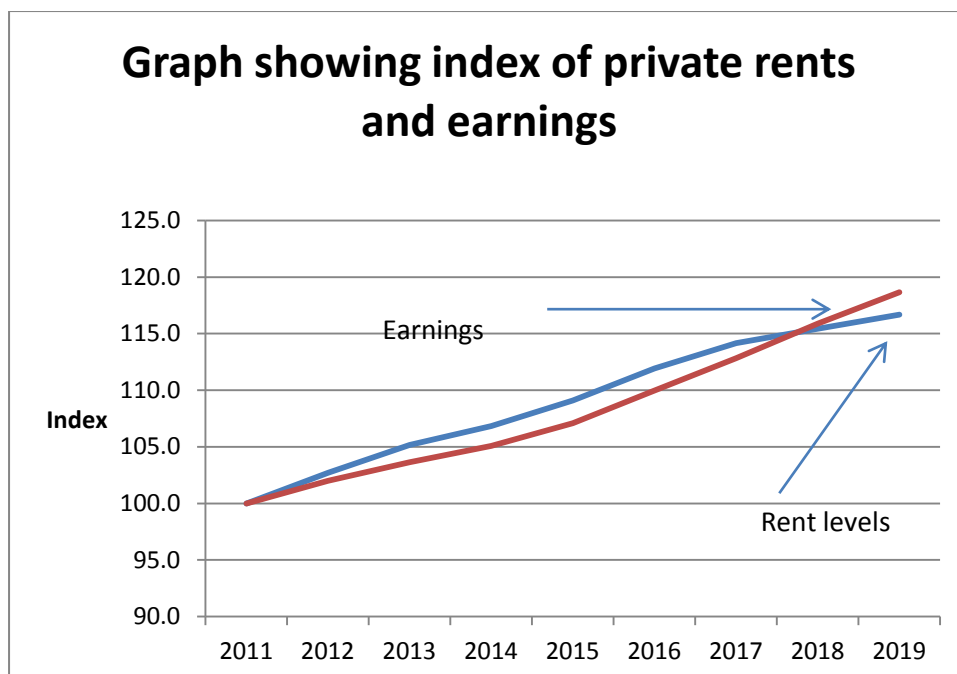
## Private rents and earnings

In many parts of the UK, the [price of renting a home in the PRS](#), has risen steadily, while public sector salaries have not.

UNISON analysis on [housing costs for public sector workers](#) looked at how much public sector workers spend on rent across five public sector jobs: a porter in NHS England, a special needs teaching assistant, a refuse driver, a nurse and a police community support officer (PCSO), and how much of their monthly salary they have to spend on rent, depending on where they live. The regions in the research are: North East, North West, Yorkshire and the Humber, East Midlands, West Midlands, East of England, South East, South West and London.

- In six out of nine English regions, rental costs are more than a third of workers' monthly wage
- Hospital porters are struggling the most, with all rents unaffordable to them in all nine English regions. The most expensive areas for porters are London, the South East and the East of England, where housing costs swallow up over half their take home pay
- Teaching assistants do not fare much better, with rental costs more than a third of their monthly wage in half a dozen of English regions
- The same is true for refuse drivers in five regions and for nurses and police community support officers (PCSOs) in four
- In London, a teaching assistant would have to spend **78%** of their monthly take home salary on a one-bedroom property. A refuse driver **74%**; a nurse **71%** and a PCSO, **70%**.

Using the ONS index of private housing rental prices and the earnings figures from the Office for Budget Responsibility (OBR) Economic and Fiscal Outlooks, average rents in the private rented sector have been rising broadly in line with growth in earnings.



## State support for people living in the private rented sector

The June 2010 budget set the local housing allowance (the maximum rent that is supported by housing benefit and now Universal Credit) at the 30th percentile – i.e. if all rents are placed in order the rent that represents the upper boundary of the bottom 30 per cent.

This change was introduced from April 2011.

Previously the Local Housing Allowance had been set at the median or 50th percentile.

This change had the effect of limiting access to the private rented sector for people in receipt of state support for their housing costs. Further restrictions included a cap on the rent allowance by property size, a series of limitations to increases in LHA rates (to CPI and a four year freeze with some exceptions) and an increase in the age below which the shared room rate applies from 25 to 35 years old.

As a result the maximum LHA is now below the 30th percentile. For people on low incomes either the monthly shortfall is met from an increasing proportion of earnings being used to meet housing costs or it leads to further restrictions on the access that people on low incomes have to the private rented sector.

Table 1

Two largest monthly shortfall between 30th percentile and LHA for a two bedroom property by BRMA and region

Region	BRMA	30th percentile	LHA max	Monthly Shortfall
Eastern	Cambridge	£824.99	£668.25	-£156.74
Eastern	South West Herts	£1,049.98	£907.98	-£142.00
East Midlands	Northampton	£674.99	£582.26	-£92.73
East Midlands	Rugby & East	£625.02	£537.16	-£87.86
London	Central London	£2,274.99	£1,393.69	-£881.30
London	Outer East London	£1,300.01	£1,058.33	-£241.68
Northern	Tyneside	£475.02	£449.99	-£25.03
Northern	Darlington	£410.02	£394.98	-£15.04
North West	Central Greater Manchester	£650.00	£536.98	-£113.02
North West	Southern Greater Manchester	£650.00	£573.75	-£76.25
South East	Guildford	£1,100.00	£968.81	-£131.19
South East	North West Kent	£824.99	£705.41	-£119.58
South West	Bristol	£824.99	£698.41	-£126.58
South West	Bath	£875.00	£748.47	-£126.53
West Midlands	Birmingham	£625.02	£554.54	-£70.48
West Midlands	Warwickshire South	£749.99	£693.15	-£56.84
Yorkshire and Humberside	York	£625.02	£536.98	-£88.04
Yorkshire and Humberside	Sheffield	£524.99	£465.42	-£59.57

## Retired workers and the Private Rented Sector

According to the Office for National Statistics 4.5 million households lived in the private rented sector in 2017 compared with 2.8 million households in 2007.

The latest ONS release (January 2019) specifically draws attention to the fact that households in the private rented sector are getting older; between 2007 and 2017, the proportion of household reference persons aged 45 to 54 increased from 11% to 16% while those aged 16 to 24 dropped from 17% to 12%.

Age range	2007	2017		2007	2017
	%	%		Number	Number
16 - 24	16.86	11.51		472080	517950
25 - 34	35.83	34.96		1003240	1573200
35 - 44	22.30	22.83		624400	1027350
45 - 54	11.29	15.57		316120	700650
55 - 64	6.85	8.12		191800	365400
65 - 74	3.59	4.34		100520	195300
75+	3.27	2.67		91560	120150
	100	100		2799720	4500000

The position of those living in the private rented sector when they reach retirement age and experience a significant change to their household income needs a policy response.

A mixed age couple may have sufficient income from their joint earnings to meet their private rental costs without access to state support prior to the older partner reaching retirement age.

Following the retirement of the older partner (and accompanying the reduction in household income) the household may no longer be able to meet their private rental costs. The only source of potential support will be Universal Credit.

The table below shows the (net) monthly income levels above which no Universal Credit is payable for different monthly rents for a one bedroom property.

Universal Credit elements				
Standard	£498.89	£498.89	£498.89	£498.89
Child				
Second Child				
<b>Rent</b>	£400.00	£450.00	£500.00	£550.00
Max	£898.89	£948.89	£998.89	£1,048.89
Net monthly Income	£1,426.81	£1,506.17	£1,585.54	£1,664.90
Work Allowance	£0.00	£0.00	£0.00	£0.00
Income less Work Allowance	£1,426.81	£1,506.17	£1,585.54	£1,664.90
63%	£898.89	£948.89	£998.89	£1,048.89
<b>UC</b>	£0.00	£0.00	£0.00	£0.00

The LHA for a one bedroom property is below £400/month in 63 or the 152 BRMAs, between £400/month and £450/month in a further 21 BRMAs, between £450 and \$500/month in a further 13 BRMAs and between £500/month and £550/month in a further 12 BRMAs.

As a couple are likely to be without responsibility for children they will not get a work allowance.

The gross incomes at which no Universal Credit is paid are £20,000 (rent £400/month); £21,400 (rent £450/month); £22,800 (rent £500/month) and £24,200 (rent £550/month).

Those figures overstate the position because state pension is treated as unearned income under Universal Credit and deducted, £ for £, from any Universal Credit award.

### Housing and Affordability

Housing affordability affects people of all ages, but in particular the young, single adults (men and women), single parents and public service workers on modest incomes. With median wages still below 2008 levels, and a four-year benefit freeze in place, housing is now the largest single demand on incomes, and is putting a major squeeze on household budgets.

UNISON believes that everyone has a human right to adequate housing, which is comfortable, decent, in good condition and is available to rent or buy without leaving households unable to afford their other basic needs of their family, such as food, clothing, heating, transport and meeting the needs of their children.

However, the term “affordable” has been stretched beyond breaking point to the extent that the term is completely discredited by what can only be described as an “Orwellian” approach. UNISON would therefore welcome a new definition of “affordable housing” linked to the incomes of people in the lowest earnings quartile, not market prices, and an end to the use of the term “affordable rent” homes, set at up to 80% of market rates, which is largely unaffordable for many.

### **Looking to the future**

UNISON wants to see

- significant public subsidy for the construction of new social rented housing and the addition of 100,000 new social rented homes per year
- the special housing needs of disadvantaged groups addressed and the future needs of elderly people currently renting in the private sector
- new social housing meeting high standards of sustainable construction, good space standards and high levels of energy efficiency to assist the government in meeting its' climate change objectives
- the government advocating the economic case for subsidy that not only results in the creation of public assets but is also in the interest of taxpayers because it also results in a reduction in public expenditure in the long term (30 plus years) as the support for housing costs provided to the enlarged social rented sector replaces expenditure that would otherwise be incurred in the private rented sector



- a requirement that minimum standards are provided by private landlords as part of receipt of housing benefit to ensure that taxpayers get 'value for money' and tenants live in housing that is fit for human habitation
- all local authorities playing their part in contributing to a major public sector house building programme and that this is a long term policy shift gives local authorities the confidence to re-establish the in-house teams that will be essential to delivering it.
- support for the re-emergence of council housing departments with adequate resources to re-build capacity, which has been eroded due to austerity and government cuts, to enable them to re-create council architectural, design and engineering teams and modern direct labour organisations - to ensure that they are well resourced to deliver a "new generation of quality social rented homes".
- a national homebuilding capacity fund, similar to the one set by the London Mayor for the capital, to help social landlords build more social rent/genuinely affordable homes which meet the highest environmental, building and safety standards. Such a fund would contribute to raising quality and standards, help build in-house capacity, and develop skills and expertise.
- the national workforce strategy required to deliver the major public sector house building programme
- an end to the continued depletion of the existing social housing stock with the 'Right to Buy' (actually a right to a discount in the purchase of a public asset' continuing to be a barrier to housing investment, it should be scrapped in line with Scotland and Wales
- measures that address the scarcity and high costs of land available for house building
- action to reform the land market and the land compensation rules to make more land available at lower prices for councils and housing associations to build new social rent homes on. For example, measures which allow councils to purchase land at its existing use value and then capture any uplift in the value of land and invest in new housing developments and infrastructure.
- an effective complaints system for private tenants, including mandatory membership by private landlords of systems of redress
- an expanded role for the Housing Ombudsman, enabling the office to deal with both social housing and private housing
- a specialist court to handle private housing matters
- legislation to abolish Section 21 of the 1988 Housing Act to stop tenants from being evicted at short notice and without reason when their fixed term tenancies end or when they have made a complaint about poor housing conditions to their landlord
- new laws to regulate rents and strengthen the rights of renters
- bold reforms to improve affordability, standards, rights and security for private renters, including legislation for a new tenancy framework, by legislation, based on the [Scottish Private Residential Tenancy Agreement](#), which is open ended, permanent, has ended no-fault evictions by abolishing fixed terms, and provides private tenants with greater security, stability, longer notice periods and protection from frequent rent increases.

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