London Tenants Federation response to latest statements on social rents

A decade of above inflation rent increases on social rent tenants, people least able to afford them

On 20 August the Financial Times reported: 'UK chancellor Rachel Reeves is planning to raise social rents by more than inflation for the next 10 years in an attempt to boost the building of affordable homes. Reeves intends to introduce a 10-year formula in October's Budget that will increase annual rents in England by the CPI measure of inflation – currently 2.2 per cent – plus an additional 1 per cent, according to government insiders.'

The report continues: 'Guaranteeing higher rents will delight housing associations but could worsen the cost of living for millions of tenants and could land the government with a much higher benefits bill.'

In July, 20 of the UK's largest councils published a report, one of whose recommendations was a rent settlement that 'lasts for 10 years'.

On 20 August Inside Housing also reported that the G15 group of large housing associations was urging a ten-year rent settlement tied to inflation, because they would be able to access private finance at cheaper rates.

But what about the tenants?

For the past two years, this formula has meant increases of 7 per cent and 7.7 per cent. The increase had to be capped in 2023-24 because inflation was so high that even government realised it was totally unaffordable for social rent tenants. The CPI plus one percent formula has been extended to the 2025-26 financial year.

It is ten years since the 2014 publication of Ed Miliband's Lyons Housing Review. The 2010 Spending Review had seen capital investment in housing cut by 63 per cent in real terms, the biggest cut to any government capital budget and a fundamental cut in government support for housing. Social sector rents had risen by about 46 per cent in the previous decade while average earnings had increased by only 28 per cent. Some half a million more people depended on housing benefit than in 2010.

In the 1970s only one-fifth of public spending on housing was on rent subsidies with the rest channelled directly into house building. The Lyons Report emphasised that **only with subsidy could the need for social rented homes be met, and pointed out that homes in social rent pay back the additional**

capital outlay through housing benefit savings after only 12 years, and the full grant investment within 27 years.

In 2019 London Tenants Federation published 'Our response to the Government's consultation on a new Rent Standard from 2020'. We wrote about the rent restructuring policy; rent restructuring is now again being mentioned by landlords. We said: **'Contrary to one of the aims of rent restructuring we now have an extremely complicated, quite random, unfair and unjustified array of different rents for exactly the same types of rented homes.**

'These include:

1. Council and possibly some private registered providers (PRP – mainly housing association) tenants in London being charged higher, target rents (as a result of the Welfare Reform and Work Act 2016) than the rents paid by existing tenants (where target rents were not reached in London by 2015);
2. PRPs have been allowed to re-let social rented homes as affordable rent [up to 80 per cent of market rent] in contracts for delivering new affordable rent homes;
3. The introduction of the London Mayor's new 'London Affordable Rent' homes, which he and his officers frequently refer to as 'social rent' but are 50 per cent higher than existing social rents;
4. The application of exceptions to the four-year 1 per cent rent reductions.'

It is worth noting that, while London Affordable Rent (LAR) is no longer included in the array of so-called 'affordable housing', many LAR properties, instead of social rent properties, are still in the pipeline to be built in the next ten years and beyond.

We raised questions about service charges which are now separate from rents, citing **'lack of transparency, accountability and public recording (at the national level) on the costs of tenants' service charges' resulting in wide differences in charges for similar services.** We pointed out instances where the government's four-year one per cent rent reductions from 2016 to 2020 had simply been replaced by higher service charges with no gain for tenants.

We raised concern about 'the potential impact on low-income tenant households particularly in respect of benefit caps via the roll out of Universal Credit of firstly, a return to above inflation rent increases of CPI plus one per cent in 2020 and secondly, London Affordable Rent.'

Above all we questioned 'the extent to which **social housing tenants should be expected to bear the costs of new build and new debt, which is clearly a factor in the CPI plus one per cent increases** from 2020.'

In connection with this we were concerned about 'wide inconsistency in the quality of consultation with tenants about annual increases in rents and service charges and in the level of information provided in order for tenants to understand the cost of both.' These concerns are as relevant today as they were in 2019.

The June 2024 Housemark Pulse Survey showed that rent arrears among social rent tenants are more of a problem in London than elsewhere and are increasing more rapidly here. In fact, over the month of June this year, London showed a 19.5 per cent increase in rent arrears, while the average national rate of increase was 2.78 per cent.

If tenants cannot pay the rents now, what will happen as these increase year on year?

There will come a time, no doubt, when tenants will be evicted and councils will have more homeless households, possibly to add to the numbers placed in temporary accommodation, often with private landlords, and that is not good for the tenants or the councils.

But these concerns go back far beyond 2019 or even 2014.

Hansard has a report of a parliamentary debate on housing on 16 December 1981. Gerald Kaufman, MP for Manchester, Ardwick pointed out that in the previous financial year average weekly earnings had risen by 13 per cent, and the general index of retail prices had risen by 12 per cent, but council house rents had soared by 48 per cent. That year the Secretary of State had cut housing subsidies by more than £600 million, and was due to cut them by a further £400 million in the following year, with subsidies to be virtually ended thereafter. Frank Allaun, MP for Salford, East, pointed out that the subsidy to owner occupiers had hugely increased and was £1,960 million that year. He added that in the previous three years the number of new build council houses started, had declined from 67,000 to 47,000 to 27,000.

John Cartwright, MP for Woolwich East, drew attention to the rise in Greater London tenants receiving rent rebates, a 34 per cent rise just in the one year of 1980 to 1981.

David Stoddart, MP for Swindon, said: 'I have always found that the major reason for having to increase rents was interest charges. Both council tenants and

owner-occupiers pay a huge amount of their rents and repayments to financiers. Tenants of council houses in my area are paying between £18 and £22 a week in rent. I make that more like 14 per cent or 15 percent of income, rather than 7 percent [a figure quoted elsewhere in the debate]. If we were not charging so much rent, it would not be necessary for us to pay so many rebates.'

For comparison, and to give a picture of how things have deteriorated since, according to the English Housing Survey, **in 2021 to 2022 social rent tenants spent an average of 27 per cent of their income on rent.**

In the 1981 debate, Alan Roberts, MP for Bootle, referred to 'the subsidy system that existed before the Secretary of State repealed it. Under that system, about 66 per cent of the cost of building local authority houses or improving older houses was paid in subsidy by the Government. Subsidies related to the provision of new houses and the improvement of older houses, rather than to the individuals who lived in them.'

Ann Taylor, MP for Bolton, West, added: 'If the Secretary of State has his way, we shall see, for the first time, ever, a decline in the number of council properties as the Government force more sales and refuse to allow councils to build to compensate.'

Ten days previously to this debate, 155 MPs had signed an early day motion urging a rent freeze.

The 1981 parliamentary debate reminds us how forty years of neglect and underfunding of social rented housing started. Governments since have continued with these policies. The result is the housing crisis we are experiencing now. Instead of foisting a decade of above inflation rent increases on social rent tenants, some of the people least able to afford them, we would like the new government to right the wrongs of the past four decades, implement a rent freeze for social rent tenants, and invest the public funding they deserve, which has been denied over the past forty years, in social rented homes. Over time, this investment will pay for itself.

https://www.apse.org.uk/apse/index.cfm/members-area/briefings/2015/15-02-the-lyons-housing-review-mobilising-across-the-nation-to-build-the-homes-our-children-need/

https://www.housemark.co.uk/news/housemark-reports-sharp-divergence-in-rent-arrears-across-uk-housing-sector/