

# Labour Housing Policy



## **Response to policy consultation on social housing from Unite housing workers branch (LE1111)**

The period since the financial crisis has been marked by an increasingly acute housing crisis globally. In the UK housing has become increasingly important in political consciousness so the chance to participate in a review of Labour's policy on housing and on social housing is particularly welcome as the political and economic landscape has profoundly changed. The changes following the crash demand a fundamentally changed approach to housing policy and we would be very keen to participate in further work in this area. In the period since Jeremy Corbyn was elected to the leadership significant changes to housing policy have been made but there is further to go. We would urge the party to commit to repealing the 2016 Housing and Planning Act and to offer a fundamental change in housing policy.

### Trade union branch for social housing workers

As the largest Unite branch organising workers in social housing, we see housing policy as crucially important; members often choose to work in the sector because of their determination to make a difference; they see how dysfunctional current UK housing policy is as part of our daily working lives, and members face the full impact of the housing crisis combined with the squeeze on pay and conditions impacting our own lives.

A recent survey by the trade magazine Inside Housing revealed extensive housing stress faced by housing workers up to and including periods spent rough sleeping. Reflecting the changed culture and business model of housing associations we have also faced an increasingly anti union environment and some associations have moved to derecognise unions. This is particularly unacceptable from organisations that have received massive public investment (over £2 billion in the last decade) and play roles in local communities which should be accountable and responsive; they are failing as good corporate citizens. Labour should call for maximum pressure to be brought on associations to provide full trade union rights for their staff.

Below we address aspects of policy in some detail and respond to questions posed by the review, but it is important to note that policy development must take place in a cross tenure perspective and in closely linked with broader financial and economic policy. A complete break with austerity and neoliberalism, the development of a national investment bank and a realignment of tenures will all be crucial to an effective programme for housing.

The terrible fire at Grenfell Tower dramatically highlighted much that is wrong in British society and gives the opportunity to make the case for democratically accountable public housing with effective regulation.

### Changed character of housing associations

Housing associations (now known in legislation as Private Registered Providers) have widely been accused of a cultural shift and loss of social purpose, and surveys suggest that their staff increasingly believe this to be the case. Yet taken in isolation this understates the problem. Driven by the loss of social housing grant and reliance on debt financing their business model has fundamentally changed; in their current form they have become agents of privatisation and of the financialisation of social housing in Britain and are no longer suitable policy vehicles for the expansion of social housing. Indeed, while robust figures are hard to come by, it would appear that in recent years they have already become responsible for a net loss of social rented housing once tenure change and asset sales are taken in to account.

The CEO of Genesis Housing (now merging with Notting Hill Housing) recently attracted controversy by announcing his intention of pulling out of the field of social housing Genesis report that their total output of social rented housing in 2016 to 2017 came to three homes. Whatever their public statements this is clearly the direction of travel of other large associations. Housing associations now own and manage the majority of 'social housing'.

While associations justify cuts to services by the "difficult environment" they are in truth highly successful from a commercial standpoint. An authoritative recent report on the housing association sector concludes that despite social rent cuts and pressure from the roll out of Universal Credit, "the social housing sector has largely strengthened its financial position". It states; "In summary, financial viability remains strong in the sector. Real cost savings have been achieved, sale of assets have boosted margins and organisations are not dependant on asset sales to keep them viable." Additionally, the government has recently announced social rent increases will be higher than inflation in future.

The operating surplus across the sector is up 15.6% in 2016/17 to an impressive £5.55 billion overall and overall management costs fell by 7.3%. Employment costs were down by 6.6%, falling to £3.37 billion and this was despite special pension costs in the sector not expected to repeat in the short run. Recent complaints about repair services, that associations are unresponsive to tenants and residents and that new developments have poor build quality must be understood in the light of these figures. Housing associations typically achieve higher operating margins than private speculative builders and it is clear that they offer a profitable receptacle for the global investors and are now structured for this purpose rather than meeting social need. The recent announcements by the investment funds BlackRock and Blackstock, that they intend to move in to the UK 'affordable' housing sector points to the profitability of the sector.

Housing association cuts to staffing levels, moves to derecognise trade unions and secretive governance arrangements result in a number of problems that housing policy needs to address:

- The likelihood of financial malpractice and scandals is increased by these developments while regulatory oversight has been reduced;
- Neither tenants nor wider communities have real input into formulating priorities;
- Staff are unable to challenge bad practice or contribute to policy development in key areas;
- Local housing management is increasingly under resourced and remote. This is exemplified by the fact that, amid concern following Grenfell, some associations are refusing to share fire risk assessments with residents exploiting the fact that, unlike local authorities, they are not subject to 'Freedom of Information Requests.'

### Risk profile of housing associations

Financialised housing associations are now integrated with the global 'casino economy' with a profoundly changed 'risk profile'. It would be wrong to conclude from their current profitability that they are financially secure in the long term. The former housing minister under Tony Blair, Nick Raynesford, was right to warn that while their past commercial reputation was good a result of the wholesale move to merger and ever larger associations has led to the creation of associations that could not be rescued in the way that associations facing difficulty have been in the past. This could have 'dire consequences for the sector' and, if lenders foreclose, could grievously impact tenants. The comparison sometimes made between former building societies that converted into banks such as Northern Rock could prove all to apt.

### Homelessness

The growth of homelessness in recent years is not the result of a newly fashionable criminal lifestyle choice but the consequence of inequality and a failing housing system. Councils that demonise and prosecute the homeless, sometimes unfortunately including Labour led authorities, play a scandalous role. The false narrative that homelessness is a consequence of the failure of individuals rather than a broken housing system must be answered. As an emergency step a big increase in funding for work with the homeless including move on accommodation is required.

## Review – how did we get here?

### 1 What were the most important decisions made in recent decades for social housing – good and bad?

#### Key ‘bad’ decisions for social housing include:

- The move from ‘bricks and mortar’ subsidy to individual benefits, cruelly followed in recent years by those benefits being attacked;
- Stock transfer to housing associations and the move away from grant funding new building to financing through borrowing by housing associations;
- Right to Buy and a fetishisation of home ownership;
- Promoting the growth of an unregulated private rented sector which delivers substandard accommodation in many cases, with poor security and yet is very costly when the benefits system and tax are taken in to account - and specifically withdrawal of rent control and secure tenancies;
- Policies actively promoting the residualisation of ‘social housing’ as a tenure of last resort;
- Policies leading to the fragmentation of housing management accountability, reducing tenants and resident input, and placing commercial interests uppermost;
- Reduction and privatisation of building regulation and fire inspection;
- Recent benefit cuts that render even council housing unaffordable for many;
- Undermining of the financial basis for supported housing, a vital part of the sector that relieves pressure on other services and meets pressing needs at relatively low cost;
- The deregulation of housing associations; the impact of this policy is only slowly becoming fully apparent rendering and threatens a further deepening of the housing crisis.

#### Key good decisions include:

Pursuit of a ‘Decent Homes Standard’, although there is important scope for improvement for example in terms of insulation and energy efficiency;

#### Positives in Labour’s manifesto:

- Replacing the notion of ‘affordable rent’ with living rent linked to local net income;
- Lifting the borrowing cap for the Housing Revenue Account;
- Reintroduction of secure tenancies for council housing;
- Caps on private rents, and “homeowner guarantees” to improve protection for unemployed or low-paid homeowners;
- Legislation to protect leaseholders from unfair ground rent increases.

## Party conference

We welcome the clear commitment to binding ballots before regeneration schemes proceed. Unfortunately, Haringey council publicly repudiated this decision confirming its intention to proceed with a high risk scheme involving no clear commitment to social housing. For the sake of political credibility as well as saving communities and homes threatened by the scheme it is crucial that no Labour council is allowed to proceed in the name of the party on this basis.

### **2 What were the successes and failures of Labour's approach in government?**

Great achievements of Labour in the past include mass state funded council house building, the introduction of rent control and secure tenure in the private rented sector, and the introduction of a duty to house homeless people. Regrettably, rather than re-establishing this tradition however the last Labour government continued on a broadly similar course to the Tories from 1979 onwards. This meant they were unable to reverse the mounting problems which led to housing becoming an acute and apparently intractable problem.

### **3 What have been the successes and shortcomings of the Conservatives approach in government?**

The coalition immediately slashed investment in building by councils and HA's by over 60% which inevitably entrenched the crisis in housing. The emphasis of remaining spending has been shifted ever further away from any form of submarket rent; between 2016 and 2020 just £2bn of the total spend of £44bn is expected to go to sub-market rent of any kind. Their approach has become deeply discredited which presents Labour with the opportunity to argue for radical policies.

## **Definition – what should affordable mean?**

### **4 What vision and role should social housing have under a Labour government?**

Jeremy Corbyn has been right to argue that there is no solution to the housing crisis that does not start with a mass programme of council housing. The terms 'affordable' and 'social' housing have become debased as developments, clearly unaffordable to many, get classified as affordable and social housing providers become indistinguishable from large corporate private landlords and developers. Labour should start by explaining the role that financialisation and commercialisation have played in increasing housing inequality while proving extremely expensive.

## **5 Does social housing need rebranding in name – content?**

There is clear evidence that the current housing crisis is changing attitudes to housing tenure, particularly amongst the young. Strong support for rent control across society gives a basis for making the case for truly robust rent controls as well as explaining what poor value for money as a major tenure the private rented sector has proved to be. The supposed economic case against rent control and security of tenure in the sector – that the effect would be to shrink the sector and produce a further decline in maintenance standards despite the huge indirect subsidies that the sector receives actually demonstrate the need for a mass programme of council house building.

Just as nationalisation is more acceptable than in the recent past attitudes to council housing are becoming more positive. Nevertheless the history of cuts, residualisation and bureaucratic management cast a cloud; we should open a discussion on what twentieth century council housing could offer rather than simply repeating the past.

## **6 What should we mean by social/affordable housing both to rent and to buy?**

We support the call by ‘Homes for all’ for a broad definition of affordable housing based on one third of average net pay.

Subsidy for ‘affordable’ home ownership results in rising prices and super profits for builders, but is not a sustainable means of meeting housing need.

Over time Council housing pays for itself; it covers the cost of building, managing and maintaining homes. The principle that rent is there to cover the cost of management, maintenance and the pooled historic cost of building (as opposed to market-linked rents and profits) is sound and practical. If campaigned on it can also be a vote winner in a time of increasing revulsion at profiteering.

## **Building – how do we build the scale of social housing required?**

### **7 How many genuinely affordable homes are needed?**

The Department of Housing and Communities has identified a need for 300,000 new homes per year, to meet growing overall housing demand and eliminate the accumulated shortfall. This is roughly in line with other estimates. At least two thirds need to be built for genuinely affordable rents. Of these, at least 150,000 per year should be council homes. Others could be cooperatives, co-housing, community land trusts etc, as well as those housing associations which can demonstrate a high standard of accountability and service.

## **8 What groups of people are most in need of new affordable housing, to rent and to buy?**

Acute housing need has now enveloped wide sections of society although the crisis has hit young people and BAME groups particularly hard.

## **9 What range of agents and actors should be involved in delivering these homes?**

Services should be brought back in-house and a national non-profit house building service should be formed. We need local authority direct Labour with a quality apprenticeship programme to build and maintain council housing. It is notable that Lord Porter (the Tory Peer) has identified local authorities as best placed to meet the need for new housing.

An expanded role for community based cooperatives should also be explored.

## **10 Manifesto committed to 100,000 genuinely affordable homes to rent and buy each year including the biggest council housing building programme in over 30 years. Besides extra public subsidy, what other measures could be taken to boost investment to meet our target?**

Councils should be freed from unjustified historic debt and all receipts from Right to Buy should be ring fenced for reinvestment in council housing.

## **11 High land prices make it expensive to build social housing. How can we reduce land costs and increase the availability of land for social housing?**

Suitable public land should be used for social rented housing and made available at low cost.

A Land Value Tax could capture unearned income from speculation and incentivise productive investment. Compulsory purchase of new land for housing development at a fair price that does not reward unearned income would contribute to supply and combat speculation.

## **12 What should we do to increase the acquisition of empty land?**

We should stop investors sitting on land without using it, or profiting from land-banking; councils should have the power to purchase unused land for council housing, at no more than the price originally paid for it.

### **13 What should we do to increase the contribution that private developers make to providing more affordable homes?**

It is unsustainable to increase the contribution of private developers in delivering truly affordable homes.

Affordable housing obligations on private developments should be much more stringent with at least 50% of new homes for private rent or sale should be for rents or mortgages not exceeding the proposed new "Living Rent." All planning proposals should be consistent with local need, prioritising affordability, sustainability and contribution to local planning objectives. Planning proceedings need to be transparent and accountable; commercial confidentiality has often been used to cloak profiteering.

Developers should not be able to avoid affordability obligations on the basis of manipulated viability assessments. The role of private consultancies should be drastically reduced and local authority planning departments which have suffered from under resourcing for many years should be expanded.

## **Standards**

### **14 Our housing stock is ageing and over half a million housing association and council homes are considered 'non decent'. How can Labour deliver decent homes for all?**

We need direct investment, not outsourcing, PFI or other privatisation/public-private schemes. Renovation rather than demolition in the majority of cases but decisions should be driven by the community rather than viewed as potentially profitable investment opportunities.

### **15 How should we make new homes more energy efficient?**

We need to invest in a comprehensive programme of insulation, updating heating system, the installation of solar panels etc. The current government's cuts to feed-in tariffs should be reversed. The energy industry should be brought into the public sector; domestic energy production can also be tied in with local energy-generating and storage schemes and local authority-run energy distribution, with nationally coordinated systems of sustainable generation, storage and distribution. New housing whether social or private should be to 'Passiv-Haus' standard or a net energy producer.



## Tenants and residents

### **16 How do we make the regulation of social housing more tenant focussed?**

Residents and communities should be placed at the centre of regulation rather than narrowly focussing on the interests of lenders as at present. There has been a steady move to a narrow 'economic regulation' model, for example the Tenant Empowerment and Engagement team has been cut, shifting the balance of the regulator's focus, although it should be noted that even the focus on financial viability is inadequately resourced and the legal framework is inadequate. Fully resourced and genuinely independent tenants and residents organisations should be a regulatory requirement.

The importance of creating clear links between tenants and residents and the regulator was underscored in the Grenfell experience where not only were prescient warning from the resident group ignored but the tenants say they were not even aware of the role of the Social Housing Regulator then located in the HCA and now renamed The Regulator of Social Housing.

### **17 How do we best ensure a voice for tenants in national standards and policy making?**

An essential basis is to ensure an infrastructure of genuinely independent local tenant organisations is supported.

### **18 How do we ensure an effective voice and role for tenants with their landlords, including on estate regeneration?**

In addition to points made elsewhere about the need for binding ballots for regeneration schemes and resourced independent tenant and resident organisations the governance structure of housing associations needs to change to make them truly transparent accountable to residents and communities rather than attractive to the banks and hedge funds as has become increasingly the case.

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