

BSHF Submission to the UN Special Rapporteur on Adequate Housing

Following the mission to the United Kingdom, 29 August – 11 September 2013

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BSHF publications referred to in this document

- Creating the Conditions for New Settlements in England (2013)
- Who Lives in the Private Rented Sector? (2013)
- Building New Homes for Rent (2012)
- The Growth of In-Work Housing Benefit Claimants (2012)
- Supporting Self-Help Housing (2011)
- Self-Help Housing (2011)
- More Homes and Better Places (2011)
- Housing Benefit Claimant Numbers and the Labour Market (2011)
- BSHF Response to 'Local Decisions: A fairer future for social housing' (2011)
- Abolition of Regional Spatial Strategies (2010)
- Tenure Trends in the UK Housing System (2010)
- Support with Housing Costs (2010)
- The Impact of Claimant Numbers on Housing Benefit Expenditure (2010)
- Providing Accommodation for Gypsies and Travellers in Leicestershire (2009)
- Review of the Gypsy and Traveller Accommodation Assessments in the East Midlands (2008)
- Out in the Open (2007)
- Redefining the Commons (2005)

About BSHF

The Building and Social Housing Foundation (BSHF) is an independent housing research charity committed to ensuring that everyone has access to decent and affordable housing. As such we are in accord with the objectives of the Rapporteur and welcome her mission to the United Kingdom. BSHF has a strong commitment to housing rights and seeks to identify and promote housing policies and practices that ensure people's access to adequate housing, both in the UK and internationally.

BSHF holds Special Consultative Status with the United Nations Economic and Social Council and has run the World Habitat Awards since 1986, acknowledging and promoting housing projects in the Global North and South that show a commitment to innovation, sustainability and transfer.

Since 1994 BSHF has organised an annual series of consultations at St George's House, Windsor Castle, on a range of housing issues, bringing together diverse groups of experts for in-depth discussion and consideration of an important housing issue. Recent topics have included the need to increase the supply of housing and reforms to support with housing costs for lower income households. This submission is based on these consultations and on original research undertaken by BSHF.

Executive summary

This submission focuses on five diverse aspects of housing in the UK and their impact on the enjoyment of the right to adequate housing.

Housing supply

The UK is facing a chronic undersupply of housing and is currently building around half the number of homes considered necessary. This is leading to a wide range of problems including poor affordability, constrained access to certain tenures, market volatility, poorer quality housing and homelessness.

A range of factors contribute to this undersupply including the availability of land with planning permission, the operation of the construction industry, opposition to development and the availability of finance.

The government's response to undersupply has primarily focused on planning policy, as they have argued that this is acting as a major brake on housing development. They have engaged in a complete overhaul of planning policy, which is ongoing, and have introduced a number of policies designed to further support this. While some of this is to be welcomed, a number of concerns remain that this is not sufficient to address the depth of the housing supply problems facing the UK.

BSHF has conducted a significant amount of work on this topic and proposed a number of measures that could help to address the problems highlighted. Some of these are outlined in this submission.

Impact of the global financial crisis

Following the global financial crisis, the government has pursued an austerity approach, and is seeking significant reductions and efficiencies in public spending. With regard to housing the most important of these changes are welfare reform and the new funding arrangements for social housing.

Welfare reform is a wholesale review of the provision of benefits to households. While a review in itself is welcome (the previous system was overly complex and often provided strong disincentives to work), the approach that has been adopted has focused on reducing benefits, which has potentially severe negative effects on vulnerable households in particular. The policy that has received the most

criticism is the removal of what the government has called the spare-room subsidy for social tenants (also known as the bedroom tax).

Grant funding for social housing has also been cut dramatically (by around two thirds) with housing associations having to supplement subsidy with private finance. This policy (known as Affordable Rent) has necessitated the increase in rents for new social tenants; rents are now allowed to be up to 80 per cent of market rents. This has the potential to create a number of problems including reduced affordability and increased reliance on housing benefit.

An associated part of the Affordable Rent programme is the removal of full security of tenure for new social tenants (or existing tenants when they move). Instead of a lifetime tenancy, social tenants may be offered tenancies as short as two years. However, this is at social landlords' discretion and longer tenancies are anticipated to be offered in many cases.

Private rented sector

The private rented sector has grown rapidly over the last 30 years and is projected to house one in five households by 2020. The growth of the sector has been caused by a wide range of factors including constrained access to social housing, unaffordability of homeownership, and accessibility and desirability of residential property as an investment.

A wide range of different household types live in the private rented sector, including an increasing number of households with children. A number of distinct submarkets have been identified. This diversity is often ignored in policymaking, with the sector treated as homogeneous.

The private rented sector is characterised by relatively low security of tenure. Typical contracts last for 6-12 months and after this tenants can be evicted for any reason. The law permits longer tenancies to be provided, but this is not standard practice for landlords.

The regulation of the private rented sector varies between the different countries of the UK. In England, the government is strongly opposed to further regulation of the sector, arguing that this will lead to disinvestment by landlords, decreasing the supply of housing for rent. Letting agents, who are responsible for around two thirds of tenancies, are not subject to regulation. In theory, a range of different regulations exist for landlords (e.g. fire and gas safety provisions), but these are difficult to enforce due to limited resources and the threat of retaliatory eviction. In the rest of the UK, a more direct approach to regulation has been

taken, including compulsory landlord licencing. However, the exact provisions differ between the different nations.

Although for many private tenants, the sector meets their needs, there are significant problems around insecurity of tenure and poor management practices by landlords and letting agents. In some cases these problems can be very severe, especially in areas of high demand such as London. The private rented sector is a key area where the right to adequate housing is not being met in many cases.

Community housing solutions

Community-led housing solutions, such as Community Land Trusts and Self-Help Housing, have real potential to address significant issues of housing need. However, these approaches typically remain small in scale and face significant barriers to effective development in the UK. This contrasts with the situation in many countries, where community-led approaches make a significant contribution to meeting housing need. The limited impact of these approaches in the UK therefore has important implications for access to affordable and adequate housing. BSHF is investigating how such approaches can be more effectively scaled up, and will publishing a report on this in 2014.

Access to adequate housing by vulnerable groups

There are two groups that this submission explores: Gypsies and Travellers, and those owed a homelessness duty by their local authority.

Gypsies and Travellers

Gypsies and Travellers have the poorest life chances of any ethnic group in the UK and face widespread discrimination. Provision of suitable accommodation has a vital role to play in supporting Gypsies and Travellers. However, in 2013, 14 per cent of caravans were on unauthorised sites. These households are considered to be homeless. This compares with less than one per cent of settled households who are found to be homeless each year.

Local authorities are required to make assessments of housing need among Gypsies and Travellers and develop strategies to make sure the needs of Gypsies and Travellers are met. However, many of these assessments are of poor quality. Failing to provide sufficient sites for Gypsies and Travellers is costly not only to the traveller community, but also to local communities, both socially and financially.

Homelessness households

Under the Localism Act 2011, local authorities are now able to discharge homelessness duties in the private rented sector. In areas with high pressure on social housing, such discharges may become increasingly likely. This will not only increase pressure on the private rented sector but also create potential issues of tenancy sustainment and how to ensure a suitable quality of dwelling. This is particularly important for homeless households as they are likely to have additional vulnerabilities.

Housing supply

Relevant BSHF publications

- Creating the Conditions for New Settlements in England (2013)
- Building New Homes for Rent (2012)
- More Homes and Better Places (2011)
- Abolition of Regional Spatial Strategies (2010)

The UK is facing a housing supply crisis. Over the last 30 years, housebuilding rates have not been sufficient to match household growth, let alone replace existing stock as it ages and is no longer fit for purpose. To address housing need it is estimated that we need to build around 250,000 homes per year. Prior to the global financial crisis, we were building 150,000 homes. Since 2007, around 120,000 homes per year have been built.

Impact on the right to adequate housing

The UK's historic and growing undersupply of housing has a substantial impact on the country: it affects individual households, who struggle to find suitable housing at a price they can afford, as well as increasing overcrowding and homelessness; it affects the wider economy, creating a drag on growth and hindering labour mobility; and it affects society, worsening inequality and amplifying the challenges of demographic change. In short, the failure to deliver sufficient housing to meet need and demand leads, directly and indirectly, to people's ability to access adequate housing at an affordable price.

Further details of the wide-ranging impacts of undersupply can be found in BSHF's report *More Homes and Better Places*.¹

This undersupply of housing is a longstanding problem, which has been exacerbated by the financial crisis of 2007/08. The structural problems – such as those related to land and planning, opposition to development, and the operation of the construction industry – have been compounded by increased restrictions on finance and mortgage availability.

The current government, like the last, is publicly committed to a vision for significantly increased housing supply, and is implementing a variety of policies across different aspects of housing supply. However, critics suggest that these

changes are insufficient to deal with the scale of the problem. Significant change is necessary if the country is to get the housing it needs.

Government response to undersupply

Planning reform

The government is committed to reforming the planning system, arguing that much of the problem of undersupply is caused by delays and costs in the planning process. The government's reforms have been comprehensive and sought to both simplify the planning process and give local people a greater say in the development that goes on in their area.

National Planning Policy Framework (NPPF)

The National Planning Policy Framework (NPPF), introduced in 2012, has replaced all previous planning policy. It is designed to be a single straightforward planning document covering all key planning policy issues.² This 57-page document replaces over 1000 pages of previous policy, which was widely agreed to be a hindrance to an efficient planning process.

Local planning authorities are now required to have in place an evidence-based, up-to-date Local Plan, which includes a five year land supply. Alongside this requirement sits the presumption in favour of sustainable development. This not only requires Local Plans to be pro-growth, but also – in cases where no up-to-date Local Plan exists – means planning permission should be granted unless there would be significant adverse impacts, or specific breaches of the NPPF.³

Planning guidance

The government also commissioned a planning guidance review⁴ and has undertaken a comprehensive rewriting of planning guidance in response to the review's findings.⁵ The review found that

“It is very clear that the system itself is no longer fit for purpose: it is currently neither an effective suite of planning practice guidance to support plan making and development management by the sector as a whole, nor is it in a form which can be effectively managed and kept up-to-date by Government.”

In particular, the review noted that the volume of guidance is so huge that it is almost impossible for useful information to be found, and that much of the

current guidance is hugely out of date. The government has therefore produced a concise set of guidance that will be maintained by the Department for Communities and Local Government.⁶

Special measures

Central government is also able to intervene in local planning issues when there is evidence to suggest that local planning authorities are “not performing adequately”. In this case, local authorities become subject to “special measures” and major planning applications will be taken by the Secretary of State for Communities and Local Government.⁷

Neighbourhood planning

The Localism Act 2011 introduced Neighbourhood Planning, an opportunity for local residents and businesses to be involved directly in local planning.⁸ Communities can approach their local authorities and get support to develop a neighbourhood plan, which considers housing and other development. These plans can vary greatly in scope but must comply with the National Planning Policy Framework and other legal requirements. Plans are then submitted to a local referendum and, if successful, become binding on relevant local authorities.

Increasing the capacity of communities to make a substantive contribution to local areas is a positive step and should work to allow communities to grow in a sustainable and suitable manner. However, communities are restricted to considering developments at a neighbourhood level, although this is loosely defined. Communities should also be supported to think big and be involved in larger-scale planning for the wider area.

Impact on the right to adequate housing

Planning reform has been welcomed by many industry professionals,⁹¹⁰ offering, as it does, a clear and concise framework against which Local Plans can be developed and planning decisions can be made. This simplification and clarification has the potential to improve the planning process and ultimately lead to the appropriate development of new homes. Equally, the presumption in favour of sustainable development sends a clear message that local authorities must take a pro-active approach to addressing housing need.

However, a number of concerns remain:

- The pace and lack of continuity of the process has been criticised for creating uncertainty, for both developers and local authorities¹¹

- Others have argued that planning policy has gone from one extreme to the other in terms of size and does not provide sufficient detail on key issues, potentially leading to costly and lengthy legal disputes¹²
- Countryside campaigners have expressed concern that the NPPF places too great an importance on “growth” to the detriment of environmental concerns¹³
- Although a Neighbourhood Plan must be based on evidence of housing need, Neighbourhood Planning has been described as a “NIMBY’s charter” effectively allowing local people to block development locally.¹⁴ Planning reform, although a positive step, does not address perhaps the more significant problem of opposition to local development, which is a major block to addressing housing need.

However, the impact of the reforms remains to be seen: the NPPF has been in place for less than two years and the planning practice guidance has only just been published. It will take time to fully establish whether these reforms have had the desired effect on housing supply and other planning issues.

New Homes Bonus

The New Homes Bonus (NHB) is described as “a grant paid by central government to local councils for increasing the number of homes and their use”.¹⁵ For every new home (including conversions and refurbishment of long-term empty homes) delivered within a local authority area, the local authority will receive annually for six years, a payment equivalent to the national average Council Tax on the new home. There is an extra payment for providing affordable homes. The money is unringfenced, although local authorities are expected to consult communities on how it is spent.¹⁶

While the aim of the NHB is to encourage a pro-growth approach to housing, the National Audit Office outlined a number of serious criticisms of the scheme, including:¹⁷

- The DCLG’s estimate of the potential increase in new housebuilding is “unreliable”, the assumptions were “unrealistic” and correcting a calculation that included a “substantial arithmetical error” reduces the estimate by 25 per cent.
- It is too early to say whether the NHB will increase new housing but “we found little evidence that the Bonus has yet made significant changes to local authorities’ behaviour towards increasing housing supply”
- “The Bonus has so far mainly rewarded home creation that was not incentivised by the Bonus.”

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- “We found little evidence that the influence of the Bonus is reflected in increased planning approvals for housing.”
 - The department was aware that the bonus could result in large cumulative losses for some authorities but did not include that in the impact assessment and it has done no analysis of the impact on individual councils.

Furthermore, in many cases, NHB payments are being used to supplement local authority budgets following cuts, rather than to support community projects as was intended.¹⁸

Localism

The Localism Act 2011 aims to empower local people to exercise greater control over their circumstances.¹⁹ The government described localism as devolving power to the lowest appropriate level (which may be larger than a single local authority or as small as a single neighbourhood).²⁰ The emphasis is therefore on local decisions with regard to development, as opposed to a top-down approach such as was used for the Eco-towns programme. This move towards localism has had significant implications on housing targets and planning at a larger than local level.

Previously, housing targets and other significant planning issues were addressed at a regional level. This regional level was supposed to fill “the gap between local planning issues determined by local planning policies and nationally-determined policy aspirations, such as housing”.²¹ In practice, Regional Spatial Strategies (RSSs) drew criticism for being overly complex and expensive to develop. There was concern around the imposition of housing targets and little consultation with communities, as the regional authorities had no democratic accountability. These were therefore abolished under the Localism Act in 2011.

To fill the gap created by the abolition of regional level planning, all local authorities now have a Duty to Cooperate, which is intended to ensure local authorities work together on issues that are beyond their sphere of responsibility.²² The Duty requires local authorities to cooperate with one another as appropriate, as well as with government bodies such as the Environment Agency. This cross-authority working is important for large-scale development, as it will affect a number of surrounding areas and may also physically cross local authority boundaries.

However, there has been a significant hiatus between the abolition of RSSs and the introduction of the Duty to Cooperate. This has resulted in deadlocks, which have delayed or completely halted some construction.²³ This can be a particular

problem where neighbouring local authorities have competing or contradictory views on planning development.²⁴ Some urban local authorities are very restricted in terms of access to land and are “entirely dependent” on working with neighbouring authorities to find sites for development,²⁵ but there is evidence that cross-boundary developments are being held back.^{26,27,28}

The Duty to Cooperate has also been criticised for its lack of clarity, meaningful sanctions or mechanisms for cooperation and there is concern that the problems created by the abolition of RSSs will not be effectively addressed.²⁹ The Communities and Local Government Select Committee has therefore called for “a framework for local authorities to work within, outlining what actions local authorities should take in their duty to cooperate, how they measure success or failure, how parties may insist on the delivery of what has been agreed and default options if there is inadequate cooperation”.³⁰

Another problem created by the abolition of RSSs was the abolition of regional housing targets, which are now set at a local level. This has seen the level of identified housing need drop dramatically in some areas, with only the North East of England increasing targets.³¹ Research by BSHF has also demonstrated that many local authorities lack the skills and resources required to develop robust measures of housing need.³²

BSHF recommendations

BSHF has conducted significant analysis of the problem of housing supply and has identified a number of measures that would make a positive contribution to housing supply. Some of these measures are highlighted below. Further details of these measures, and others, can be found in BSHF’s reports: *More Homes and Better Places*, *Building New Homes for Rent* and *Creating the Conditions for New Settlements in England*.

Capturing planning gain

In addition to statutory measures such as Section 106 agreements and the Community Infrastructure Levy, there are alternative mechanisms for capturing planning gain for long-term community benefit. As part of the creation of a large-scale development, up to and including a new settlement, an organisation can be created that holds income-generating assets in perpetuity for the benefit of the community.

For example, Letchworth Garden City is owned by Letchworth Garden City Heritage Foundation, a “friendly society”. Unlike other cities, in which an

organisation owns or manages tracts of land, in Letchworth the Foundation manages the city as a whole.³³ The Foundation has a clear community focus and has extensive powers. It has an annual income of £7.5m from its assets, which are reinvested in the community, providing, for example, leisure facilities.³⁴

An alternative approach could be that of the Milton Keynes Parks Trust, which is endowed with a property and investment portfolio and looks after 5,000 acres of parks and green spaces, so that these communal features can “be managed and protected forever, without having to compete for funds with other council priorities”.³⁵

A range of different models exist for the holding of income-generating assets for community benefit. One potential formal mechanism is the creation of a Community Interest Company.³⁶

Enhance the delivery of land

Those who own or control land that is suitable for housing need to be encouraged to bring it forward for prompt development at values that will secure appropriate quality. Government policies, regulations and taxation structures create certain patterns of incentives, which may or may not support the prompt development of land. These rules and their consequent incentives should be aligned to ensure that they provide the maximum possible incentive for development.

In particular, it is recommended that HM Treasury introduce a means of tax deferral to encourage the release of large areas of land for development. Currently, landowners ready to release large parcels of land face high taxation demands, which, under the present system, must be met within that fiscal year. Tax deferral would have no impact on the amount of tax paid but would allow landowners to manage their payments over a longer period of time, making the release of land more viable.

It is essential to ensure that landowners are encouraged to release land holdings, that local authorities provide a suitable supply of land with planning permission, and that, once it has permission, incentives act to encourage its prompt building out.

New settlements

The Department for Communities and Local Government should endorse and actively promote New Settlement Partnerships (NSPs) as a means to achieve locally planned new settlements. Resources should be made available for the training and support of communities to contribute to this process.

The basic premise of NSPs is that organisations and groups can work together to develop the best proposals and solutions to meet the needs of a particular area and to consider the ongoing management needs. NSPs embody the principles of locally led new settlements, which the government is advocating. Decisions are made at the lowest appropriate level, engaging all relevant actors. This ensures local solutions to local concerns while working together across both geographical and organisational boundaries.

A wide variety of actors could play a role in an NSP, reflecting the multi-sector nature of such an undertaking. The model would allow partners to work in a collaborative manner, securing consent, resources and commitment from all members. This would allow all interests to be represented and the required processes – such as the provision of planning consent – to be undertaken more quickly than under a more typical model of engagement, where key stakeholders' interests can be easily overlooked, leading to opposition and delays.³⁷

National Strategic Spatial Plan

The government should oversee a national strategic spatial plan for England that incorporates housing. A national strategic spatial plan would provide a geographical context for national aspirations by planning the “spatial distribution” of a range of development objectives.³⁸ The government has already recognised the importance of national strategic planning through the creation of the National Infrastructure Plan.³⁹ However, this lacks a cohesive vision for the future and a plan for implementation.⁴⁰

Furthermore, a number of other areas would benefit from a cohesive national framework, particularly housing. Economic growth, employment, connectivity, climate change, energy supply and land use are all areas which could be covered by such a document, as well as a national housing strategy.⁴¹ While the government is opposed to prescriptive top-down targets, there is a need for some form of national strategy to ensure that sufficient homes are built. A national document would also provide a framework for sub-national planning. This would give local government agencies the knowledge and assurance to be able to develop their own plans.

Local authority cooperation

The Department for Communities and Local Government should strengthen mechanisms supporting the Duty to Cooperate. Improved guidance should be issued that clarifies the requirements and incentivises closer working. As highlighted above, the Duty to Cooperate is insufficiently defined and enforced, and is leading to planning difficulties at the larger than local level.

To rectify this situation, the Duty needs to be more clearly defined, so local authorities can respond accordingly. The Communities and Local Government Select Committee has called for “a framework for local authorities to work within, outlining what actions local authorities should take in their duty to cooperate, how they measure success or failure, how parties may insist on the delivery of what has been agreed and default options if there is inadequate cooperation”.⁴² This should include incentives to cooperate and sanctions if cooperation is not forthcoming.

In addition, local authorities are often insufficiently resourced to produce robust assessments of housing need locally. However, a toolkit has been developed – with support from BSHF – to help local authorities improve their assessments. The What Homes Where toolkit is available to download for free online.⁴³

Building new homes for rent

The private rented sector is growing rapidly in the UK, but does not typically increase the supply of housing. Rather, it tends to transfer properties from the owner-occupied sector. Therefore, increased demand for private rented sector housing will not necessarily contribute to the net supply of the overall housing stock.

It is in this context that increased interest in a new model for the supply of rental housing has emerged. There is particular interest in the potential creation of build-to-let developments: housing projects built with the specific intention of providing new accommodation for rent, with portfolios of homes under common professional management. Such a sector would require the creation of sizeable portfolios of homes, and could attract substantial institutional investment, as residential property has a number of features that makes it an attractive investment class.

Several of the largest housing associations are particularly well-positioned to provide new rental housing that is attractive to both tenants and investors. They have the balance sheet strength and housing experience to create successful

portfolios of sufficient scale. These portfolios could comprise homes that are specifically designed to be used as rental accommodation – offering advantages in terms of management and quality to tenants – as well as tenancies that are tailored to the needs of their target markets.

Addressing opposition

As previously highlighted, opposition to development from local populations can be a significant barrier to much-needed housing development. Despite an acceptance of the scale of the housing crisis at a national level, these concerns are not necessarily reflected in support for development at the local level.⁴⁴ This may be due to reservations relating to a lack of infrastructure, poor quality design and building and the impact on local housing prices.⁴⁵ It is vital that these concerns are listened to and addressed. However, these issues need to be balanced against the range of problems with the housing system highlighted above. Communities need to be aware of the imminent pressure on housing and resources in their local area. This will empower local people to tackle these issues in a constructive manner.

Government and practitioners need to engage with the fears of communities and respond to the challenge of any objections. Thoughtful contributions that do not stoke a divisive rhetoric are needed to further the debate. A pro-housing position is not incompatible with a desire to protect areas of countryside. Similarly many rural populations recognise the need for high quality, affordable housing in their area, along with amenities such as shops and post offices.⁴⁶ A broad coalition of support can be established with cooperation and negotiation.

Impact of the global financial crisis

Relevant BSHF publications

- Support with Housing Costs (2010)
- The Impact of Claimant Numbers on Housing Benefit Expenditure (2010)
- Housing Benefit Claimant Numbers and the Labour Market (2011)
- The Growth of In-Work Housing Benefit Claimants (2012)
- BSHF Response to 'Local Decisions: A fairer future for social housing' (2011)

The UK government's response to the global financial crisis has been one of austerity, with considerable efforts to curtail and reduce government spending. This has been a major component of the welfare reform agenda pursued by the coalition government. However, welfare reform is not entirely related to the global financial crisis; strong cases for reforming welfare had been made prior to the crisis. However, the pressure on government expenditure and the increased welfare bill arising from increased unemployment and underemployment have played a significant part in the direction of welfare reform.

Welfare reform

The government has argued that the current increases in welfare expenditure are unsustainable, both given the current financial climate and in the long term. It has also argued that the current system discourages unemployed claimants from seeking work. Against this backdrop, it has introduced major changes to welfare provision in the UK, most significantly to Housing Benefit. A wide range of measures have been introduced, including:

- **Local Housing Allowance (LHA) rates set at the 30th percentile.** From October 2011, local housing allowance rates have been set at the 30th percentile of local rents. Previously, they were set at the median (i.e. 50th percentile) of market rents.
- **LHA rate caps.** From April 2011, local housing allowance rates have been capped at £250 per week for a one bedroom property, £290 per week for a two bedroom property, £340 per week for a three bedroom property and £400 per week for four bedrooms or more.

- **Index linking of LHA.** From 2013-14, local housing allowance rates will be uprated in line with the consumer price index (CPI). Currently LHA rates are recalculated monthly based on actual market rents in the area.
- **Overall benefits cap.** There is an overall cap on benefits for out-of-work households, linked to the national average household income (irrespective of household size or geographical location).
- **Social sector benefits to match household size.** Since April 2013, housing benefit entitlements for working age people in the social sector has reflected family size (commonly known as the Bedroom Tax).
- **Shared Accommodation Rate changes.** Those aged under 35 years will now receive only enough housing benefit to obtain a room in a shared house (previously the age limit for this was 25).

Furthermore, the government is in the process of introducing Universal Credit, a single welfare payment, paid to claimants on a monthly basis, which will replace all other working age means tested benefits.

BSHF has written widely on the topic of support with housing costs (a list of key publications is above), but to summarise

- The government has stated that welfare expenditure, particularly as related to housing is “out of control”.⁴⁷ However, Housing Benefit is inherently responsive to the economic cycle: as expected, the cost has risen in a downturn. This does not represent a flaw in the system; it represents an element of the country’s welfare provision responding to an increasing number of people needing support in tough economic times.
- The government has stated that the aim of welfare reform is to improve work incentives. However, many out of work claimants are either struggling to find work in the current economic climate, or unable to work due to disability or other factors.
- Furthermore, many claimants are in employment, but need additional support due to low pay or other difficulties. (N.B. not all welfare changes will apply to in-work claimants.)
- The combined effect of the changes means are hitting the most vulnerable hardest, putting households at greater risk of arrears, eviction and homelessness.

Grant funding for social housing

In 2011, the government significantly reduced the amount of funding available for the development of new social housing under the Affordable Homes Programme. Grant funding has been reduced by more than half compared with the previous programme. However, the aim is to deliver a similar number of homes: by increasing the amount of rent chargeable on the properties once they are developed and let (from around 50% to up to 80% of market rents) it is anticipated that housing associations will be able to lever in private finance to supplement the reduced grant rate. This programme is called Affordable Rent (as distinct from traditional social rent). Although the programme was initially promoted as a short-term measure in response to funding constraints, it seems now that Affordable Rent may be a long-term policy approach.⁴⁸ Further details of the programme are available from the Homes and Communities Agency website.⁴⁹

However, in a submission to the Department of Communities and Local Government, BSHF has highlighted a number of concerns with the policy:⁵⁰

Reduced access to low cost housing

- The government has argued that in a time of budget constraint, there are limited resources available to fund housing, and it is therefore better to fund more homes at a lower subsidy (Affordable Rent) rather than fewer homes at a greater subsidy (social rent).
- Over time the proposed changes are likely to lead to increasing numbers of tenants moving into Affordable Rent rather than traditional social housing. The housing costs of this group of tenants in Affordable Rent will be greater than they would have been previously. The danger is that more tenants in Affordable Rent will struggle to meet their housing costs leading to higher levels of arrears, problems with debt and long term reliance on Housing Benefit.
- The government needs to ensure that these difficulties for individual households can be justified in terms of the wider benefit of increased supply of affordable housing. However, modelling by BSHF suggests that this might be a false economy, due to the impact of Affordable Rent on Housing Benefit expenditure.

Impact on Housing Benefit expenditure

- Households who will gain access to the Affordable Rent tenure are likely to be those that might previously have been able to access social housing. Therefore it is reasonable to expect that a significant proportion of them will be in receipt of Housing Benefit. For these households, the amount of Housing Benefit needed to cover housing costs is likely to be higher than those in a traditional social tenancy, therefore placing a greater burden on Housing Benefit expenditure.
- BSHF modelling suggests that the introduction of Affordable Rent could add cumulatively £390 million to Housing Benefit expenditure each year. By the end of the Spending Review period that would amount to an increase in Housing Benefit expenditure of £1.56 billion per year. If £1.56 billion was spent on building affordable housing it could provide over 25,000 new social rented homes.

Delivering sufficient new homes

- It is not clear that extra income generated from Affordable Rent will deliver the number of new houses suggested by the government. An alternative estimate of the number of houses likely to be built through revenue raised from Affordable Rent has been produced by Chartered Institute of Housing (CIH). They suggest that only 15,000 homes will be built annually through the scheme.⁵¹ This produces a total of 60,000 over the spending review period, as opposed to the government's prediction of 150,000.
- Analysis of the proposals by housing association L&Q suggests that whilst the target of 150,000 homes is possible, it is "daunting" and will require wider changes in the funding of social housing. They suggest that if the target is not achieved it will "run the risk of increased poverty, of immobile communities isolated by income, alienated from the mainstream of society".⁵²
- The government will also need to ensure that these changes do not result in housing associations being less able to borrow and therefore develop. Changes to credit ratings for housing associations would depend on the "aggressiveness of debt strategies after an increase in rental income".⁵³ There are issues regarding the appetite and ability of housing associations to adopt this type of more aggressive approach to arrears management. Other finance experts have suggested that the new regime may not allow landlords to maintain current levels of development, as financing plans through more borrowing could weaken ratings and potentially affect associations' ability to access the capital markets."⁵⁴

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- In addition, there are important regional and local variations that require further attention. Spatial variation in rental markets mean that it is estimated that 60 per cent of these new affordable properties will be built in London and the South East, compared with less than 2 per cent in the North East.⁵⁵
 - In areas where private rents are low, social housing currently offers close to or greater than 80% of market rents: for these places, there will be little or no decrease in subsidy. Equally, in areas of low private rents, any percentage increase in rent is going to amount to a very small cash increase for social landlords. These factors mean that there will be very little additional money available with which to build new homes in some parts of the country.

Reducing security of tenure

The new funding regime for social housing is associated with changes to security of tenure in social housing. Prior to 2011, new social housing tenants (except for those on probationary/introductory tenancies) have been granted the entitlement to live in their home for life, often with some succession rights for spouses or children. Tenancies would only be terminated on the grounds of significant breaches of contract on behalf of the tenant.

However, in 2011 under the Localism Act, it became possible for social landlords (both housing associations and local authorities) to offer fixed term tenancies of a minimum of two years for new tenancies. However, guidance suggests that two-year tenancies should only be used in “exceptional circumstances”, with tenancies of five years or more being the norm.⁵⁶ These changes to security of tenure are linked to the Affordable Rent programme, with Affordable Rent properties being on fixed-term rather than indefinite tenancies.

Private rented sector

Relevant BSHF publications

- Tenure Trends in the UK Housing System (2010)
- Who Lives in the Private Rented Sector? (2013)
- Building New Homes for Rent (2012)

In 2010, BSHF conducted research into the changing patterns of tenure in the UK. *Tenure Trends in the UK Housing System* highlights historic and current trends, most notably the rapid increase in the size of private rented sector over the last 20 years.⁵⁷ At the start of the 20th Century the vast majority of households in the UK rented privately. However, as substantial amounts of social housing was built and homeownership became increasingly accessible, the private rented sector declined and housed less than ten per cent of households. However, since then the private rented sector has grown rapidly and now houses around 17 per cent of households. By 2020 it is projected to house 20 per cent of households.

A number of drivers of this trend can be identified, including:

- Deregulation of the sector in the late 1980s, which made private landlordism more viable
- Rising house prices, which both made homeownership less affordable and residential property a desirable investment opportunity
- The introduction of Buy-to-Let mortgages, which made it easier for potential landlords to invest
- Growth in demand from students and young professionals for flexible rented accommodation
- Increasingly restricted access to social housing
- Reduced access to mortgage finance for potential first-time buyers following the financial crisis

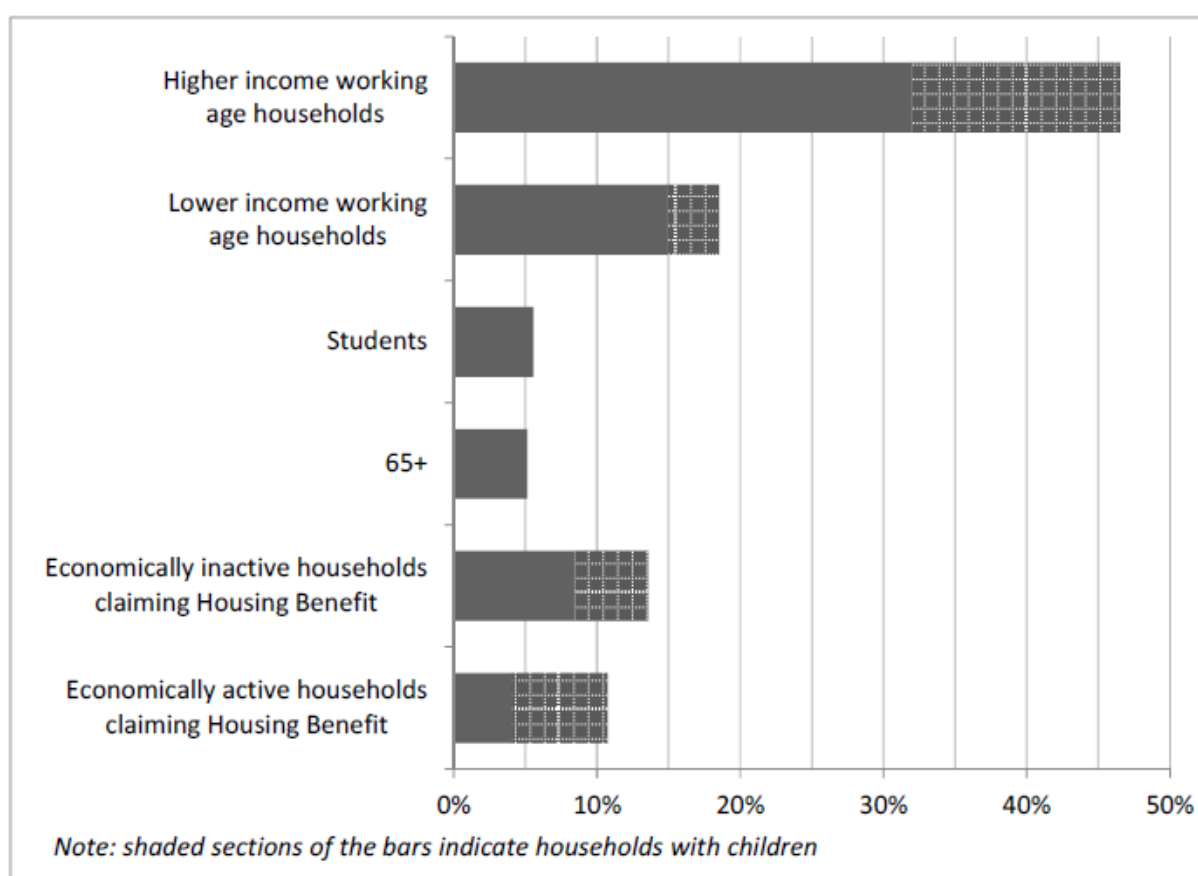
Characteristics of private tenants

The private rented sector houses a whole range of household types, which can be split into different subsectors⁵⁸ or submarkets.⁵⁹ Each of these subsectors has different needs, and currently the sector meets these needs to widely varying degrees. For example, young professionals looking for relatively short-term accommodation in urban areas can be well served by the private rented sector,

whereas families with children looking for a long-term home near schools face increasing difficulties in the private rented sector.

Research by BSHF has identified a number of key findings with regard to the characteristics of households living in the private rented sector.⁶⁰ The research identified key sub-sectors on the basis of household characteristics; six sub-sectors were identified (Figure 1).

Figure 1. Sub-sectors of the private rented sector



The research reveals the diversity of the private rented sector, and the significant difference between groups that are often discussed as though they are relatively homogeneous, such as families with children and Housing Benefit claimants.

Over the last ten years, the majority of sub-sectors have grown in absolute terms due to the overall growth of the private rented sector. However, the number of over 65s has declined in absolute terms, and significantly as a proportion of the sector. There has been significant growth in economically active Housing Benefit claimants and in higher income, working age households. Families now make up

around one in six households in the private rented sector, with a significant rise in the number of families renting privately over the last decade.

Security of tenure

The dominant form of tenancy (covering more than 90 per cent of tenancies) in the UK is the Assured Shorthold Tenancy (AST, or the Short Assured Tenancy in Scotland). Under this tenancy, the landlord can regain possession of the property for any reason six months after the beginning of the tenancy, provided the landlord gives two months' written notice requiring possession. Equally, the landlord may increase the rent at the end of each fixed term period. It is possible to agree a fixed term period longer than six months and 12 month ASTs are common. However, fixed terms of longer than this are not typical. Many landlords with Buy to Let mortgages are prevented from offering longer tenancies by their lenders, who are keen to be able to gain possession of the property in the case of mortgage default. This leads to a high degree of turnover in the sector with tenants often having to move more frequently than they would like.

Regulation of the private rented sector

England

The enforcement of current regulations lies with local authorities. The government argues that the regulations currently in place are sufficient and has called on local authorities to carry out their enforcement obligations.⁶¹ However, it has been argued that local authorities lack sufficient resources to carry out proactive enforcement work.⁶² Equally, tenants can be reluctant to report problems (or are unaware of the possibility of doing so) because of the risk of retaliatory eviction.⁶³

Instead of regulation, the government has placed an emphasis on institutional investment in the private rented sector, with the aims of increasing supply and 'professionalising' the sector. Equally, the government remains committed to promoting homeownership, most recently through the much-criticised⁶⁴ Help to Buy⁶⁵ scheme. The emphasis is on helping Generation Rent (would-be first-time buyers who are struggling access homeownership due to housing market constraints) move from the private rented sector into owner occupation, rather than dealing with the challenges of the private rented sector itself.

Most recently, the Communities and Local Government Select Committee has published findings of a wide-ranging review of the needs of the private rented sector.⁶⁶ This report is quite critical of the government's approach and makes a

number of recommendations. In particular, it highlights five key areas for attention:

- Introduction of a more comprehensive but simpler framework of regulation
- Sufficient flexibilities and resources should be available for local authorities to carry out enforcement
- Letting agents should be subject to the same controls as estate agents and there should be limits on fees chargeable
- Longer tenancies should be more readily available
- Issues of undersupply should be addressed across sectors, including through build-to-let

Local government

There is significant appetite among some local authorities to tackle the private rented sector locally. The London Borough of Newham Council has led the way in this, introducing mandatory licensing of private landlords.⁶⁷ Local authorities are allowed to introduce licensing, provided the private rented sector in their area has certain problems.⁶⁸

A number of other local authorities are taking a proactive approach to the private rented sector, including Salford,⁶⁹ Redcar and Cleveland,⁷⁰ and Newcastle.⁷¹ There is also evidence to suggest that there is a general and increasing appetite amongst local authorities to tackle the problems of the private rented sector at a local level.⁷²

Scotland

Unlike the Department for Communities and Local Government, the Scottish Government has favoured a greater degree of regulation. This has included mandatory licensing of all landlords and the abolition of all letting agent fees to tenants. The current strategy for private rented sector has been published in the report *A Place to Stay, A Place to Call Home*⁷³

Wales

Wales is looking to follow a similar approach to that of Scotland, but has not implemented significant policies yet, as housing only became a devolved power in Wales in 2010. Nonetheless, a recent Consultation and White Paper suggest a direction of travel towards mandatory landlord and letting agent licensing. In addition Wales is considering the introduction of a new legal tenancy framework

with the purpose of increasing clarity and consistency. The proposals are detailed in two main reports: *Proposals for a Better Private Rented Sector in Wales*⁷⁴ and *Renting Homes: A better way for Wales*⁷⁵

Northern Ireland

Northern Ireland has also adopted a more active approach to regulation of the private rented sector, including registration of landlords, statutory quality standards for private rented properties and increased notice to quit periods for longer-term tenants. The approach adopted is outlined in the report, *Building Sound Foundations: A strategy for the private rented sector*.⁷⁶

Impact on the right to adequate housing

The growth of the private rented sector has significant implications on the enjoyment of the right to adequate housing in the UK.

- Homeownership is central to the UK's approach to welfare provision. It is anticipated that in retirement, the majority of households will have paid off their mortgage and will therefore need a much lower pension income to support them. Equally, by downsizing or using equity release, they will be able to supplement their income. As more retired households live in the private rented sector, increasing pressure will be put on state benefits for those above pension age, who will not be able to afford their housing costs.
- The current use of short-term assured shorthold tenancies does not offer sufficient security of tenure for those wanting to make a long-term home in the sector. This is particularly important for households with children.

Although many landlords offer a good service to their tenants, there are significant problems with those landlords who let out substandard properties and fail to provide adequate management services. At the extreme, this includes criminal landlords who overcrowd tenants in unsafe housing, or illegally evict tenants. There are concerns that current approaches to regulation, particularly in England, are not sufficient to address these issues.

Community housing solutions

Relevant BSHF publications

- Redefining the Commons (2005)
- Self-Help Housing (2011)
- Supporting Self-Help Housing (2011)

Community-led housing solutions, such as Community Land Trusts and Self-Help Housing, have real potential to address significant issues of housing need. Such approaches often provide benefits such as affordability and the development of sustainable communities, as well as in many cases addressing the needs of particularly marginalised groups.

In the UK there are many examples of such approaches, but they are typically small in scale and face significant barriers to effective development. This contrasts with the situation in many countries, where community-led approaches make a significant contribution to meeting housing need. The limited impact of these approaches in the UK therefore has important implications for access to affordable and adequate housing. BSHF is investigating how such approaches can be more effectively scaled up, and will publishing a report into this in 2014

Community land trusts

In 2005, BSHF published *Redefining the Commons*,⁷⁷ a report examining the potential for Community Land Trusts (CLTs) in the UK. CLTs are locally based, not-for-profit organisations that own land and property in trust for the benefit of the community. They are increasingly recognised as one possible means of overcoming the widespread problems of social exclusion and unaffordable housing caused by escalating land values. Experience has shown that not only can they guarantee long-term affordability, but they can also act as a successful means of community engagement by giving local people collective control of land and property assets within their neighbourhoods.

The report highlights two examples of CLTs in Britain: Stonesfield Community Trust⁷⁸ and the Highlands Small Communities Housing Trust.⁷⁹ There are also many other examples of CLTs at various stages of development in England and Wales. The National CLT network has a database of many such projects.⁸⁰ However, CLTs remain rather a niche component of the housing market, with many projects in the very early stages of development and facing difficulties in

progressing. This is in contrast with countries, such as the USA, where CLTs are a significant provider of affordable housing. For example, Champlain Housing Trust, a winner of the World Habitat Awards,⁸¹ consists of over 2000 properties.⁸²

Self-help housing

BSHF's 2011 report on self-help housing highlights how the needs of those with limited access to mainstream housing options can gain affordable housing, develop skills and benefit local areas through the regeneration of empty and derelict properties.⁸³

"Self-help housing involves groups of local people bringing back into use empty properties that are in limbo, awaiting decisions about their future use, or their redevelopment. It differs from self-build housing which involves constructing permanent homes from scratch".⁸⁴

Self-help housing can incorporate a wide range of factors, but typically provides:

- An additional source of affordable and accessible housing to meet local housing needs
- Opportunities to gain construction skills and training
- A sense of community, common purpose and mutual support for residents and the workforce
- An opportunity for owners of empty properties to bring them back into use
- A means to tackle dereliction and blight which contributes to wider neighbourhood regeneration

Six key success factors for self-help housing have been identified:

- **A committed group of people.** Self-help housing is dependent on having a group of people who are willing to give time and energy to improve their community and housing. Effective leadership and a strong sense of social purpose are needed to sustain the enthusiasm and overcome the difficulties faced when using this approach.
- **Available property.** There is a wide variety of property that can be used for self-help housing. This includes empty properties in private ownership, which are often accessed with support from local authorities. Other suitable properties can include those owned by housing associations or various public bodies. Most often these will be available on short leases of two to ten years, and should, wherever possible, be at a low rent.

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- **A viable funding model.** The simplest funding model is based on recycling rental income to pay for repairs to the property. Using volunteer time often reduces the cost of refurbishment for organisations undertaking self-help housing. However, this may not cover the costs of every property, so additional funding may be required. Funding to pay for refurbishment costs has come from a variety of sources such as voluntary donations, charitable trusts and statutory funding via Temporary Social Housing Grant. Rent-free use of a property in exchange for refurbishment is another option.
 - **Need for local housing.** Those wanting to secure housing in this way will most often come from groups who struggle to access either private renting or social housing such as homeless households without children, refugees or people leaving institutions. It is important that as self-help housing develops it continues to cater for those whose needs are often not met by conventional social housing.
 - **A willing workforce.** To improve or maintain the properties there needs to be some combination of volunteers, trainees, employees or contractors who are willing and able to undertake the work.
 - **Support from partner organisations.** This type of local response cannot take place without the right type of “help from without”. Local authorities, housing associations, Arms-Length Management Organisations (ALMOs), community groups, enabling organisations and other partners play a vital role in helping organisations undertaking self-help housing to access the resources they need to grow and develop.

BSHF consulted with a number of self-help housing organisations in writing our report, each provides affordable housing and training for different groups in need, and refurbishes empty properties locally.

- Community Campus '87, Teeside⁸⁵
- Canopy Housing, Leeds⁸⁶
- Riverlink Housing Co-operative, London⁸⁷
- Fresh Horizons, Huddersfield⁸⁸
- B4Box, Manchester⁸⁹

As a result of BSHF's work⁹⁰ alongside HACT,⁹¹ the TSRC⁹² and Self-Help-Housing.Org,⁹³ funding has been made available specifically to community groups interested in engaging in self-help housing. Funding of £30 million can be accessed through an intermediary, making it simpler for community organisations to apply for funds.⁹⁴

Access to adequate housing by vulnerable groups

Relevant BSHF publications

- Out in the Open (2007)

Gypsies and Travellers

The rights of Gypsies and Travellers to pursue their way of life are enshrined in national and international legislation. Experience has shown, however, that these rights are rarely upheld or supported in practice. Gypsies and Travellers have the poorest life chances of any ethnic group in the UK and face widespread discrimination. Provision of suitable accommodation has a vital role to play in supporting the long-established way of life of Gypsies and Travellers and in enabling them to have a recognised stake in society. To this end, BSHF published *Out in the Open*,⁹⁵ in 2007, which discusses the needs of Gypsies and Travellers and how these could effectively be met.

The provision of adequate and appropriate sites for Gypsies and Travellers lies at the heart of resolving inequalities of access to health, education and employment; helps to avoid tensions with local communities and is key to tackling racism and discrimination.

In the caravan count conducted in 2013, 2,700 caravans were found to be on unauthorised sites; this represents 14 per cent of the total number of caravans counted (18,730).⁹⁶ Gypsies and Travellers who have to resort to unauthorised sites for their caravans are considered to be homeless, and although 14 per cent is based on a count of caravans rather than people, it gives a reasonable impression of the scale of homelessness amongst Gypsies and Travellers living in caravans. In comparison, less than one per cent of settled households are found to be homeless per year.

Under the government's current planning policy for traveller sites,⁹⁷ local authorities are required to make assessments of housing need among Gypsies and Travellers for the purpose of developing Local Plans, and develop strategies to meet the needs of Gypsies and Travellers. However, research by BSHF has previously called into question the quality of the assessments carried out by local

authorities, suggesting that although some assessments of need are robust, others lack the necessary accuracy to ensure that current and future needs are met.⁹⁸

However, failing to provide sufficient sites for Gypsies and Travellers is costly not only to the traveller community, but also to local communities. Evidence from a survey conducted by BSHF suggested that local authorities in Leicestershire spend at least £200,000 per year dealing with unauthorised sites, while authorised sites in the county generate council tax receipts for the authorities of up to £125,000 per year.⁹⁹

Case study: Fenland District Council

Fenland District Council has been identified as having a pioneering approach to working with Gypsies and Travellers. The area covered by Fenland District Council lies in the fens of north Cambridgeshire. Historically, this area has had one of the largest populations of Gypsies and Travellers in the UK. When faced with increasing problems of unauthorised encampments and local friction fuelled by inflammatory media reporting, the district councillors decided to positively address the issues.

- Through ongoing liaison with Gypsies and Travellers it is able to engage with those who are considering buying land to create a pitch, helping them to identify suitable locations.
- The sites provided by the local authority have brick-built amenity blocks and the support service is similar to that provided for social housing residents, including maintenance. Additional support services are also provided.
- Rents on the sites are highly affordable, but the sites are nonetheless self-financing.
- Both public and private sites are very much part of the local communities in which they are located, rather than removed to more remote areas.
- The council tries to ensure that Gypsies and Travellers are at the heart of their approach, and set up a Traveller Forum to this end. This forum is Traveller-led, with others participating only at the invitation of the Gypsy and Traveller members.
- Travellers are actively involved in carrying out the Gypsy and Traveller Accommodation Assessments.
- The council works proactively with local media to promote understanding of Gypsy and Traveller issues.
- The council provides training for elected members, staff and other local agencies on Gypsy and Traveller issues.

As a result of these efforts, the vast majority of sites are authorised and there are good relationships between the travelling and settled communities.

Changes to homelessness legislation

Under the Localism Act 2011, local authorities in England are now able to discharge homelessness duties in the private rented sector (previously they could only do this with the homeless household's consent). A range of protections have been put in to ensure the suitability and location of accommodation are considered by local authorities in making the decision to place a homeless household in the private rented sector.¹⁰⁰

In determining whether accommodation is suitable for a person, the local housing authority must take into account the location of the accommodation, including:

- extent of any disruption that would be caused by the location of the accommodation to the employment, caring responsibilities or education of members of the household
- proximity and accessibility to essential medical facilities and other support which are currently used by or provided to members of the household
- proximity and accessibility of the accommodation to local services, amenities and transport

Accommodation is not regarded as suitable if:

- the accommodation is not in a reasonable physical condition;
- appropriate electrical, gas and fire safety provisions are not in place
- the landlord is not a fit and proper person to act in the capacity of landlord
- the accommodation is a house in multiple occupation subject to licensing and is not licensed
- the accommodation is or forms part of residential property which does not have a valid energy performance certificate
- the landlord has not provided to the local housing authority an acceptable written tenancy agreement

Impact on the right to adequate housing

In areas with high pressure on social housing, such discharges may become increasingly likely, as local authorities seek to manage their waiting lists. A number of organisations working with homeless people have raised concerns with discharging homelessness duties in the private rented sector.

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- Homeless households are often extremely vulnerable and socially excluded. Short-term tenancies in the private rented sector (a minimum of 12 months on discharge of a homelessness duty) are unlikely to provide sufficient stability for households.¹⁰¹
 - Some local authorities, particularly in high pressure areas of London, are proposing to relocate households miles outside their borough, moving them away from support networks, etc.¹⁰²
 - The changes to Local Housing Allowance will make private rented accommodation less affordable for households. Where there is a shortfall between rents and LHA, arrears and evictions are likely.¹⁰³
 - Statistics show that the loss of a private rented tenancy is the primary cause of homelessness.¹⁰⁴ This risks creating cycles of homelessness, particularly for vulnerable households.
 - Around 35 per cent of private rented sector properties are classed as non-decent.¹⁰⁵

It is of note that Shelter has produced a guide for local authorities explaining how to mitigate some of these potential issues in providing private rented accommodation for homeless households; however, the guide also emphasises that a social home may well be the most appropriate form of accommodation for many homeless households.¹⁰⁶

This is not an area that BSHF has conducted research on and so is unable to offer any particular insights. Nevertheless this is an important area of consideration for the Rapporteur.

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