



## Submission to the

**Cabinet Committee on Public Health,  
The Department of Work and Pensions,  
21<sup>st</sup> Century Welfare.**

**Independent review of poverty and life  
chances.**

**September 2010**

### **Contents**

#### **Page**

Introduction	1
Answers to DWP welfare reform questions	2
Minimum Income Standards	2
LHA and the HB cap	5
Low birthweight	7
Public Health, Debt and mental illness.	12
Will Hutton Review on Fair Pay in Public Sector – The Living Wage London Citizens.	17
Decades of failure in housing and land management policy. Professor Peter Ambrose.	21
Relationship between Low Birth Weight, Poor Nutrition and Poverty. Matthew Crow.	25

### **Introduction**

- i. The Zacchaeus 2000 Trust (Z2K) works with the most vulnerable citizens when they have rent and council tax arrears, threats of eviction and the bailiffs, or are struggling with overpayments of tax credits and benefits. We only work “below the radar” while normally passing mortgage and credit card debts to other advisers. We employ three full time lawyers, an administrator and have 32 volunteers who act as McKenzie Friends helping vulnerable debtors to engage with the courts and with the authorities delivering welfare. At any one time we are handling about 70 cases, which are referred to us by MPs, GPs in Tottenham, other NGOs and satisfied clients. The trust was founded in the early 90s and registered as a charity in 1997.

- ii. Over the years we have noted that the Department of Health will not consider the consequences of poverty incomes for the health service, the Department of Work and Pensions will not consider the consequences for the health service of poverty incomes. Department of Education suffers the consequences of poverty related ill health, particularly of women of child bearing age, in the behaviour and discipline of many children in schools. The toxic connection between poverty, debt, ill health and educational underachievement falls into a black hole between government departments.
- iii. Poverty level welfare will be cut by slowing the increase in the levels of unemployment benefits using a the less generous Consumer Price Index rather than Index of Retail Prices, a difference of about 2%, child benefit will be frozen, and housing benefit will be capped, the Health in Pregnancy and the Sure Start Maternity Grants are to be abolished; the expensive consequences of cutting poverty level incomes in ill health and educational underachievement have been ignored.
- iv. The DWP is required by the Treasury to rob poor Peter to pay poor Paul in this still wealthy nation. The deficit is the no justification for this expensive error. Paragraph 7 of the DWP consultation states that “The welfare system is predicted to rise at a time when we can least afford it”. So poverty level welfare will be cut by slowing the increase in the levels of unemployment benefits using a the less generous Consumer Price Index rather than Index of Retail Prices, a difference of about 2%, child benefit will be frozen, and housing benefit will be capped, the Health in Pregnancy and the Sure Start Maternity Grants are to be abolished; the consequences of cutting poverty level incomes in ill health and educational underachievement have been ignored.
- v. We accept that there is much that can be done by individuals to improve their own health; nevertheless governments create ill health by increasing or failing to reduce poverty measured by the minimum weekly costs of human needs, and neglecting appropriate education in schools about nutrition, cooking and parenting.
- vi. All these preventable costs should be included in the cost of welfare. The King’s Fund Estimates that the total cost the economy of mental illness is £77 billion a year (announced by Dr Jo Nurse, Head of Mental Health Services at the NHS). Unless both the unemployed and the working poor receive the minimum incomes needed for healthy living these costs will continue to increase for the tax payers regardless of the system which delivers welfare.

### **Our answers to the DWP questions – 21<sup>st</sup> Century Welfare.**

#### **1. What steps should the Government consider to reduce the cost of the welfare system and reduce welfare dependency and poverty?**

- 1.1. UK Governments’ have failed to take into account the consequential costs to the tax payer in the hospitals, the schools and in the administration of justice and in

the economy at large of poverty related mental and physical ill health, educational underachievement and crime.

- 1.2. We have selected items from the Joseph Rowntree Foundation minimum income standards (MIS) published in July at April 2010 prices which exclude rent, council tax, child care and social and cultural participation. The food budget is based in the science of nutrition, tested for consumer acceptability and priced in a supermarket. All items in the budget are there because members of the public think they ought to be in a minimum income standard.
- 1.3. Unemployed women of child bearing age, and their offspring, and young men under 25 and later unemployed couples and individuals after their children have left home, are the people who suffer the consequences of poverty level adults unemployment benefits. 7.5 million adults received incomes below the poverty threshold measured against 60% of the median income. It is many more than 7.5 million measured against an estimate of the weekly costs of human need. We highlight the consequences of the housing benefit cap because it will increase costs in health, education and the economy at large due to the well established relationship between debt and mental illness.

**Table 1**

Incomes from which rent arrears will be enforced when HB is capped

<b>JSA</b>	235.29
<b>Less MIS</b>	
Food	-107.13
Clothing	-29.58
Water	-5.70
Fuel	-20.09
Household goods	-18.96
Household services	-9.81
Personal goods and services	-29.20
Travel costs	-38.38
<b>JSA Shortfall</b>	<b>-23.56</b>

**Table 2**

Incomes from which rent arrears will be enforced When HB is capped

		<b>Shortfall</b>
<b>Working aged adult.</b>	<b>£pw</b>	<b>£pw</b>
Food	44.34	
Clothing	7.73	
Water	4.93	
Fuel	9.78	
Houshold Goods	10.35	
Personal Goods and Services	8.95	

Travel costs	19.78	
<b>Total</b>	<b>105.86</b>	
<b>JSA under 25</b>	<b>-51.85</b>	<b>54.01</b>
<b>JSA 25 to 60</b>	<b>-65.45</b>	<b>40.41</b>

1.4. It should be noted that these people will not have a holiday; the costs of any kind of social life are not included above although they are included in the JRF minimum income standard at £42 a week for an individual and £104 a week for the family because the public thinks they should be. They will certainly be paying off debts. Sometimes the level of debts is so bad due to the complexities of welfare delivery that people are literally unable to buy food. Z2K has a small fund to provide them with temporary support beyond the scope of statutory welfare. Food prices are increasing while benefits are being cut.

#### **Case I**

Mr X visited the office on the 17 August. His housing benefit is £200 a month and his rent is £1000 for a 2 bedroom flat in Hendon, in private accommodation, where he lives with his son, and his salary can't cover the remainder of his rent.

#### **Case II**

New case on the 17 August where the client is earning £848 a month and has to pay £400 rent and council tax, which leaves him about £15 a day. He hasn't been paying his rent and had an eviction hearing on the 18<sup>th</sup> August our volunteer went with him and asked the judge to give us time to help sort out his problems, and the judge adjourned the case for 30 days.

#### **Case III**

The Y family was homeless, in the sense of having no settled accommodation for 2.5 years. They applied to Westminster for help with their homelessness in May 2009 and eventually were able to move into appropriate accommodation in April 2010 because of the help in arranging a deposit provided by Hackney SS. Westminster provided no help whatsoever despite there being 4 relevant children to whom Westminster owed a duty under the Children Act. The family members have suffered appalling stress through living in overcrowded accommodation and then, when in temporary accommodation being under continuous threat of

imminent eviction. Mr Y suffers from psoriasis, a condition aggravated by stress and Mrs Y has problems with her heart, these medical conditions were made known to Westminster who took no notice. Without the intervention of Z2K this family would have been literally on the streets. Their situation remains precarious because they cannot really afford the only accommodation they could find. The rent is £1800 p.m. and the Local Housing Allowance for 4 bedrooms in that area is £1495, leaving them having to pay £305 pm above their housing benefit and they are very worried about getting into arrears again as Mr Y is on a very low income.

- 1.5. It should also be noted that JSA at slightly less per head when paid to couples. The housing benefit caps will result in rent being paid out of poverty income, both in and out of work, which cannot be reduced without further damaging the health and wellbeing of tenants. Rent arrears and evictions, and the stress and depression that goes with them, are inevitable.
- 1.6. Parents are left alone in a council house or RSL after children have left home. Some have been housed in expensive private rented accommodation at the market price because there was nothing cheaper and the local authority has a duty to house them. Secure tenure is necessary to promote educational progress and good behaviour in schools, local extended families essential for mutual support. The capping of housing benefits will erupt as a scandal into national media when thousands of repossession notices are issued and bailiffs begin to implement evictions.
- 1.7. The following letter was published by The Times and The Independent on the 30<sup>th</sup> August;

**Bad housing policies in the past 30 years have led to an unjust system of benefits and a greater burden on the taxpayer**

Sir, The Institute of Fiscal Studies rightly decides that welfare cuts are regressive, ([report, Aug 25](#), and [letter, Aug 27](#)) but the Government is concerned about the £21 billion annual cost of housing benefit to the taxpayer.

The financial deregulations of the early 1980s allowed house purchase lending to spiral out of control, driving house prices to unprecedented levels, and with them rents, which reflect house prices and consequentially the annual cost of housing benefit. Simultaneously, the Housing Act 1988 allowed landlords to charge a market rent, allowing rents to spiral after January 15, 1989. This removed rent controls from the Rent Act 1977 scheme, again increasing housing benefit and the cost to the taxpayer.

None of this is the responsibility of housing benefit claimants, but they are being punished for the errors of successive governments by the requirement to pay the balance of rents out of means-tested wages or unemployment benefits, or be threatened with eviction. The Local Housing Allowance began this policy of ignoring the means test when paying housing benefit; the cap continues it.

These are the deeply unjust and regressive consequences of bad housing policies introduced by the 1979 government, allowed to continue by the 1997 government and then blamed on the most vulnerable members of society.

Peter Ambrose, Professor in Housing and Health, University of Brighton  
Rev Paul Nicolson, Chairman, Zacchaeus 2000 Trust

## **2. Which aspects of the current benefits and Tax Credits system in particular lead to the widely held view that work does not pay for benefit recipients?**

2.1. The fact that in many circumstances it does not. It should be understood that the adult unemployment benefits are often reduced by debts and the poverty is so deep that it is debilitating; entry into work is hindered by malnutrition and depression. We have been particularly concerned about the plight of people forced into low paid self employment.

### Case IV

A little known benefit, introduced in April 2009, is the self employment credit. It is available for people who are claiming JobSeekers Allowance and are looking to move into self employment or start a business, working at least 16 hours a week on average and expect their work to last at least 5 weeks. It is worth £50 a week and is available if for claimants of JSA for the previous six months and be claimed for 16 weeks.

This case was "encouraged" to become self employed because he has a qualification as a plumber for water only, being unable to afford the qualification for gas and electrics. In finding work from scratch is proving very difficult indeed. He is not hard to help and is desperate to find regular work.

£pw

50.00 self employment credit

-7.85 rent arrears

-20.00 rent paid by non dependent relative

22.15 disposable income or 42.15 if son pays £20

rent

In effect the Job Centre reduced his income from £65.45 to £50 while the JRF minimum income food standard is £44.34 a week which lowered his income because work was slow coming in; sometimes non-existent for several weeks at a time.

His debts of £9187 include the following.

	£
Rent arrears	3848.68
Council tax arrears	1413.21
Tax credit over payment	2352.75

Over the past three years he has had two nervous breakdowns. He currently has panic attacks.

### 3. To what extent is the complexity of the system deterring some people from moving into work?

- 3.1. Survival is delivered by four different agencies to the poorest citizens, one for tax credits, another for JSA and disability benefits, another for council tax and yet another for housing benefit. The poorest citizens can only communicate with pay as you go mobiles. They cannot easily communicate with the four agencies when required to hang on until their mobiles run out of cash. This is particularly true for single unemployed adults receiving £51.85 a week JSA up to age 25 and £64.45 thereafter until aged 60.
- 3.2. Complaints when the agencies make mistakes are almost impossible to appeal when the centres dealing with them are far from home, in Glasgow, Portsmouth, London etc.
- 3.3. We have recently dealt with a local authority on behalf of a client ; six people dealt with the complaint in council tax department and a further four in the out sourced agent.
- 3.4. There is a fear of engaging with a system which is perceived as hostile and judgemental. The persistent demonisation of all the unemployed as workshy is both a deep insult to and has a depressing affect on the vast majority of decent unemployed people who desperately want to work. Adult unemployment benefits could be doubled without losing any incentive to find work. The current level is debilitating. The following letter was published by The Guardian on 15 May 2009. Changing to the CPI from the RPI will make bad worse.

## Benefit negligence

[The Guardian](#), Friday 15 May 2009

The inadequacy of the £64.30 weekly jobseeker's allowance (£50.95 for the under-25s), noted by Paul Nicolson (Letters, 11 May) is a modern phenomenon. When unemployment benefit started in 1912 it was 7 shillings a week - about 22% of average male earnings in manufacturing. The percentage fluctuated over the succeeding decades, but by 1979 the benefit rate was still about 21% of average earnings (manual and non-manual, male and female). By 2008, however, as a result of the policy of tying benefits to the price index while real earnings increased, the renamed jobseeker's allowance had fallen to an all-time low of 10.5% of average earnings. And while, in the past, means-tested allowances raised unemployed income to a higher minimum level, the jobseeker's allowance rates are now the same, whether means-tested or not. Of course, average earnings have grown but so has the relative deprivation of the unemployed. This is not a policy justified by the need to maintain work incentives. It is just a dreadful record of neglect by governments since 1979.

**Jonathan Bradshaw**

University of York

**Tony Lynes**

- 
- 3.5. The best way of encouraging the hunt for work is to pay a minimum income in unemployment which can ensure healthy entry into the workplace and then pay

everyone a living wage – which has been found in practice to be good for productivity. The promise of a living wage is far more likely to incentivize people to look for work than sanctions which force them to take poverty pay. (London Citizen’s submission to the Will Hutton review of Fair Pay in the Public Sector is attached as Appendix A).

- 3.6. There appears to be no coherent thinking on what strategic or social goals are being achieved by this system, other than to carry on costing money. By increasing bureaucracy designed to crackdown on claimants more is spent on bureaucrats in the process. Every legislative change, every new scheme and sanction imposed on the unemployed requires a corresponding re-organisation of the welfare bureaucracy. Sanctions don’t just hit the unemployed, they also have a detrimental effect on those trying to run the system.

---

**Every time new tests and sanctions are imposed on the unemployed it correspondingly requires:**

- (i) New computer software and the re-writing computer programmes**
- (ii) Re-organising payments of benefits and accounting systems**
- (iii) Printing of new forms and stationery**

#### **4. To what extent is structural reform needed to deliver customer service improvements, drive down administration costs and cut the levels of error, overpayments and fraud?**

- 4.1. All welfare should be delivered, and complaints addressed, from one local office. Rationalisation should also take place at national level with all welfare design and policy moved to one government department; that would include housing benefit, council tax, tax credits and all the benefits delivered by the DWP.

#### **5. Has the Government identified the right set of principles to use to guide reform?**

- 5.1. No it has not. There is no recognition of the need to address poverty in and out of work on both economic and humanitarian grounds. During the recent debate about cancelling free milk issue was not whether or not all families should be given free milk but whether milk, along with other essential nutrition and necessities, can be bought by the families required to survive on statutory minimum incomes in or out of work. The principles do not take into account any measurement of the minimum quantities or prices of necessities in the market which the poorest families need to pay to be healthy.
- 5.2. The relationship between deprivation and low birthweight is described in the following unpublished research from the North West Public Health Observatory (NWPHO).

In the North West, between 2004 and 2008, 7.6% of live births with a known birthweight were of a low birthweight (less than 2,500g). There was a relationship with deprivation – of all those births to mothers who usually reside in the least deprived fifth of areas (fifths based on England rankings) in the North West, 5.3% births were of a low birthweight, while 9.1% of births to mothers who usually reside in the most deprived fifth of areas were of a low birthweight. So, in other words, babies born to mothers who lived in the most deprived areas were 1.7 times more likely to have a low birthweight than babies born to mothers who lived in the least deprived areas in the North West.

Source NWPFO from ONSbirths dataset, 2004-08.

**Lynn Deacon** - North West Local Specialist - Child and Maternal Health Observatory (ChiMat)

- 5.3. Steve Webb MP, said in a Child Poverty Bill debate on minimum income standards about the total inadequacy of adult unemployment benefits, and the effect on children of the consequent poor maternal nutrition before and during pregnancy,
- 5.4. “When we heard evidence, it was pointed out that a young woman under 25 is allocated £50.95 a week (Now £51.85 - PN) to live on, but evidence suggests that £43 (Now £44.34 – PN) a week is needed for food for a decent, healthy living standard. Fuel and other bills cannot be paid from the remaining £7-odd, so young women in that age group who are on benefit are, by definition, eating less than is healthy for them. If they then become pregnant, they will at that time have been eating unhealthily. Budget standards and minimum income standards would enable us to consider what such young women need for a decent standard of living, and to make that the benchmark. Fiscal considerations would determine whether we hit the benchmark, but not knowing what the benchmark is unacceptable and inexcusable. Hansard clmn 363 November 3rd 2009.
- 5.5. Professor Michael Crawford, contributing to this consultation, has written to us. The brain evolved in the sea 500-600 million years ago using specific marine omega 3 fatty acids for its structures and function. It still uses the same today. It is difficult to obtain from land resources other than in poultry, eggs and small animals. Intensive rearing of poultry with inadequate feeding means that today it is no longer a good source.
- 5.6. Over 14,000 pregnancies were recruited in the Avon region. Detailed information about education, incomes, housing, etc etc and nutrition was collected. 8 years after birth, the children were studied. Controlling for some 28 confounding factors revealed that Verbal IQ, Fine motor function, Prosocial Score and Social Development scores were strongly correlated with the maternal sea food consumption in pregnancy. That is the children born to the mothers who ate the least amount or none were those with the worst behavioural outcomes,

- 5.7. The recent (2008-2010) Joint International Expert Consultation of the Food and Agricultural Organization and the World Health Organization assessed the needs of sea food in pregnancy as 250mg/day. To achieve that would add another £1/day to food budget, It was not considered in previous Family Budget Unit estimates as the recommendation has only just now been published. It might not be a full £1/day as you need to remove some cheap trash food to make way. This is based on a cheap source of canned salmon which would be monotonous if it was the only sea food eaten. Tinned sardines and mackerel etc are also in this low price bracket and could be used to vary the appeal.
- 5.8. So you are probably looking at an added cost of about £6 or £7 a week if the pregnant woman is to meet this requirement for pregnancy, embryonic and fetal brain growth. The same if not more would be needed during lactation.
- 5.9. The Japanese, South Koreans, coastal and riverine Chinese and many other Asiatics eat more than the above routinely. They have fairly bright children, best longevity, least heart disease, major depression and cancer. There is a thought that diabetes and heart disease begin as a consequence of poor maternal and fetal nutrition (The Barker Hypothesis).
- 5.10. The rise in brain disorders and mental ill health is reckoned by Capt Dr Joseph Hibbeln at the National Institutes of Health USA, to be mostly amongst children. This was predicted in 1972 by the UK Institute of Brain Chemistry and Human Nutrition to happen unless attention was given to this matter.
- 5.11. Nothing has been done to educate children in the schools about a healthy diet, the importance of sea food and how to cook it nor about ensuring women of child bearing age have enough income to buy a healthy diet. It is now a matter of the greatest urgency. It is more serious in my view than global warming. Further evidence is attached at Appendix A.
- 5.12. The first recommendation of Professor Michael Marmot, in his review of health inequalities was;
- Support families to achieve progressive improvements in early child development, including: Giving priority to pre- and post-natal interventions that reduce adverse outcomes of pregnancy and infancy.
- 5.13. And the fourth group of policy recommendations were.
- a) Develop and implement standards for minimum income for healthy living.
  - b) Remove 'cliff edges' for those moving in and out of work and improve flexibility of employment.
  - c) Review and implement systems of taxation, benefits, pensions and tax credits to provide a minimum income for healthy living standards and pathways for moving upwards.
- 6. Would an approach along the lines of the models set out in chapter 3 improve work incentives and hence help the Government to reduce costs and tackle welfare dependency and poverty? Which elements would be most successful? What other approaches should the Government consider?**

6.1. It is difficult to visualise what is being proposed without some examples in weekly cash paid. We would like to see those examples as the proposals are being developed. However we can support the following principles.

- a) Payments of a universal credit should produce an income which is related to the minimum weekly cost of healthy living and wellbeing.
- b) The rate of withdrawal should be slower than now.
- c) More generous disregards for the unemployed to eliminate “cliffs”.
- d) It should be delivered at a local office.
- e) There should be a unified complaints procedure covering all welfare.
- f) There should be no reduction of the levels of the lowest incomes for people in the most vulnerable circumstances – with the important qualification that in some cases there is an urgent need for a substantial increase.

**7. Do you think we should increase the obligations on benefit claimants who can work to take the steps necessary to seek and enter work?**

7.1. No we do not. The obligations are quite clear now but are over enthusiastically enforced by jobcentres. We support sanctions in cases where there is a culpable and identifiable refusal to work. However we have appealed a case in which the income was stopped of a former Sergeant in the Royal Signals, who was desperate to get work, for failing to attend one interview. It left him without income for several weeks. The appeal succeeded with totally unnecessary costs to the DWP.

7.2. Jobcentre decision takers have as much power as magistrates to fine or stop people’s income; they should also make their judgements in the light of facts and circumstances and acquit when innocent of refusal to work even though an interview is missed by someone who wants to work. The first offence of a “refusenik” should not result in the cancellation of all income but a reduction.

**8. Do you think that we should have a system of conditionality which aims to maximise the amount of work a person does, consistent with their personal circumstances?**

We need to know how that would be measured before we can comment. You suggest disabled people or people recovering from an illness or who have caring responsibilities should be required to sign a document setting out their obligations and the activity required to satisfy those obligations. We think this is carrying the theory of a moral hazard too far into practice among the vulnerable unemployed; the large majority long to work and will do their best.

**9. If you agree that there should be greater localism what local flexibility would be required to deliver this?**

Local authorities would be required to hand over to a new Welfare Delivery Agency with local offices throughout the UK the delivery of housing and council tax benefits.

**10. The Government is committed to delivering more affordable homes. How could reform best be implemented to ensure providers can continue to deliver the new homes we need and maintain the existing affordable homes?**

- 10.1. Professor Peter Ambrose, Visiting Professor of Housing Studies at the University of Brighton, responds to this question as follows. "An increased supply of affordable housing is a vital need and a pre-condition to increased labour mobility and thus to the more efficient working of the economy. Circle Anglia recently calculated the cost to the economy in terms of labour immobility deriving from lack of affordable housing as £542 million per year. In addition there are serious consequences for health and wellbeing outcomes. When housing costs take too much a share of household incomes the then people either depend on housing benefit - which costs the country £21 billion per year and complicates the transition into work - or suffer reduced expenditure on key items to protect health such as adequate nutrition, recreational activity, community participation and indoor warmth.
- 10.2. A socially meaningful definition of the word 'affordable' is a prerequisite to responsible discussion of the issue. Currently the adjective 'affordable' is used with no evidence base and simply to mean 'below market prices and rents'. A debate conducted on this premise is meaningless. A rigorous test of affordability was developed in 2008 by Professor Ambrose using an adaptation of the MIS methodology developed by JRF. This method operationalises the definition of affordable in the 2005 *Z2K Memorandum to the Prime Minister on Unaffordable Housing*.
- 10.3. In brief, this definition specifies that housing is affordable *if it can be afforded once all other household expenditures required to live a safe, healthy and participative life have been met*. For a specified household living in a specified area of east London this figure was calculated at £135 per week in 2008. This means that 'social rented housing', whether LA or RSL, was locally affordable to this household but not any housing in the private rented or LCHO sectors. The affordable figure can be calculated for any household type and for any local area.
- 10.4. All four candidates for London Mayor agreed to adopt this definition and methodology at a London Citizens hustings meeting in London in April 2008 but so far this undertaking has not been honoured by the London Mayor.
- 10.5. The evidence-based affordable figure, known as the Z2K Housing Affordability Standard (HAS), is a target for housing producers to meet in terms of rental levels. This rent/purchase level can be met by a combination of increased producer subsidy (in low cost land by means of CLTs or in other forms) and innovative construction techniques and management systems (such as those pioneered by TEAM Homes and other progressive housing developers)."

An explanation of how the Housing Benefit costs reached £21 billion is attached as Appendix B.

**11. What would be the best way to organise delivery of a reformed system to achieve improvements in outcomes, customer service and efficiency?**

Please see our answer to question 4.

## 12. Is there anything else you would like to tell us about the proposals in this document?

- 12.1. Governments' have failed to take into account the consequential costs to the tax payer in the hospitals, the schools and in the administration of justice and in the economy at large of poverty related mental and physical ill health, educational underachievement and crime. Unless both the unemployed and the working poor receive the minimum incomes needed for healthy living these costs will continue to increase for the tax payers regardless of the system which delivers welfare.
- 12.2. Limiting the housing benefit will increase debt, and consequent mental illness which is exacerbated when rent arrears, and other debts, are enforced against poverty incomes. It is particularly important to note the connection which has been made between debt and mental illness. Based on the Government's own figures, the National Housing Federation estimates that cuts to housing benefit will leave around 936,000 people at risk of being driven into debt, falling into arrears or losing their home, with a high proportion at risk of ending up homeless. On average, people will lose out on £624 a year.
- 12.3. The Government Office for Science stated in its report "Mental Capital and Wellbeing; Making the Most of ourselves in the 21<sup>st</sup> century" Pollard 2008, "There is a strong case for Government to work with financial organisations and utility companies to break the cycle between debt and mental illness. Recent research has indicated that debt is a much stronger risk factor for mental disorder than low income. A range of possible interventions are suggested: beginning with better training for teenagers in managing finance; greater awareness of the link between mental health and debt by banks and financial institutions; and measures by utility companies to handle arrears better."
- 12.4. We submit that the combination of poverty level incomes and rent arrears strengthens the risk factor for mental disorder and worsens the cycle between debt and mental illness; reducing such incomes with rent arrears due to the caps on housing benefit piles risks on risks. In our experience many claimants are already suffering the draconian enforcement of rent and council tax arrears by the local authorities and bailiffs and from consequent depression, in some cases to the point of breakdown.

**Table III**

**Shortfall from 2020 target.** Unemployment benefits at APRIL 2009 and 60% median income.

<b>ALL AHC £ per week</b>	AHC	Benefits from April 2009.00	Shortfall from target actual less	Shortfall from target	Benefits from April 2010
Over 18	Threshold	Actual	threshold	<b>£ per annum</b>	
Childless couple	199	100.95	-98.05	-5099	102.75

Single individual	116	64.30	-51.70	-2688	65.45
Couple one child	239	174.36	-64.64	-3361	177.72
Couple two children	323	230.47	-92.53	-4812	235.29
Lone parent one child	155	137.71	-17.29	-899	140.42
Lone parent two children	239	193.82	-45.18	-2349	197.99
Single adult 18-25	116	50.95	-65.05	-3383	51.85

Source House of Commons Library and DWP.

- 12.5. This enlarges our concerns about debt and mental illness in the UK of the Office for Science. They continued; “Common mental disorders affect 16% of the population and are affected by a wide range of issues such as employment, housing, urbanisation, exposure to crime, and debt. When policies are developed in areas such as these, there is a clear case for taking more account of the implications for mental health, as is generally the case for physical health and safety.”
- 12.6. It is also necessary to look at the arithmetic. The unemployment benefit of a couple with two children is currently £235 a week after 100% Housing and Council Tax Benefits. It is that income which will have to carry the increase in rent if families are moved. It is already too low to provide healthy living under all available measures. Enforcing rent arrears against these poverty incomes as a result of the housing benefit cap will increase mental illness. See Tables I & II
- 12.7. Unaffordable housing is already worsening poverty. A socially meaningful definition of the word 'affordable' is a prerequisite to responsible discussion of the issue. Currently the adjective 'affordable' is used with no evidence base and simply to mean 'below market prices and rents'. A debate conducted on this premise is meaningless. A rigorous test of affordability was developed in 2008 by Professor Ambrose using an adaptation of the MIS methodology developed by JRF. This method operationalises the definition of affordable in the 2005 Z2K *Memorandum to the Prime Minister on Unaffordable Housing*.
- 12.8. In brief, this definition specifies that housing is affordable *if it can be afforded once all other household expenditures required to live a safe, healthy and participative life have been met*. For a specified household living in a specified area of east London this figure was calculated at £135 per week in 2008. This means that 'social rented housing', whether LA or RSL, was locally affordable to this household but not any housing in the private rented or LCHO sectors. The affordable figure can be calculated for any household type and for any local area”.

#### **Case VI**

17. Local Government Ombudsman reports the case of Mr “Watson”, a single, semi literate adult living alone in Southwark. Jobcentre Plus mistakenly cancelled his JSA so Southwark cancelled his housing and council tax benefits creating arrears in both accounts. On the 12<sup>th</sup> January 2001 CSL, Southwark’s out sourced agent collecting council tax, sends Mr. Watson a summons for unpaid council tax of £235.10, plus costs, for a

hearing on 9<sup>th</sup> February 2001. The summons contains the following threats, in bold type and highlighted. Thousands are dispatched daily:  
 “If a liability order is granted the council will be able to take one or more of the following actions:

**Instruct bailiffs to take your goods to settle your debt  
 - this can include your car.**

**You will be liable to pay the bailiffs costs which could substantially increase the debt. Instruct your employer to deduct payments from your salary or wages.**

**Deduct money straight from your jobseekers allowance or income support.**

**Make you bankrupt.**

**Make a charging order against your home. Have you committed to prison”.**

His sister-in-law calls on him. His body is hanging in his flat. The police found the summons with him, paper littered with rough calculations and a note: “Dear .... I at to do this I am in so much in Detr good By for ever Love.....” Threats of eviction for rent arrears were not far off. JSA was £53.05 a week after rent and council tax. (Now £64.30). The Joseph Rowntree Foundation minimum income standard for healthy living, after rent an council tax, is £144 a week for a single adult.

## Case VII

18. We work with ATD Fourth World who are close to the poorest people in London. They asked for our help with “Sarah” a 51 year old who is single, unemployed, semi literate and in debt to Lambeth Council. Her Doctor tells us

*“she has learning difficulties and is illiterate and for many years has had chronic anxiety with episodes of panic. Were the Bailiffs to proceed with the seizure of her goods, the effect would be catastrophic for her and would seriously compromise her health”.*

She receives £53.05 a week income. She pays each week a £4.13 a week water rate, £2.50 rent arrears £36.42 to buy every thing but rent and council tax. Capita Business Services in Bromley collect council tax for the Council.. She owes £468 from a failed attempt at low paid work. The failure caused the debt. Equita Bailiffs in Northampton whose computers, blind to her ill health, illiteracy and poverty, threaten

*“We have arranged for our bailiff to call at your home this weekend to seize your goods and transport them to the auction rooms for sale”, and two days later “NOTICE PRIOR TO COMMITTAL TO PRISON PROCEEDINGS”.*

We tell Lambeth Council who call off the bailiffs. The computer still runs. Another threat to sell the furniture storms its way from Northampton to Lambeth. To relieve her anxiety Zacchaeus

promises to pay the £468 council tax arrears should the magistrates be minded to imprison her rather than write off the debt. We also promise to go to court with her. Lambeth backed off.

- 12.9. The housing benefit caps will result in rent being paid out of poverty income, both in and out of work, which cannot be reduced without further damaging the health and wellbeing of tenants and their children. Rent arrears and evictions, and the depression that goes with them, are inevitable.
- 12.10. Parents are left alone in a council house or RSL after children have left home. Some have been housed in expensive private rented accommodation at the market price because there was nothing cheaper and the local authority has a duty to house them when they had children. (See Case III).
- 12.11. Secure tenure is necessary to promote educational progress and good behaviour in schools, local extended families are essential for mutual support. That will be broken by forcing parents and grandparents out of their homes. This will erupt as a scandal into national media when repossession notices are issued and bailiffs begin to implement evictions.
- 12.12. Housing for large families is in even shorter supply than housing in general. Z2K serves a lone mother with eight children. The nine of them live in an overcrowded council house. The local authority will not move them or build on to the current three bed-roomed house. Their education and their health is suffering. The only accommodation available would be private at rents over £400 a week; rent which will exclude the family from appropriate housing.
- 12.13. Professor Peter Ambrose, an housing adviser to Z2K, has comments as follows. "Home overcrowding is producing ever-increasing costs in terms of calls on the NHS, Social Services, the education and law and order systems and in human misery. Shelter data show that overcrowding has got significantly worse over the past five years and it continues to worsen as the shortage of genuinely affordable rented homes gets more acute.
- 12.14. The 2009 London Citizens report '*Housing our Future*' by Ambrose and Farrell uncovered the extent of over-crowding among a sample of primary school children at four schools in Wandsworth and by means of surveys and other enquiries assessed the adverse effects on the children. These effects were judged by over 60% of the parents to be harming their children's educational and social progress in six different ways. Both teachers and parents also commented on some adverse behavioural outcomes. Under-investment in housing is producing some very regressive effects and adding seriously to a range of public sector costs." The cost to the economy of mental ill health is £77 billion a year (Kings Fund and Dr Jo Nurse – Head of Mental Health Services DHS)
- 12.15. Complaints procedures.** The will be errors in the delivery of welfare and by the claimants. Sometimes the errors involve both the DWP and HMRC in

the same case. They currently undertake two detailed enquiries and write two detailed letters when one would do. This is unnecessarily expensive and time wasting for both of them and the advice sector. The duplication continues when there is disagreement about the report or the compensation. Then the DWP appeal goes to Independent Case Examiner (ICE) and the HMRC appeal to the Adjudicator's Office. We alerted Paul Goodman MP to the failure of both agencies to in the lack of tax credits for a disabled woman who suffers from severe depression but was nevertheless glad to work self employed taking in ironing and doing some cleaning. He wrote to the Chairman of HMRC and the Minister of State at the DWP. Tax credits had been stopped on the 23<sup>rd</sup> February to the 15<sup>th</sup> July 2009 when she was awarded the missing £4.423. This was due to a failure in communications between the Jobcentre and HMRC. It led to cancelation of housing and council tax benefit, and pressure from the local authority to pay the consequent rent and council tax arrears.. Her mental health deteriorated to the point where she could not work.

September 2010.

Rev Paul Nicolson, Chairman,  
Zacchaeus 2000 Trust,  
94 Grosvenor Gardens,  
London SW1W 0DH  
Office 0207 2590801  
Home 0208 3765455  
[paulnicolson@z2k.org](mailto:paulnicolson@z2k.org)  
[www.z2k.org](http://www.z2k.org)

## Appendix A



### Will Hutton Review on Fair Pay in Public Sector

This submission is made on behalf of Citizens UK and London Citizens which among other things have been successfully campaigning for the London Living Wage since 2001. See below for more information about these two charities.

- 1. How to introduce a public sector pay multiple that would mean that no public sector manager can earn over 20 times more than the lowest paid person in their organisation.**
2. When meeting with organisations to request that they pay a Living Wage, we commonly encounter the argument that all in house staff are paid a Living Wage. Our case is usually based on the experience of staff who work in that organisation on a regular basis but have been contracted out. Typical jobs include cleaners, security guards and domestic staff such as cooks. No organisation is able to function without these jobs being done.
- 3. So our first submission is that when calculating the pay multiple, it is important to have regard to those who may appear to be employed by a private company but who in fact fulfil an essential part of the work of the public sector organisation.**
4. One example is that of hospital cleaners. There has been a trend to outsource cleaning as a way of saving money. However, there has been an unintended consequence of this process of contracting out – dirty hospitals with high infection rates. There may be other factors which contribute to infection rates, but the quality of cleaning cannot be ignored and in our experience when staff are paid a Living Wage they take greater pride in their work and so the service improves. This has been achieved in some cases by taking cleaners back in house, but in other cases by renegotiating the cleaning contract with the cleaning company.
5. Many companies such as KPMG and PWC have had direct experience of making this change to paying a Living Wage for their cleaners and they now are proponents of the powerful business case for paying a Living Wage and have provided us with useful case studies<sup>1</sup>. Benefits include a massive reduction in staff turnover and hence recruitment and training costs; reduction in complaints about the service; improved service and enhanced

---

<sup>1</sup> <http://www.livingwageemployer.org/>

environmental impacts (for instance, by redefining the contracts to daytime rather than night time services which reduces electricity and other bills).

6. All the testimonies which we have gathered from those being paid less than the Living Wage is that family life and health suffer as a result of working poverty. Frequently people have to take two or three jobs to get enough money to meet their outgoings. This reduces the amount of time they can spend with their children. They frequently not only are paid a low wage, but have no entitlement to sickness pay. This means that they continue to work even if they have hurt themselves or go down with an illness. Organisations are put at risk from staff arriving with an infectious illness. They self medicate because they often cannot get to see the doctor and are afraid of losing their job if they do not turn up for work. They often complain that they cannot afford to buy nutritious food for their families and so recognise that their diet and that of their children is unhealthy. The unintended consequences of this are low educational achievement for children who are poorly fed; possible chronic illness developing because early medical intervention was not possible; and lack of supervision of children by parents with possible knock on effects in terms of anti-social behaviour.
7. **Our second submission therefore is that no public sector organisation should pay less than the Living Wage to any member of staff whether in house or contracted out and that the pay multiple should take the Living Wage as its baseline.** This baseline for London has already been calculated by the GLA<sup>2</sup> since 2004 and revised annually. An out of London rate has been calculated using the methodology<sup>3</sup> established by the Minimum Income Standards group at Loughborough University supported by the Joseph Rowntree Foundation<sup>4</sup>. There could be one rate for outside London or there could be regional variations.
8. On this basis, in London where the Living Wage is currently £7.85 per hour, a worker would earn approximately £16,000 per annum (depending on the length of the working week) for a full time job. If the Government remains with the idea of a pay multiple of 20, this will allow senior managers to earn £320,000. We are not sure why the multiple of 20 has been arrived at. In our view a multiple of 10 would be much fairer if the Government is serious about tackling pay inequality and the consequent impacts on health and other social issues as outlined in the findings of Prof Richard Wilkinson and Kate Pickett<sup>5</sup>. A multiple of 10 would bring senior managers in line with government ministers. It is not clear to us why public sector managers should earn more than government ministers.

---

<sup>2</sup> <http://www.london.gov.uk/who-runs-london/mayor/publications/business-and-economy/2010-living-wage-london>

<sup>3</sup> <http://www.minimumincome.org.uk/?gclid=CKKMrOnni6MCFRMsIAodPBpVbQ>

<sup>4</sup> <http://www.jrf.org.uk/publications/minimum-income-standard-britain-what-people-think>

<sup>5</sup> The Spirit Level: Why More Equal Societies Almost Always Do Better

9. There are a number of important social benefits of adopting the Living Wage as the baseline.
- a. Saving on benefits: major private companies which pay the statutory minimum wage receive an unintended subsidy from the taxpayer of approximately £3,300 per annum for every Full Time Equivalent worker they employ, because low pay is adjusted by benefit entitlement<sup>6</sup>. Tax credit entitlement is reduced by about £2,000 per annum for someone who moves from statutory minimum wage to Living Wage income and housing benefit is reduced by about £1,300 per annum.
  - b. Increased tax income: there is an increase in income tax for the Exchequer for every worker who moves from minimum wage to Living Wage, as well as increased VAT on purchases made with the additional income.
  - c. Low cost of implementation in the Public Sector: because of the changes to benefit and tax outlined in points 1 and 2, the cost of implementing Living Wage is much smaller for public sector workers, since there is a transfer from the benefit and tax system to the payroll system which makes the change almost cost neutral.
  - d. Reduced costs to the Health Service: since the Living Wage requires employers not only to pay the going hourly rate but also to provide entitlement to sick pay, there is a massive reduction in self medication and the consequent knock on effects on long term health. Families on Living Wage are better able to afford nutritious food and provide a healthy balanced diet for their children.
  - e. There is a particular benefit for pregnant women: research has shown<sup>7</sup> that low birth weight is correlated to long term harm to babies; and one of the chief causes of low birth rate is poor diet on the part of the mother during pregnancy.

For the reasons we have stated we would like to see all public sector procurement contracts advertised on a Living Wage basis.

10. We find it hard to justify large private sector companies making profits on the basis of public sector contracts which have a hidden subsidy from the taxpayer built in. Living Wage can be included in procurement policy and we have the support of KPMG and other expert bodies in support of this approach. This has been achieved by the Olympic Delivery Authority which has implemented A Living Wage Zone policy for the Olympics. This is being actively considered by the GLA and a number of Local Authorities for their own procurement policies. We see this as a major means of attacking in work poverty and it has

---

<sup>6</sup> Assumptions used above are: 1 adult working full time; 1 adult working half time; 2 children of school age; Child care costs of £150 per week; Housing costs of £250 per week

<sup>7</sup> [http://www.who.int/nutrition/topics/feto\\_maternal/en/index.html](http://www.who.int/nutrition/topics/feto_maternal/en/index.html)

a direct bearing on the Government's ability to achieve targets for reducing child poverty.

### **About London Citizens**

11. London CITIZENS is a powerful grassroots charity working with local people for local people. Our goal is social, economic and environmental justice. We meet that goal by training people of all ages, faiths and backgrounds to take action together for change. Our dynamic campaigns have secured many victories for the people of London. Beginning our journey in 1996 as TELCO, our membership today includes over one hundred and fifty civil society organisations across the city. These include faith organisations such as churches, mosques and synagogues, as well as schools, trades unions, voluntary agencies and universities.
12. We take decisions democratically. The members of our local branches choose the issues that are most important to them. We work with them to build effective campaigns. We build one-on-one relationships. We believe that real change happens when individuals and organisations work together and trust each other. That's why we take the time to sit down face-to-face with people from our member organisations – listening, learning, and building relationships. Our campaigns include:
  - London Living Wage
  - City Safe – tackling knife crime together
  - Our Homes Our London – community land trusts for permanently affordable housing
  - Strangers into Citizens – for undocumented migrants

### **About Citizens UK**

Citizens UK is the national home of community organising. It started life in 1989 as the Citizen Organising Foundation. We have introduced the profession of community organiser into the UK and provide the training and development of these organisers through the Guild of Community Organisers. Our goal is to increase the power of congregations, trade unions, schools and community groups to participate in public life. We train volunteer leaders who belong to our member institutions to build powerful community organisations. We campaign to change our country and our cities for the common good by making democracy real.

At the heart of Citizens UK is a very simple idea: our society becomes a better place for everyone when ordinary people work together for change. This approach may be simple, but it's powerful. Take just one example: our Assemblies. At Citizens UK Assemblies, thousands of ordinary people gather to challenge decision makers to support our goals.

Citizens UK is a registered charity whose mission is to create a network of competent, informed and organised citizens who act responsibly in the public life of their communities and are able to influence, for the common good, decisions which impact on their communities.

Before the General Election in 2010 at an Assembly of 2,500 of our members at Westminster Central Hall, the prospective Prime Ministers undertook to consider how to implement:

- The Living Wage
- A cap of 20% on unsecured commercial loans and a community reinvestment act to support low income communities
- The ending of child detention for families seeking sanctuary  
We have established the following institutions
- Centre for Civil Society
- College of Community Organising
- Living Wage Foundation

The Living Wage Foundation provides information, consultancy and accreditation to organisations which become Living Wage Employers across the UK. To date over 100 employers have been accredited and more than 5,000 families have benefitted from the Living Wage with an estimated value of over £30 million of increased spending power.

Citizens UK and London Citizens, 112 Cavell Street, London E1 2JA,

Tel: 020 7043 9881, [www.citizensuk.org](http://www.citizensuk.org), [www.londoncitizens.org.uk](http://www.londoncitizens.org.uk)

Executive Director: [neil.jameson@citizensuk.org.uk](mailto:neil.jameson@citizensuk.org.uk)

Business Manager: [colin.weatherup@citizensuk.org.uk](mailto:colin.weatherup@citizensuk.org.uk)

## Appendix B.

# Decades of failure in housing and land management policy.

**Professor Peter Ambrose** Visiting Professor in Housing and Health at Brighton University

- 1) We need to understand how this huge call on the HB budget (£21bn per year) arose. It arose because of the failures in financial management over the period 1980-2005. The financial deregulations of the early 1980s allowed house purchase lending to spiral out of control thus driving house prices to unprecedented levels and with them rents - which by various mechanisms reflect house price movements and consequentially housing benefit. Simultaneously the Housing Act 1988 allowed landlords to charge a market rent, thus leading rents to spiral after 15th January 1989. This removed rent controls from the Rent Act 1977 scheme yet again inevitably increasing housing benefit. So it remained until the bubble burst.
- 2) This is absolutely not the responsibility of a widow who has lived in her two-bedroom council flat in west London for 22 years; but she received a phone call from Kensington and Chelsea council warning her about her 'under-occupancy'. Her misdemeanour is that she has a spare bedroom so that her grandchildren can visit - like the vast majority of people in this country. Now she is understandably worried, fears for her future and cannot sleep. Most owner-occupiers probably have at least one spare room for visiting friends and family; they would not take kindly to being warned as to their occupancy behaviour.
- 3) This difference in value judgement reflects the popular fiction that somehow tenants in 'social housing' (whether local authority or RSLs) are 'subsidised', and therefore can reasonably be pushed around, whereas owner-occupiers have 'stood on their own two feet', got themselves properly indebted and consequently live independently of public support.
- 4) This picture is 100% wrong on several counts. Since the 1920s purchasing owner-occupiers have been massively subsidised by exemption from capital gains tax, Schedule A Tax and, until very recently, by mortgage interest tax relief. In fact each owner-occupier was receiving about twice the state subsidy per household compared to households in the public rented sector throughout the period up to about 2000, when most current owner-occupiers were in the buying stage. Moreover, depending on when they enter and exit the market, purchasers stand to make capital gains that at times far exceed the income from their actual work. This route to wealth, at least on paper, is

denied to those not in a position to buy - i.e. those in the poorest third of households. How much more regressive could the system be?

- 5) In recent years changes in public sector housing finance have meant that a reverse subsidy is at work. Much more than £1 billion has been abstracted annually from the council housing sector accounts as rent policy has shifted from the former 'pooled historic cost' principle that delivered low rents with minimal subsidy to a formula that feeds local private house values into public rent levels. This is another effective way to penalise lower income households living in high housing value areas - and to subsidise the rest of society from the rents of the poorest third.
- 6) Had house prices risen with general inflation since 1980 the average house price now would be about £60,000, clearly much more in line with incomes. How do house prices rise much faster than other economic indicators (give or take the periodic downturns)? Loosening the regulation of lending in the 1980s resulted in money flooding into a housing market in short supply so forcing up prices. The lending institutions initiate periodic bouts of excessive and highly profitable lending from which, if it all goes wrong, they can be sure of massive public funding bail outs. These bail outs, the cost of the latest one was estimated at £750 billion, have inevitable impacts on every public spending programme that most helps the vulnerable. So home owners' increased paper wealth comes at the expense of increased stress, hardship and health risk among those who can never aspire to play the home ownership game. We see it all around us. Everywhere one looks there are regressive effects.
- 7) Irresponsible ending policies have forced up prices in the housing market in short supply, while linking council and RSL rents to the housing market forced up rents. This had led directly to the rising housing benefit bill for the tax payer and more difficulty in transferring into work for the benefit recipient.
- 8) Underlying much of the problem of low housing output, and a worsening shortage of genuinely affordable homes, is the chronic problem of the mismanagement of land policy in relation to development land. Periodic instability and sharp credit-led upward movements in house prices produce similar movements in the price of development land; its value is determined by expectations about sales revenue for houses built upon it by means of the 'residual' calculation.
- 9) Under arrangements in place since the 1947 Town and Country Planning Act development land has thus been a speculative commodity. Its value has often

been massively increased by publicly-funded infrastructure such as new motorways and mass transit lines, and by the granting of development consents, and very little of this 'betterment' gain has been recouped in taxation for the public purse. Typically large financial institutions with long investment horizons, and/or major house builders, buy up land at agricultural values even before it is zoned for development. They then hold it to await the right time to develop, or perhaps trade in it before development takes place. This means that in some states of the development cycle house builders make more profit from land speculation than from producing housing and this helps to explain the lack of innovation and the outdated management practices of the UK house building industry (compared to, for example, those in Japan or Sweden).

- 10) The 1947 planning system has the inherent defect that it seeks to 'plan' development by the largely negative mechanism of giving or withholding of planning consents. It has very little power to mobilise the resources of land and investment that actually need to be applied to produce new housing of a given mix in a given period. In the past some positive powers have been applied in the form of council house building programmes. But there has been minimal funding for such programmes for many years. A large-scale programme of publicly funded house building is now urgently needed.
- 11) The model of relying on planning gain agreements to provide 'affordable' housing as a concomitant to private housing developments has two fatal flaws. In periods of market downturn and low confidence there is very little private building anyway and even if the intended 'affordable' component is high it amounts to little in practice. 50% of very little is very little.
- 12) The other fatal defect is that there is no meaningful definition of the word 'affordable'. It was shown in 2008 that, using a variant of the Minimum Income Standard methodology, it is possible to determine what price or rent is truly affordable to households of any given type in any location. But this evidence base is not used and 'affordable' is taken to mean anything less than market price or rent. This frequently leads to so-called 'affordable' housing being available at prices and rents that only the rich locally can afford.
- 13) A comparative study in the late 1980s of housing provision in 'growth regions' in France (The Toulouse area), Sweden (the E4 Corridor) and the UK (Berkshire) showed that the Swedish system of land management, which effectively precluded land speculation, performed better in terms of matching housing output to

employment growth than was the case in Berkshire. In the E4 Corridor more housing was produced, at a greater range of rents and prices to meet all incomes and with minimal effect on development land values. The effects in Berkshire were totally different. The output was lower, about 88% of it was speculative for home ownership, thus narrowing choice, and both land and house prices escalated. In other words the housing infrastructure to support the growth of the local economy was much better managed in the Swedish than in the UK case.

- 14) There are a number of policy steps that could be taken to correct this long-term defect in the land supply system. At a small scale much more development could take place using some variant of the Community Land Trust (CLT) model which uses for housing development land that has been cheaply or freely provided from some source, is held freehold in some public or community ownership and upon which housing for rent and sale is built on a leasehold basis. The effect here is to remove the land from the private market in perpetuity and to ensure that rises in value, and future redevelopment rights, remain in public or community ownership.
- 15) Since it would take some time and serious state investment to develop the CLT model on a large scale some fiscal steps to preclude or reduce land speculation are possible. One would take the form of an annual tax levied at a very low rate (maybe 5% or less) on the value of land zoned for development but not yet built on. This would act as a strong disincentive to potential development land being held for speculative rather than development purposes.

### **Conclusion**

- 16) Ironically a reduction in spend on housing benefit and other demand side subsidies to housing would make perfect sense as part of a long term programme to re-balance the supply/demand ratio of support to nearer the 80:20 it was in the early 1980s (the ratio is now the reverse). Demand side support works to bid up prices and rents and landlords' profits – supply side subsidy in the form of cheaper land or finance, or similar incentives, directly stimulates housing output and produces jobs in the construction sector. The increase in supply would gradually reduce demand pressures, dampen down prices and rents and reduce the call on housing benefit. But this transition must not be achieved at the cost of placing new burdens on the poor and vulnerable.

17) Capping the housing benefit *before* taking steps to reduce prices and rents in relation to incomes, and to stimulate the output of affordable housing, is the most recent of decades of governmental decisions which have failed to provide fair and affordable housing or to make the most cost-effective use of scarce public resources. This is in no way the fault of people who have been housed by local authorities in expensive rented accommodation. Their incomes and their health should not have to carry the burden of these policy errors by being forced to pay off rent arrears against poverty incomes, and their lives should not be disrupted by evictions which separate them from their families or uproot them from their communities. This social destruction contained in the budget is based on the false premise that tenants in 'social housing' (whether local authority or RSLs) are subsidised by the tax payer unfairly when it is the owner occupiers who have received the greatest share of housing subsidies.