



HOUSE OF COMMONS ADJOURNMENT DEBATE HOUSING IN LONDON – 05 FEBRUARY 2014

Zacchaeus 2000 Trust (Z2K) is a London-wide anti-poverty charity that promotes the improvement of living conditions on the basis of economic and social justice through the promotion of evidence-based policy alternatives. We provide advice and advocacy services which involve direct engagement with the lives of the poorest and most vulnerable.

In response to the recent cuts to Local Housing Allowance (LHA), Z2K has set up *NextDoor*; a dedicated project working to raise awareness of the impact of welfare reform on the Private Rented Sector (PRS) in London and offering a specialist advice service aimed at households threatened with homelessness as a result of cuts to their housing benefit.

Z2K welcomes this adjournment debate on Housing in London. It is especially timely as it coincides with the final stages of the consultation on the Mayor's draft London Housing Strategy. The Capital has been experiencing a housing crisis for a generation, but recent policy reforms and cuts to funding by both the Government and the Mayor have made this situation much worse. This briefing sets out Z2K's concerns in a number of key areas:

- Housing Supply
- Homelessness
- Overcrowding
- Private Rented Sector
- Welfare Reform

Key Points

- The 2010 Comprehensive Spending Review cut the Homes & Communities Agency's budget for new housing by two-thirds
- Nearly 800 homeless London families have spent longer than the maximum six week legal limit in Bed & Breakfast accommodation
- 24 per cent of London's children are growing up in overcrowded homes.
- The increase in private rents in London, in 2012/13 was 7.9 per cent - taking rents to an average of £1,106 per month.
- As a result of the Benefit Cap, around 40,000 households are losing an average of £91 a week from their Housing Benefit.

For further information please contact Marc Francis on 0208 962 9475 or 07973 815 272

Housing Supply

- Mayor Ken Livingstone’s original London Plan published in 2004 estimated that the Capital needed 30,000 new homes a year.¹
- This Plan also set a target of 50 per cent all new housing in London to be affordable, split 35 per cent social rented and 15 per cent low cost home ownership (LCHO).
- While these targets were never reached, around 23,000 homes were completed in London in both 2004 and 2007
- Mayor Boris Johnson’s latest draft London Housing Strategy now sets a target for 42,000 new homes a year over the next two decades.²

Obviously, London population growth demands an increase in the overall supply of new housing, and Z2K supports measures to deliver that outcome. However, Z2K is principally concerned with the number of new affordable homes being built, particularly social rented homes for those who are homeless or overcrowded.

Affordable Homes completed in London

2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
11,500	13,180	15,110	13,070	13,560	14,010	17,240

Taken at face value, these figures seem to show an encouraging rise in new affordable housing despite the economic difficulties. However, they mask a number of problems, particularly the shift of public subsidy towards Low Cost Home Ownership (LCHO), and the more recent replacement of social rented homes (which are let at 30-50 per cent of market rents) with “Affordable Rent” homes (which are let at up to 80 per cent of market rents).

While Z2K acknowledges this enables the Government and Mayor to stretch the HCA funding further, we question just how affordable some of these new homes really are to those who in work rather than in receipt of Housing Benefit. For example, some housing associations are now letting properties at rents of around £300 a week. We are also extremely concerned by the requirement that a housing association’s existing social rent housing should be re-let at the higher Affordable Rent level in order to access grant funding.

Our biggest concern, however, is the massive reduction in the HCA’s budget which was cut by two-thirds in the 2010 Comprehensive Spending Review. Following, campaigning by Shelter, the Chartered Institute of Housing and the National Housing Federation, the 2007 Spending Review has increased funding for the National Affordable Housing Programme to £8 billion over that three-year period. In 2009, this sum was increased by a further £1.5 billion. The 2010 CSR made provision for £4 billion over that four-year period.

The total HCA investment has been or is scheduled to be:

- 2008-11 - £4 billion
- 2011-15 - £1.1 billion
- 2015-18 - £1.25 billion

¹ The London Plan - Spatial Development Strategy (GLA, 2004)
² <http://www.london.gov.uk/priorities/housing-land/draft-london-housing-strategy>

Homelessness

- In London, the number of statutory homeless households in temporary accommodation has risen from 36,960 in 2010 to 42,260 in 2013.³
- The number of homelessness “acceptances” by London Boroughs increased from 9,700 in 2010 to 15,220 in 2012.
- At the end of September 2013, 2,100 homeless families were placed in Bed & Breakfast accommodation – a ten year high. (Of those, 760 had been there for more than six weeks, in breach of the legal limit. Most of these families are in London.)
- At the same time, despite the Mayor’s promise to end rough sleeping by the end of 2012, the number of people found on the Capital’s streets was 43 per cent higher in 2011/12 than in 2010/11. It rose by another 13 per cent in 2012/13 to 6,437.⁴

As a result of the previous Government emphasis on homelessness prevention and the increased investment in new social housing that became available after the 2007 Spending Review, the numbers of homeless households in temporary accommodation (TA) fell consistently in the years between 2005 and 2010. Even more impressively, the more generous Housing Benefit subsidy arrangements for TA long-term use of Bed and Breakfast accommodation for homeless families with children had been all but eradicated.

As the figures above demonstrate, all the indicators show a reverse in that positive downward trend and a significant and sustained increase in homelessness since May 2010. The long-lasting economic downturn has obviously had an impact, but in Z2K’s experience, this increased incidence of homelessness is being driven by the desperate shortage of genuinely affordable social housing and the Government’s cuts to Housing Benefit.

While the quality of temporary accommodation is often poor and often located outside a homeless family’s home borough, at least it has the advantage of being self-contained. We are much more concerned about the rapidly growing number of homeless families being placed in B&B beyond the six week limit. Many local authorities are clearly struggling to find landlords willing to lease their properties as temporary accommodation, but nevertheless, it is deeply shocking that they are willing to breach the law so flagrantly.

This regulation was specifically introduced in recognition that a B&B is a totally unsuitable place for vulnerable homeless children. Z2K is disappointed that the Government’s only response so far has been to set aside £1.9 million “Gold Standard” funding for seven of those local authorities who are in breach of the law - Barking and Dagenham, Birmingham, Crawley, Croydon, Hounslow, Redbridge and Westminster. A number of other authorities with high numbers received nothing at all from this pot.

As a result of the Government’s inertia, families are increasingly resorting to legal challenges and in one case, the Independent Housing Ombudsman found against Westminster City Council and ordered it to compensate the forty families who had made a joint complaint £500 for each of the weeks they had been left in B&B beyond the six week limit. After a period when it failed to report its numbers in B&Bs, Westminster is now reporting “Nil” as the families have been moved to B&B “annexes”. However, ministers have recently confirmed that B&B annexes fall within the legal definition and so this practice is unlawful.

³ <https://www.gov.uk/government/publications/statutory-homelessness-in-england-july-to-september-2013>

⁴ http://www.broadwaylondon.org/CHAIN/Reports/S2h2013/Street-to-Home-bulletin-2012_13.pdf

Overcrowding

- 224,000 households live in overcrowded accommodation in the Capital, an increase of 65,000 in the past decade.
- There are 102,000 overcrowded households in social housing in London, 11,000 of whom are severely overcrowded
- The English Housing Survey figures shows that this means 391,000 children in London are overcrowded – up 18 per cent since 2008
- In total 24 per cent of London’s children are growing up in overcrowded homes.

Overcrowding is on the rise again in London. Independent research shows that growing up in overcrowded conditions can have a serious impact on the health, well-being and educational prospects of children. It can make it difficult to find a quiet space to study and infectious diseases spread more readily in overcrowded conditions. Overcrowding is especially difficult for teenage girls sharing bedrooms with their brothers.

Many children do well in school despite their housing. But for others, poor conditions and overcrowding in particular can drag down their results. Frequent illnesses lead to missed days in school. And it can be extremely difficult for children in an overcrowded family to find the quiet space needed to study at home. Disrupted sleep caused by siblings coming to bed later or getting up earlier can make it harder to concentrate the next day.

It is now four years since the Mayor of London published his action plan to tackle overcrowding in social housing.⁵ While the strategy noted the increases in the supply of new social housing following the 2007 Spending Review and re-committed the Mayor to his predecessor’s target of 42 per cent of new social housing should be of three or more bedrooms, it focussed on tackling under-occupation as the key means of reducing overcrowding. Its central target was that there should be,

“No more than 5,500 severely overcrowded households in social housing in London by 31 December 2016.”

Despite this promise, the number of severely overcrowded households actually appears to have risen. In the draft version of his Revised London Housing Strategy published in August 2011, the Mayor’s proposes that the “level of severe overcrowding in social housing is halved to 7,000. In the final version of the Revised London Housing Strategy published in March 2012, no figure is mentioned. This absence is repeated in the most recent version.

This target has been criticised as lacking ambition by some of those working with and representing overcrowded families. There is no official estimate of the numbers of children who would benefit, but a target of 5,500 households probably represents fewer than 10 per cent of the 391,000 overcrowded children in London. Worse still, it does not promise that they will no longer be overcrowded, only that they will no longer be severely overcrowded.

As a member of the 4 in 10 campaign, Z2K believes London’s overcrowded children deserve better. A more ambitious target is needed. As the political leader of the part of the UK with the most children growing up in overcrowded conditions, the Mayor of London must take a lead to tackle this problem. That means a much more focussed and ambitious strategy, including a target to halve the number of overcrowded children by 2020.

⁵ Overcrowding in Social Housing : A London Action Plan (GLA, 2010)

Private Rented Sector

- In 2010, 37 per cent of PRS stock (1.4 million dwellings) in England failed to meet the basic decent homes standard.⁶
- Around two-thirds of those are non-decent because of the presence of a Category 1 hazard under the Health & Safety Rating System (HHSRS)
- In London, the increase in rents in 2012/13 was 7.9 per cent taking rents to an average of £1,106 per month.

Given the growing use of the PRS to prevent homelessness and accommodate those on low incomes, and the huge sums of public money going to private landlords through Housing Benefit, Z2K believes that a much more determined effort needs to be made to raise physical and management standards in the sector.

The HHSRS was introduced as part of the Housing Act 2004 to improve physical conditions in residential accommodation. However, the rapid expansion of the PRS over the past decade and recent cuts to local authority funding have left most councils struggling to keep up with assessments. Z2K therefore welcomes the decision of Newham to introduce a Borough-wide licensing scheme for the PRS and increase the number of Environmental Health Officers available to undertake HHSRS assessments and enforcement activity.

We hope other authorities facing similar challenges will follow suit. However, we recognise that this might not be appropriate in every area, and support the introduction of a national system of landlord accreditation as a workable form of “light touch” regulation. We also support the Law Commission’s call for every tenancy to include an implied term that the dwelling should be fit for human habitation.

Only around a fifth of Houses in Multiple Occupation (HMOs) are covered by the mandatory licensing regime introduced under the Housing Act 2004. The composite nature of the threshold – three or more storeys and five or more occupants - meant that many of those HMOs posing a serious risk to their occupants were not automatically included, and few local authorities have chosen to apply to extend their schemes to smaller HMOs. Z2K believes that ministers should look again at this high threshold for mandatory HMO licensing.

Finally, Z2K believes that all landlords should be required to meet the “fit and proper” test introduced by the Housing Act 2004 and used in the Homelessness (Suitability of Accommodation) regulations. The current situation requiring landlords housing families to whom a legal duty has been formally accepted to meet this test, while landlords who house families whose homelessness has been “prevented” do not, makes no sense.

Rent Levels in the Private Rented Sector

Rent levels reflect the housing market and overvalued housing stock. As a result of the imbalance in supply and demand, the cost of private renting has increased consistently since 2009, hence the increase in Housing Benefit. The most recent English Housing Survey 2010/11 found that tenants in the PRS paid an average of £160 per week – double that of tenants in the social sector. The most recent analysis shows that rents in London rose by 7.9 per cent in 2012/13 - taking them to an average of £1,106 per month.⁷

⁶ English Housing Survey – Headline Report 2010/11

⁷ LSL Property Services Ltd, reported in Inside Housing (19 April 2013)

For the past 25 years, governments of all political complexions have set their face against rent controls. It is clear, however, that in a situation where the supply of housing has not kept pace with demand for a generation or more, excessive and unaffordable rent increases can only be prevented by government intervention. Z2K believes that rent increases should be limited to the average increases in annual earnings, except in those cases where significant improvements have been made to the physical condition of the property.

Public and political mood is beginning to shift back in this direction. For example, the Greater London Authority Housing & Regeneration Committee recently recommended that, *"... the Mayor must bring forward a mechanism through which private sector rents can be stabilised. To this end, the committee believes the Mayor should take forward proposals to Government seeking legislation to allow for the introduction of a rent stabilisation pilot."*⁸

Tenancy Agreements and length and security of tenure

Z2K believes that the lack of any meaningful security of tenure within Assured Shorthold Tenancies (ASTs) lies at the root of many of the problems within the PRS. It is too easy for landlords to gain possession with no cause at two months' notice or impose unaffordable rent increases. More vulnerable tenants, including low income families with children, struggle to compete in such a market and often end up losing out to young professionals and students. This makes it very difficult to make the dwelling a home.

The recent Homelessness (Suitability of Accommodation) regulations require local authorities to ensure that a minimum 12 month AST is in place before discharging their duty with the offer of a private rented home. This indicates that CLG is aware of the problems experienced by vulnerable families at the bottom end of the market and is willing to take steps to try to protect them. However, this insecurity affects a much wider number of families than those accepted as legally homeless and in priority need.

The dangers inherent in complaining about disrepair and maintenance issues are widely understood. Not only is this likely to receive little attention from the local authority, it is also likely to see an unscrupulous landlord claiming possession of the property - the so-called "retaliatory eviction". If tenants had increased security of tenure, they could enforce their rights without the fear of being evicted. As the worst offending landlords realised that they could no longer shirk their responsibilities, they may even become more proactive about maintenance and emergency repairs, thus reducing the need for enforcement at all.

Z2K believes that it is necessary to reform the current AST and increasing security of tenure beyond the present 6 month minimum, towards one where most private tenants who pay their rent on time and play by the rules are rewarded with long term sustainable tenancies. Ideally, this would be between 3 to 5 years, with rents increased annually in-line with average earnings. Our direct experience dealing with private landlords leaves us in no doubt that a voluntary approach to increasing security of tenure will deliver such a shift unless it is accompanied by meaningful financial incentives for landlords to do so.

As a very minimum, we believe ministers should legislate for the basic AST to be 12 months. We also hope a requirement will be introduced for all tenants to have a written agreement.

⁸ *Rent Reform: Making London's private rented sector fit for purpose*, London Assembly – Housing & Regeneration Committee (June 2013)

Welfare “Reform” – LHA Caps

Since they began in January 2011, the Local Housing Allowance reforms, including moving the basis for setting rates down to the 30th percentile, the property size rate caps, extending of Shared Accommodation Rate (SAR) to 25 – 34 year olds, and the move to uprating by CPI and then 1 per cent, have severely limited the ability of LHA claimants to access affordable accommodation, particularly in inner London. Although the transitional protection for some existing claimants and the use of Discretionary Housing Payments (DHPs), means we haven’t yet got a complete picture of the impact, there is growing evidence that significant numbers of people moving out of inner London as a result of the LHA caps.

London Councils has shown the number of LHA claimants in inner London numbers fell by just over 1,500 households, or 2 per cent, between Jan 2012 and Jan 2013. At the same time the number of claimants in outer London increased by 11,000, a 9 per cent rise.⁹ These figures mask significant variation. For example, the number of LHA claimants in Westminster has fallen by 36 per cent from 5,947 in January 2012 to 3,836 in June 2013. The biggest decline was the 11 per cent drop in 25-34 year-olds claiming LHA in inner London, reflecting the extension of the SAR to this age bracket.

While the DWP’s own research concludes that the *“early effects of LHA reforms had been fairly limited in terms of displacement, additional evictions or more cases of homelessness”*, it acknowledges that the *“on-flows of LHA claimants at LA level since the reforms have reduced most sharply in the London central areas, reflecting the wider gap between average rents and LHA rates in these boroughs”*, and notes that *“The transitional measures, such as DHPs appear to have temporarily blunted the impacts in London.”*¹⁰

Because LHA rates were frozen in March 2012 and uprated only by CPI in 2013/14 they are already below the 30th percentile, and falling with each month, making an ever decreasing pool of properties affordable for claimants. This was demonstrated by Hackney CAB, who conducted a mystery shopping exercise of 1,585 PRS properties available on 15 June 2012.¹¹ It found that only 142 (9 per cent) of these 1,585 properties fell within the new LHA rates.

This is even worse for the SAR. A report by Homeless Link found 5.5 per cent of properties in their London-wide sample were affordable (even accounting for living rooms being adapted to bedrooms, only 0.9 per cent of properties were affordable if living rooms were not adapted).¹² A higher percentage of properties in outer London were more affordable, but at 9.8 per cent this was still far short of the 30 per cent that are supposed to be.

This raises serious concerns over the ability of housing benefit to ensure that there is sufficient affordable private rented accommodation within London. If rents continue to rise at higher than inflation rates while LHA fails to keep up, less and less of London will be affordable to those on low incomes. Instead, they will be forced into the cheapest properties within the cheapest wards of the cheapest boroughs. The Government’s Targeted Affordability Fund, whereby some LHA rates will be increased by 4 per cent in 2014/15 is too little too late to help most of those at risk of losing their tenancy.

⁹*The Impact of Housing Benefit Reform in London*, London Councils

¹⁰ Monitoring the Impact of Changes to the LHA System of Housing Benefit, DWP (May 2013)

¹¹[No DSS: Locked out of the private rented sector in Hackney](#)

¹²[Nowhere to Move: Is Renting on the SAR in London Affordable](#)

Welfare Reform - Household Benefit Cap

Z2K opposed the Benefit Cap when it was first announced and we have seen nothing in the early experiences on the ground to ease our concerns. This cap of £350 a week for individuals and £500 a week for families with children will result in an initial group of around 40,000 households losing an average of £91 a week from their Housing Benefit – almost £5,000 a year. Those families unable to make up the shortfall from other benefits will quickly fall into rent arrears and face eviction. It is unlikely that they will be able to find any significantly cheaper accommodation locally and so they will ultimately be forced to move away from their children’s schools and family support networks.

DWP Ministers have argued that households affected by the cap will take steps to either work enough hours to qualify for working tax credit, renegotiate their rent in situ, or find alternative accommodation. Z2K is not persuaded that people in areas of high demand are in a position to renegotiate their rents in situ or move into employment. DWP’s own supplementary evidence to the Work & Pensions select committee inquiry into the Housing Benefit changes announced in the 2010 budget figures show that only 4,850 of the original estimate of 42,780 private rented sector households who were originally thought to be affected by the cap were claiming income-related JSA.¹³

In Parliamentary debates on the Benefit Cap and other LHA reforms, ministers have argued that the increased budget for DHPs (£165 million in 2013/14 and £135 million in 2014/15) will support those households most affected. However, when DWP Minister, Mark Hoban MP responded to concerns about the level of DHP funding during the debate on the regulations, he conceded that:

“... money should be used to support only those claimants who cannot move immediately into work or more affordable accommodation; it should not be used to meet every shortfall.”¹⁴

Furthermore, as the National Audit Office (NAO) reported last November, those DHPs add up to only six per cent of the savings due to be made by the HB reforms and *“it is not clear how the current level of funding for DHPs has been determined.”*¹⁵ It is clear already that DHP pots are oversubscribed and, while several London Boroughs have topped up the DHP funding, a sizeable number of affected families are getting little or no assistance. The reality now is that several of those local authorities with the highest numbers of households affected by the cap to try to ensure that more families are protected.

During the passage of the Welfare Reform Act, Ministers gave a commitment to review the operation of the cap after 12 months. Given that it is now acknowledged that the cap will actually only save £100 million, Z2K hopes ministers will be persuaded to think again about the necessity of the cap. However, if they insist on retaining it, we believe the cap must be revised to exempt homeless households in temporary accommodation who have no choice where they live and also to take into account the sharp variations in housing costs in the Capital by increasing the benefit cap in London by at least 10 per cent.

¹³ Analytical supplement to oral evidence session at the Work & Pensions select committee, Department for Work & Pensions (03 November 2010)

¹⁴ House of Commons - Second Delegated Legislation Committee, 06 November 2012: Column 26

¹⁵ Managing the impact of Housing Benefit Reform (National Audit Office, November 2012)