SOCIAL HOUSING FINANCES GET THE SHARPENED AXE TREATMENT

The July budget has placed a ticking time-bomb under the finances of social housing in England.

In many of our Region's Registered Providers of Social Housing ("RPs" – which include retained council housing, stock transferred to Housing Trusts, and traditional Housing Associations) the fuse is already lit and HR1 Forms for job cuts of up to 15% of establishment in one fell swoop are steadily coming in.

So what is going on here?

In the budget Chancellor Osborne announced – out of the blue – that social housing rents would be reduced from current levels by 1% per annum each year for four years beginning in April 2016. This was trumpeted as a good deal for tenants.

Like most of this Government's 'social programme' the conjurer's trick is quickly revealed. Just as any gains from the Statutory 'Living' Wage will largely be buried under the work penalty of Tax Credit cuts, so this "good deal for tenants" will actually cost the majority of social tenants, directly and indirectly, when the rest of the script is read. And the lead scriptwriter, once again, is that hyena-cackling Nosferatu of compassion, Saint Ian Duncan Smith.

Prior to 2013 social rents could rise each year by a maximum of RPI+0.5%+£2 a week. In 2013 Government announced a new formula of CPI+1% to remain in place for 10 years to provide stability for RPs and tenants. That formula was reinforced by ministerial statements at the start of this year … to then be ripped up unilaterally in the July budget for England (Housing is devolved in Scotland and Wales).

A 1% reduction each year doesn't seem much at face value, but the cumulative real value – when compared to anticipated income under the previous formula – amounts to a 12% to 15% loss of rental income for the RP sector by 2020. Even when the CPI+1% formula is reintroduced in 2020 (according to Osborne that is …) the four-year cash loss will not be made up, remaining as a 'black hole' underpin, in much the same way as the consequences of the Council Tax freeze bribe for local authorities.

The Local Government Association (LGA) has calculated the overall impact of all the housing measures in the Budget will equate to a loss of 60% of housing funding for local authorities with retained council housing. A further 'incentive' for stock transfer, perhaps? Certainly it will decimate any local authority plans to use the increased 30% retention from capital receipts of Right To Buy as seed money for new council house building, as the other 70% has to be found by the Council. With 60% of its housing funding disappearing – not to mention the scorched earth of council funding in general – this will be nigh on impossible.

Social landlords in England received a total social rent income of £20.78 billion in 2014/15. Some £13.3 billion of this was by way of Housing Benefit (HB), as around 70% of all social tenants, about 2.7 million households, are in receipt of HB. This is paid by DWP, and here we see the bloodied nib of Saint IDS's quill in the Budget ink-pot. Tenants whose rent is paid for through HB will not see a single cash-penny of the reduction in rents.

Instead, that reduction becomes a direct saving to the DWP welfare bill and a direct cut to RP's income streams.

But what of the circa 30% of social tenants in around 1.2 million households who don't receive HB, surely they will be quids-in? Well, actually, no they won't.

It is estimated that at the end of the four-year reduction the average social rent cut will equate to around £13 per week in cumulative effect in real terms. Remember, this is comparing the actual reduced rent figure to what it could otherwise have been under a rent-increase formula of CPI+1% per annum. In absolute cash terms from current average social rent levels it will be around £5.50 per week.

Firstly … Osborne has 'promised' the CPI+1% formula will be reintroduced in 2020, so at the very, very best this is a £5.50 per week temporary gain for some.

Secondly … there is the work penalty from the pending cuts to Working Tax Credits (WTC). As UNISON has proved the vast, vast majority of people in receipt of these tax credits will be quite substantially worse off, even with the Statutory 'Living' Wage. A significant proportion of social tenants who *do not* receive HB *do* receive WTC. For a great many of them this loss will wipe out or be greater than the average rent saving. Even without the rent reduction RPs were seriously concerned that WTC cuts would see a jump in rent arrears.

Thirdly … the overall 'Household Benefit Cap' is being cut from a maximum of £26,000 per annum to £20,000 per annum (£23 K in London). This cut dwarves any notional rent saving.

Fourthly … there is the not-so-trumpeted policy that will see social rent for households with more than £30,000 per annum income (£40 K in London) rise to "market/near market" levels. Known as "Pay *(More)* To Stay" this would see an average rent increase for these tenants of around £70 per week. The responsibility to identify such tenants rests (interestingly) with the social landlord.

So, as we can see from this, it may prove quite difficult to find a sizeable group of tenants for whom the housing elements of the Budget are good news even in straight cash saving terms.

But what does it all really mean?

Under the 'old' formula of CPI+1% and using the Office for Budgetary Responsibility's (OBR) CPI forecasts the total social rent income in 2020/21 would have been circa £23.30 billion. Under the rent reduction scheme, all things being equal, it will now be £19.76 billion. A cut of around £3.5 billion per year (in year) at the point when (supposedly) the CPI+1% formula is reintroduced.

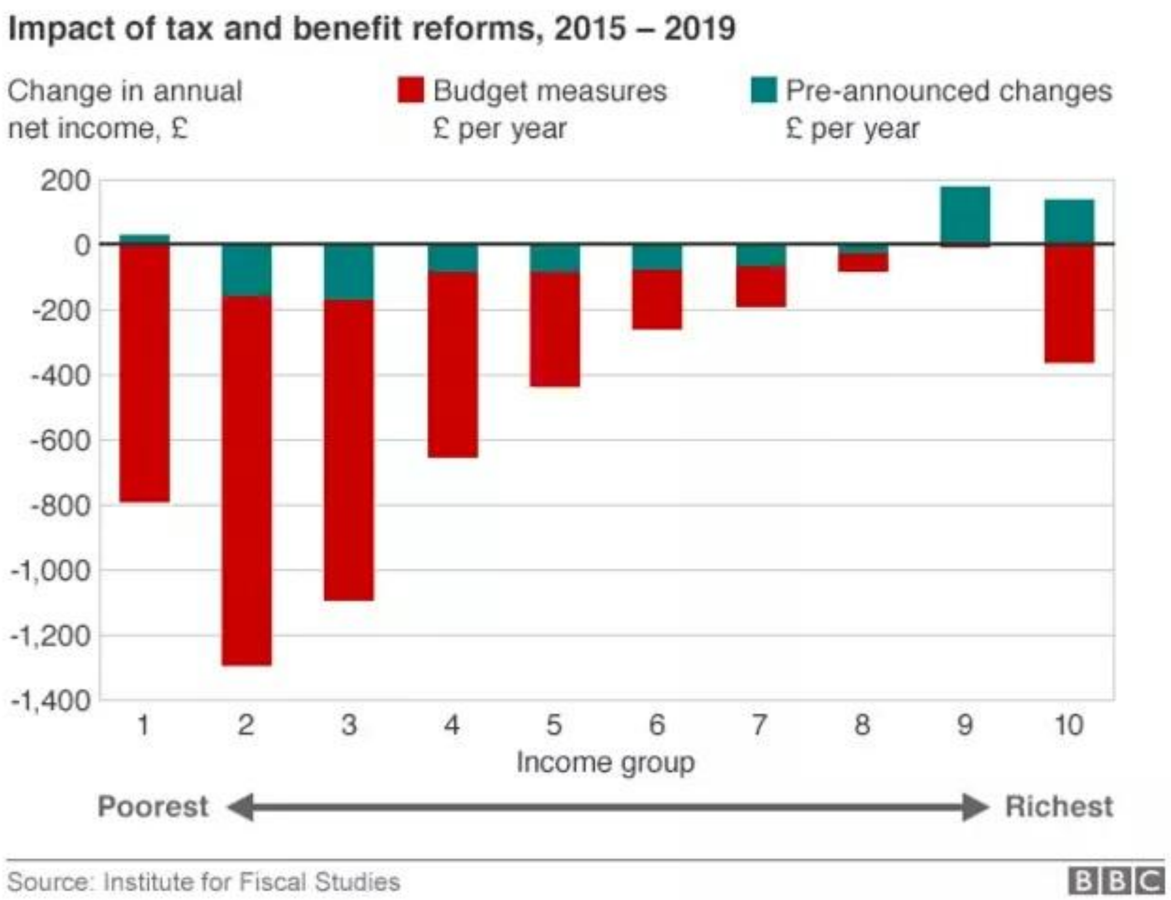
The Institute for Fiscal Studies (IFS) and OBR have both done analysis of the overall consequences of housing related Budget measures based primarily on the Treasury 'books'. Housing commentators, perhaps with a broader understanding of indirect consequences as well as the cash hit, have also done theirs. There is a broad consensus that the cumulative saving to DWP will be around £6.2 billion in HB payments but a total income loss of around £9.7 billion to social landlords.

That £9.7 billion loss has to go somewhere and, as we are seeing across the Region, the first stop as the till empties is significant job cuts. Beyond this it is absolutely inevitable that non-essential maintenance and replacement programmes will be pared back and new-build social housing will be seriously affected. Small 'c' conservative estimates suggest it could result in around 25,000 planned new-build social homes not seeing a foundation stone laid. Some commentators predict the longer term consequences could be as much as 10 x that.

Meanwhile private rentals have become the main residential status, for the first time in over 30 years. And it is private landlords who are the main recipients of Housing Benefit subsidy. Somewhat surprising then that Saint IDS has not sought to drastically curtail private rent levels and impose a similar reduction target in an effort to reduce the HB bill … The average private rent in England is now £816 per month, some 40% higher than the average social rent. Between 2014 and 2015 year to year average private rent rose by 8.5%. In the North West as a whole region average private rent went down by approximately 1% - yet in Manchester, for example, it rose by a massive 22% in the same period.

As with all things Government we need to take a look at Budget measures in the full. The housing related elements make for heavy and restless reading if you are a social housing provider. But as a social tenant they are just part of a panoply that includes minimum wage levels, falling wage values, income tax thresholds, household benefit caps and tax credit cuts. It is the overall picture taken from this which truly nails the self-proclaimed myth of this Government as "the party of the people" and truly damns them as the peddlers of poverty they really are.

The infographic below, used recently by the BBC and based on IFS/OBR analysis, makes it plain and simple.



The IFS has said that the ‘offset’ from the Statutory ‘Living’ Wage would at the very most compensate for only 26% of the above losses.

This is something even Saint IDS and Chancellor Osborne can understand. Something, in fact, they do understand very well. Something they don’t want us to understand in their warped mind-set where workers are set against those out of work, homeowners are set against renters, citizens are set against ‘migrants’ and the noble elders are set against the feckless young.

One interesting footnote to the OBR analysis of housing related budget measures was to call into question whether social housing (other than retained council housing) should continue to be measured as “off the public books”, given the incredible degree of direct Government control (or interference). With the sector as a whole carrying around £60 billion of debt and these swingeing measures only netting DWP around £6 billion perhaps the answer to this question is not hard to find[1].

We have a pressing and immediate job trying to protect our members working in social housing. To ensure that job cuts are not over-inflated and that our members, as in local authorities, are not being signalled to soak up the cuts to protect the public face of the service.

But let’s be under no illusions that targeting the social housing sector is a random act in isolation. It is, at the most basic level, all part of this establishment-Government’s overall ‘austerity’ smokescreen to dismantle our social fabric in its ‘Game of Bones’.

Aside of representing our members in the social housing sector workplace this pernicious attack on affordable housing should become a key campaign issue for UNISON. One in which we should try to be a catalyst to unite our members, the social landlords, housing based organisations, the voluntary sector and community groups with progressive campaigners across the spectrum.

[1] NB: Since the initial report the Office for National Statistics (ONS) has now reclassified social housing finance as being "on the public sector books", and backdated this to 2008. The Chancellor will doubtless be keen to 'rectify' this as soon as possible and whichever mechanism is used it's likely to see increased insecurity for tenants