

# Freeze the rent, not the tenants

*The “cost of living crisis” is pushing more and more tenants to the edge. Already inflation has reached 9%. If it's at that or a higher level in September then next years increase for four million social housing households could be 10% or more. In the private sector rents have already increased by an average of 10% in the last year. We can't accept the further impoverishment of tenants. Time to campaign for a rent freeze?*

**A** big majority of councils have just increased council rent by 4.1%. This is the maximum that government guidance allows according to its formula of CPI+1%. The CPI level in September of each year (a completely arbitrary criteria) is what is used for the following year's rent setting. It was 3.1% last September, hence the 4.1% increase in April. Do councils have to follow the government's rent formula to the letter. Haringey council, for instance, just recently said that they did not have to consult their tenants because council rent was “set in accordance with government rent standard”. In fact the [Policy statement on rents for social housing](#)<sup>1</sup> which has applied from April 2020, states that CPI+1% is a ceiling “and providers will be free to apply a lower increase, or to freeze or reduce rents, if they wish to do so.”

A recent survey by **Inside Housing** recorded that, of the English councils that replied, 101 applied the maximum but nine increased rent by less than the September inflation figure. Two, Wandsworth and Dartford, even froze theirs.

The 4.1% increase is bad enough in the context of the “cost of living crisis” but with inflation already at 9% more than 4 million council and housing association tenants could be facing a rent increase of 10% or higher next year. Everybody will have heard of the dilemma of 'eating or heating'. A rent increase on that scale would undoubtedly increase the number of tenants who cannot afford to put on their heating, or use it sparingly. That's one of the factors in the emergence of damp and mould (as well as negligent landlords). A survey by Nationwide has shown 17% of respondents facing a decision to 'heat or eat'. 8% turned off their heating entirely because they can't afford it, a third are only turning their heating on for a few hours a day. This wasn't a survey of social renters exclusively but it gives an indication of the scale of the problem.

## The impact of the pandemic

The pandemic has obviously had a harder impact on poorer households, especially those in low paid and precarious work. The English Housing Survey has reported that in 20/21 the number of full-time employees living in social rented properties fell from 31% to 25%. Those in part-time work fell slightly from 14% to 13%. Unemployment rose from 6% to 11% for social tenants. Half (51%) of social renters were retired, in full-time education or 'inactive'; a group which includes those who have a long-term illness or disability and those who were looking after the family or home. Over half (55%) of households in the social rented sector had one or more household member with a long-term illness or disability. No less than 76% of social renters are in the lowest two income quintiles.

Over the three years to the end of March 2021 rent arrears for English councils increased by 29%, to £317 million (see Table below). We have yet to see what has happened over the financial year which has just finished but we can be certain that a rent increase in the region of 10% or higher for next year would have a hugely detrimental impact on the finances of council and housing association tenants.

## What will Labour do?

Nationally Labour has spoken about the “cost of living crisis” but as yet has said nothing about rents. What will Labour councils do? Will they just raise their tenants' rent in line with this September's inflation level, even if it's 10% or higher? They won't even be able to blame the

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<sup>1</sup> Ministry of Housing, Communities and Local Government, Paragraph 2.15, February 2019

government because, although the formula sets a maximum increase, *they can determine at what level to set it.*

**We would suggest that in the light of current circumstances Labour should be calling for a rent freeze. They should be demanding that the government fund it for council housing** (as we explain below).

What are the objections to a rent freeze? Councils will tell you that it will mean that they won't have sufficient resources to maintain and renew existing homes. This is a genuine problem. As well as day to day maintenance, renewal of key housing components (bathrooms, kitchens, boilers, roofs etc.) is critical to maintain the standard of each property and good living conditions for tenants. If these components aren't renewed in good time then the condition of a home will deteriorate and more maintenance will be necessary as components fail.

Housing revenue accounts (HRAs) are 'ring-fenced' which means that money from the General Fund (all non-council housing income) cannot be used to support council housing. The problem that councils face is that HRAs are under-funded. Under a new finance system introduced in 2012 they were loaded up with more than £13 billion extra 'loans' (financial manipulation by the Treasury rather than real money). The government then imposed a 4 year rent cut and raised Right to Buy discounts which resulted in a fourfold increase in sale. Councils lost the rent income from those as well as losing the stock. Servicing this so-called debt cost nearly £1.4 billion in 20/21.

HRAs' are not subsidised. Their income is mostly from tenants' rent and service charges; an estimated 92.5% of income in 2020/21. If rents are not set at inflation then the income they have is even less sufficient for the maintenance and renewal of their housing stock. But tenants are also caught between a rock and a hard place. If rents continue to increase above inflation then more and more of them will struggle to pay them. If they don't go up then they are likely to have less and less work carried out on their homes to maintain them to a decent standard, **unless pressure is brought to bear for adequate funding.**

One means of addressing this under-funding is, as the Labour Campaign for Council Housing has called for, [cancellation of council housing debt](#). Although Labour conferences in 2019 and 2021 committed the Party to review council housing 'debt' it has not implemented the resolution. Labour has failed to call on the government to use its power under the 2011 Localism Act to reopen the 2012 'debt settlement' to cut or cancel the debt which was imposed.

Although the financial situation of each HRA varies, all councils have collected far less rent than was planned for in 2012, and are short of capital funding to renew key housing components over the long term.

**Labour should not be accepting that tenants pay for this under-funding by above inflation rent increases.** The Party failed to oppose the government's policy of 5 years of above inflation rent increases. It should be campaigning for the funding that HRAs need if they are to stop the deterioration of existing housing stock. **The government paying for a rent freeze would be one step in that direction.** We can put an approximate figure on what it would cost. In 2020/21 English councils collected £7.091 billion in rent from their council tenants. Apply 1.5% rent increase in 21/22 and the 4.1% this year and the approximate rent income comes to £7.2 billion. A 10% rent increase would be roughly £720 million. That's a lot of money but a tiny amount in relation to the national economy.

It may be argued that the government will never do it. Yet the pandemic has surely shown that the government has done all manner of things which prior to it, it would never have even contemplated. Pressure of events and political pressure has sometimes forced them to act against their own ideology and execute a series of U-turns, the latest of which is money for the exorbitant cost of energy. It is not beyond the bounds of possibility that even some Tory councils can be pressed to support the demand that the government provide extra funding to councils to compensate for the loss of rent from freezing it.

## **And housing associations?**

According to the the Global Accounts of Private Registered Providers produced by the Regulator of Social Housing, rent arrears for housing associations in 2020/21 were at £705

million; 5% of the rent roll. This would mean rental income of around £14.1 billion. Multiply the income by the 1.5% increase last year and the 4.1% increase this year and that comes out at £14.898 billion. If we assume a 10% increase next year then a rent freeze would cost HAs around £1.48 billion. It might be less, of course, because even some HAs may think twice about the impact of such a rise on their tenants and rent arrears.

Could HAs cope with a freeze? According to the Global Accounts they had reserves of £57.4 billion. They also made £1.3 billion profit on sales. Obviously the situation will vary considerably; there are 1,400 PRPs in England, some very large, some very small. Certainly the more commercial, larger companies could afford it. Perhaps the government could fund a freeze for the smaller ones *if there is evidence that they would struggle to cope with one*.

## **The private rental sector**

There are nearly 4.8 million private sector households in England. The social composition is different from that of social housing; 73% in work compared to 38%. 26% of private renters received Local Housing Allowance in 2020/21 according to the English Housing Survey. Of course, private rents are way higher than council or housing association homes, and the LHA has been cut previously from the 50<sup>th</sup> percentile of local prices, to the 30<sup>th</sup>. LHA itself has been frozen for the second year running despite the high inflation rate. LHA rates do not cover rent in many places, not only London. For instance in not a single area of Manchester does LHA cover the rent. This means that anybody who faces unemployment, an accident or illness, is immediately thrown into crisis unless they have significant savings.

LHA should be increased to the 50<sup>th</sup> percentile and should be updated in line with the inflation rate, as should all benefits.

Private tenants are often paying higher rents for poorer conditions. The Public Accounts Committee has reported that an estimated one in eight private rented homes had at least one category one hazard, a serious risk to the health of the tenants, ranging from 9% in London to 21% in Yorkshire. Meg Hillier MP, the committee's chair, said: "Unsafe conditions, overcrowding, harassment, discrimination and dodgy evictions are still a huge issue in the private rented sector."

In January Rightmove reported that the average rent outside London was £1,068 a month. In London it was £2,142. Mayor of London Sadiq Khan has called on the government to give him the power to freeze private rents. Of course, it's not just an issue in London even though private rents are highest there.

The various campaigns which cover the private sector have raised the question of rent controls. The Renters Reform Coalition policy is

"The affordability crisis in the private rented sector should be addressed. It is widely accepted that in order to be affordable, housing costs should not take up more than a third of someone's income. The Government must act to bring rents down so that everyone has a home they can afford to rent where they can live and flourish."

Rent controls were first introduced in the First World War in response to inflation which created "a cost of living crisis" then. An effective freeze was introduced when the government was faced with rent strikes and in the case of Glasgow solidarity from engineering workers against evictions. The threat of strike action very swiftly led the government to restrict rents to 1914 levels. Landlords had been taking advantage of an acute housing shortage to push up rents. Many landlords supported the legislation because it restricted mortgage interest rates as well as rents (the Act was *Increase of Rent and Mortgage Interest (War Restrictions) Act 1915*). While it was phased out for new properties, rent control was reintroduced after the start of the Second World War.

Others have said that rent increases should be limited to inflation. However, in the current situation that wouldn't be much protection for tenants. Whilst we are not at war now, economically we are suffering the impact of the war in Ukraine on inflation. The demand for a rent freeze is entirely legitimate under current circumstances. The scale of support for the

demand and pressure which can be mobilised will determine whether the government is forced to act.

### **Can we unite across tenures?**

We have suggested the need for a campaign for a rent freeze across the tenures. **A coalition of organisations campaigning for a rent freeze can make a difference.** Whilst there are different issues in each sector, what is the same in each is the trend over many years for rent increases to outstrip the rise in earnings. One of the most positive developments over the past five years has been the emergence of organisations like Acorn, the Tenants Union UK, London Renters Union, Living Rent in Scotland, which have mobilised renters so that they organise collectively and overcome their weakness as isolated individuals. They have been able to fight evictions, pressure landlords to resolve poor living conditions, campaign for licensing of private landlords, and more. Building independent tenant organisation is critical for organising political pressure on the government and on landlords for a rent freeze.

Labour members need to press the leadership to take up the issue whilst carrying out our own independent activity. If as Labour said during the local elections “we are on your side” then Labour councils cannot impose an unprecedented, stinging rent increase, especially at a time when so many tenants are being driven to the financial edge, and over it. Demand the government funds a freeze for council tenants. If they can come to the rescue of business because of economic circumstances then pressure should be built on them to come to the rescue of tenants to prevent even more widespread impoverishment.

Martin Wicks  
May 27<sup>th</sup> 2022

#### **Council Housing - England**

	2018-19	2019/20	2020/21
Rent arrears	£245,408,322	£283,803,120	£317,187,988
Collectable rent	£6,755,755,246	£6,845,362,766	£6,847,212,601
Rent loss from voids	£102,648,535	£107,158,920	£133,414,230

Extracted from Department of Levelling-up, Housing, Communities and Local Government, [Local authority housing data](#).

Voids are empty properties which are either waiting for or having work carried out on them prior to a new tenant moving in or properties awaiting demolition.