

Queens Drive regeneration: Swindon Council's unaffordable housing strategy

Swindon's housing crisis has been described as a crisis of affordability. Much of the town's housing is unaffordable for a large proportion of the population. At a time when the value of earnings has declined many people struggle to pay their rent month to month. (See [Swindon – the real picture, Part One](http://martinwicks.files.wordpress.com/2018/02/swindonincome2017.pdf)¹) The recent Centre for Cities report highlighted an increase in the ratio between house prices and earnings. It said that the average house price in Swindon is more than eight times average earnings making mortgages impossible for a large number of people. We have recently shown that rents in the private sector continue to rise way above earnings (see [Crisis of Housing Affordability](http://martinwicks.wordpress.com/2018/03/housingaffordability2017.pdf)²).

Council rents are much lower than rents in the private sector. Even the cheapest, lower quartile private rents, are, depending on the number of bedrooms, from 34% to 98% higher than council rents (See Table 4) and median rents are higher still. Unfortunately as the town increases in size the number of council homes has declined. There are more than 200 less than in 2011, so very few people have a chance of getting a council tenancy.

Swindon council is adopting a policy which is making matters even worse. They are progressively driving up council rents to unaffordable levels by means of the ironically named “affordable rent” (AR). The council is operating without protest the policy of central government which has stopped grant for building homes which charge council rent (sometimes called 'social rent' – SR). They imposed a condition on councils that if they bid for grant to build new homes they would have to charge AR (up to 80% of market rents) and convert some of the existing council homes from SR to AR when they become void; i.e. when the tenant dies or moves.

Projects including Sussex Place will build 100 properties charging AR. Part of the scheme included converting 140 existing SR homes to AR. Overall, when the demolition of 33 homes is taken account of, the addition of 67 new homes at AR came at the cost of the loss of 173 existing SR homes.

The difference between SR and AR can be seen in Table 1 below. These are large sums for people who are low paid, otherwise “the housing benefit takes the strain”. For those who are in receipt of full housing benefit the right hand column shows how much more it costs central government to pay housing benefit (HB) for AR. There is by the way an anomaly in relation to the AR rent level because the actual rents are higher than the 80% of LHA as can be seen in Table 3. Why this is the case is yet to be clarified.

Currently the overwhelming majority of Swindon council homes pay SR. The latest figure we have been given is 283 AR properties compared to 10,066 SR. However, new developments are threatening to increase the number paying AR significantly.

Queens Drive regeneration

Swindon council's proposed Queens Drive 'regeneration' if carried out will demolish 86 properties charging SR. We can't say how many properties would replace them since there are a number of options which the council is considering. At most it will be 149 council properties which would mean an additional 64 (after demolitions are taken into account),

1 <http://martinwicks.files.wordpress.com/2018/02/swindonincome2017.pdf>

2 <http://martinwicks.wordpress.com/2018/03/housingaffordability2017.pdf>

all charging AR. The various options would involve anything from 105 to 216 conversions of existing homes from SR to AR. So the number of homes paying SR will fall by anything from 191 to 305, including the homes being demolished.

This is bad enough but the council is proposing to change its rent formula for AR. In previous developments it decided that the AR would be set at 80% of the Local Housing Allowance rate (LHA). For Queens Drive the document put to Cabinet proposed to set it at 100% LHA.³ In Table 3 you can see the difference between SR and AR is much higher. Tenants in a 4 bed property would be paying **£5,000 a year more** than a tenant paying SR. Depending on the number of bedrooms AR would be from 40% to 98% higher than SR.

There is even some confusion over the 100% LHA figure since we are now being told that despite what the document said the council is talking about charging 80% of market rents! LHA is set at the level of the rent for the cheapest 30% of properties in the private sector.

Too poor for a council home

These rent levels are such that probably only people in receipt of HB sufficient to cover all their rent would be able to 'afford' them. Already SR rents are now unaffordable to some people. So much so that the council is means testing applicants who come first in the bidding process for a council property to see if they earn "too little" to afford the rent. We don't know how many people are being turned down for a tenancy under this "[Greenlight for Housing](#)" process⁴, but some are. Lead Member Cathy Martyn has committed to a review of the process after one year so we will be asking for detailed statistics. *What is certain is that if some people are too poor to afford SR rents then many more will be too poor to afford AR, be it the 80% or 100% LHA version never mind 80% of market rents!* So even if they are on the list, qualify for a tenancy, and come out top in the bidding process they will have to stay put with their parents, relations, in a private rent, or carry on sofa surfing. *These will largely be people who are in work* since those who receive HB sufficient to cover their full rent will be deemed to be able to afford it.

Events dear boy...

Even if people whose rent is covered by HB are given a tenancy for an AR property their circumstances can easily change. The gradual extension of Universal Credit (UC) to all working age tenants will throw some of these people into debt because of loss of their HB payments whilst their UC claim is processed. The debt they build up will be that much higher than somebody who is paying an SR rent. We know that 75% of council tenants on UC are in rent arrears as compared to 25% of them overall (See [£113,000 increase in UC rent arrears in less than two months](#)⁵). Moreover, if they go onto UC those not in work will be under pressure to work whether or not they are fit for it. Those tenants who are in work will be subject to the changes which are part of the precarious job market, as well as the usual problems which life imposes on us from time to time, be it accident or redundancy. Under UC people are being pressured to increase their hours of work whatever their

3 For flats where service charges are paid the rent service charges would be included in the rent formula. In other words combined rent and service charges would not exceed the LHA maximum.

4 <http://keepourcouncilhomes.wordpress.com/2017/03/20/sbc-should-withdraw-the-proposal-to-introduce-compulsory-affordability-assessment/>

5 <http://keepourcouncilhomes.wordpress.com/2018/02/16/113000-increase-in-uc-rent-arrears-in-less-than-two-months/>

circumstances. In other words AR will put tenants under more and more financial pressure with all the attendant stress.

There are not lots of well paid people on the waiting list since the Council has applied a means-test to stop households joining the list if they are considered to be earning “too much” (though they don't tell them exactly what that is). Since it changed its policy the council has consistently discouraged people from putting their name on the list, telling them their chances of getting a tenancy are remote, and has made those on the list reapply on at least two occasions. So there will be hardly anybody on it now who has decent or high wages. When I checked with officers, last year, only *one household* had been rejected from joining the list for being able to afford a 'part-rent, part-buy' home. This disproved the assertion by one councillor then in charge of council housing that there were lots of people on the housing waiting list who could “probably afford to buy a house”.

Precarious finances

Judging by the document submitted to the Cabinet the finances of this proposal are questionable. Indeed it leaves open the possibility that phase two of the project, demolition of the 'T-blocks' of flats may not go ahead in which case they will either be used for temporary accommodation or for general needs accommodation. The proposal to increase AR to 100% of LHA is an indication of how precarious it is.

To make the scheme more viable the council is proposing that the Housing Revenue Account takes on £25 million extra debt. This is half their borrowing capacity to achieve what? At best an extra 64 council homes, possibly less, at the cost of losing at the very least 191 SR homes. The extra debt has to be serviced – payments of interest and paying back the loan – by way of the rent and service charges that tenants pay.

An alternative?

Is the council left with no alternative because of national government policy? There *are* alternatives to a regeneration which involves the loss of hundreds of SR homes and charging unaffordable AR.

- Firstly, the council should be approaching the government to clarify if and when SR grant will be available for bidding from the extra £2 billion for “affordable housing” which May announced last year. The Department of Communities & Local Government published a press release at the time which said that the money “could” be used to pay for 25,000 SR homes with grant at £80,000 a property. We don't know yet whether this will be available or when, but given the prominence of the government's statement, why isn't the council approaching the government to check if and when they will be able to apply for SR grant? If they were able to then the finances of regeneration of Queens Drive would be completely different.
- Secondly, there is an alternative other than denuding our SR stock numbers. If there is to be no grant available for SR properties then, instead of taking on £25 million debt, the council could do what tenants have suggested and build homes with the £5 million a year which would be made available by suspending the annual debt payment. Since they would be using money from the Housing Revenue Account (tenants' rent) they could build new homes and charge SR. This would be insufficient to fund the (maximum of) 149 proposed but using HRA resources they

would not have to convert hundreds of SR homes and reduce the number of genuinely affordable homes for local people.

Crisis of affordability

The housing crisis in Swindon is above all else a crisis of affordability, whether in relation to home ownership or renting. This administration's policy adds up to driving up council rents and *increasing the number of unaffordable homes*. The council does not have an "affordable housing" policy but an unaffordable housing policy. When homes to buy and private rent are becoming more and more difficult for local people to afford, the very idea of driving council rents to up to nearly double their current level is nothing short of crazy. Instead of easing the housing crisis they are proposing *a policy which will make it worse*.

Martin Wicks March 23rd 2018

SBC Rents 2016-17

Table 1. Comparison average weekly rent SR and AR

Type	Social Rent	Swindon Affordable Rent	Difference £	% Difference	Annual Difference £
All 48 weeks	£87.89	£115.94	AR is + £28.05	+ 31.9%	£1,202.40
All 52 weeks	£81.13	£107.02	AR is + £25.89	+ 31.9%	£1,346.28
Bedsit	£67.00	£61.47	AR is - £5.53	- 8.25%	- £287.56
1 Bed	£73.90	£89.05	AR is + £15.15	+ 20.5%	£787.80
2 Bed	£81.28	£110.10	AR is + £28.82	+ £35.5%	£1,498.64
3 Bed	£87.45	£135.89	AR is + £48.44	+ 55.4%	£2,518.88
4 Bed	£100.07	£171.70	AR is + £71.63	+ £71.6%	£3,724.76
5 Bed	£106.44	None			
6 Beds	None	£264.01			

Table 2. Comparison 80% formula and actual rent 2016/17

Bedrooms	LHA weekly rate	80% of LHA	Actual Rent	Difference £
1 Bed	£103.44	£82.75	£89.05	+ £6.30
2 Bed	£127.51	£102.08	£110.10	+ £8.02
3 Bed	£157.56	£126.04	£135.89	+ £9.85
4 Bed	£198.11	£158.48	£171.70	+ £23.22

Table 3. Comparison council rent and 100% LHA

Bedrooms	Rent	LHA weekly rate	Difference £	% Difference	Annual difference £
1 Bed	£73.90	£103.44	+ £29.54	+ 40%	£1,536.08
2 Bed	£81.28	£127.51	+ 46.23	+ 56.9%	£2,403.96
3 Bed	£87.45	£157.56	+ £70.11	+ 80.2%	£3,645.72
4 Bed	£100.07	£198.11	+ £98.04	+ 98%	£5,098.08

Table 4. Comparison of Swindon council 'social rent' 2016/17 with private rent

Bedrooms	Social rent pcm	LQ private rent	Difference £	Difference %	Median private rent	Difference £	Difference %
1 Bed	£320.23	£495	£174.77	+ 54.6%	£525	£204.77	+ 63.9%
2 Bed	£352.21	£575	£122.79	+34.9%	£625	£272.79	+ 77.5%
3 Bed	£378.95	£700	£211.05	+ 55.7%	£776	£397.05	+ 104.8%
4 bed	£433.63	£850	£416.37	+ 96%	£995	£561.37	+ 129.5%