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Mini Review

Two Local Government Authorities, a Credit Union and Homeless Prevention Loans

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ABSTRACT

This article reviews Lee and Carlisle's (2023) work that addresses how two local government authorities and a credit union collaborated to provide and manage homeless prevention loans to protect social housing tenants from eviction from their homes. The article locates the need for the loans in the historical context of UK governments' changes to housing provisions and why the local government authorities found it necessary to provide grants to arrange the loans. The success of the loans and the way in which the loans are managed by the credit union is also reported.

Keywords: Housing shortage; Local government authority; Credit union; Homeless prevention loans

INTRODUCTION

The UK is suffering from a housing crisis. The gap between available houses and the number required for the population to have a decent home was over a million in 2020 and continues to grow [1]. The cost of a house to buy is nine times average earnings which means that relatively speaking, houses are more expensive now than they have been since 1876 [2]. Social housing provided by local authorities has historically been an alternative for those who could not afford to buy their own homes, but such provisions have dwindled as most local government authorities have not built any new social houses for tenants to rent in the last five years [3]. The numbers on local authority housing waiting lists have exceeded a million for over a decade [4]. Local authorities are, however, in a difficult situation. Central government has reduced the money that it provides for the construction of new houses [5], while right to buy legislation has led to the social housing stock being depleted simultaneous to rents for remaining tenants increasing [6]. Despite this, local government authorities have an obligation to help those who are homeless or at risk of homelessness in their area. A question is how local government authorities could address this problem when austerity policies were leading to broader cuts in the funding that they received from central government. This review article reports on published research by Liam Carlisle and Lee (Lee and Carlisle, 2023) on how two local government authorities addressed this problem in conjunction with a Credit Union (CU), the success and limits of the scheme, the accounting controls that the CU implemented to recover the money and the explanation that Liam Carlisle and I offer for the problem that arose.

LITERATURE REVIEW

Problems facing social housing tenants in the UK

From 1979, the UK government introduced a range of legislative, regulative and funding initiatives designed to push its citizens towards taking care of their own housing needs, regardless of whether they had the means to do so. The first significant one of these was 'The 1980 Housing Act'. This gave those tenants who could afford to, the right to purchase their local authority homes at heavily discounted prices while providing a new formula that allowed the Department of Environment to introduce steep increases in the remaining tenants' rents. Local authorities–also known as councils–were not provided with sufficient money to replace the houses that were sold. The 1986 Housing and Planning Act allowed councils to transfer their housing to others. Some councils transferred ownership to third party, social housing providers [7]. The 2007-2008 Global Financial Crisis resulted in central government's continued reductions in support for social housing and led some large housing associations to issue bonds to finance any provisions. The impact of these changes on properties constructed are shown in Table 1, above. As the table 1 demonstrates, the greatly reduced number of local authority housing constructed has not been compensated by increased building by other social housing providers. This has meant that those who cannot afford to purchase their own home find themselves victims of the housing

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shortage outlined at the outset.

The housing shortage highlighted above provides the context for this review article's consideration of the problems faced by existing tenants. Councils are expected to provide accommodation for families who cannot afford to purchase their own homes. Yet, in addition to the increased rents precipitated by The 1980 Housing Act, welfare reforms have reduced the income and the capacity of the most vulnerable tenants to afford their homes. The 2012 Welfare Reform Act, which introduced a universal credit in place of a myriad of other benefits, was followed by long delays before payments were made [8]. This delay led many tenants into rent arrears. Further reforms affecting social housing tenants included reducing rent refunds to a maximum of 80% of local market rates and imposition of penalties for unoccupied bedrooms. The Welfare Reform and Work Act 2016 accentuated the problems by freezing the level of benefits [9]. Clark, Hamilton, Jones and Muir (2017) [10], put the cumulative cost of those reforms at between £22 and £70 per month on the budgets of poor households outside London and between £124 and £1,036 per month in London where property and rent premiums are highest. Considering the statistics presented that prior to the COVID-19 pandemic when evictions were frozen, evictions rose consistently to new record levels, and year on year with 62% of those evictions occurring in London. Local authorities found themselves in an invidious position in this context as the Homelessness Reduction Act 2017 increased their obligation to help those who were either homeless or at risk of homelessness in their constituency. One estimate reported by Lee and Carlisle (2023) is that the cost of responding to each eviction costs a local authority £28,000.

Table 1: Number and percentage of new home build starts annually by housing sector

	Local council		Other social housing		Private		Totals	
Year	Number	%	Number	%	Number	%	Number	%**
1978	75,160	33.2	17,960	7.9	1,33,580	58.9	2,26,700	100
1979	55,190	29	14,240	7.5	1,21,130	63.6	1,90,560	100.1
1980	33,550	25.9	12,910	9.9	83,300	63.2	1,29,760	100
1981	21,670	16.5	9,870	7.5	99,610	76	1,31,150	100
1982	28,870	17.4	14,320	8.6	1,22,463	74	1,65,653	100
1983	29,420	15.6	11,760	6.2	1,47,840	78.2	1,89,020	100
1984	24,120	14.3	11,220	6.6	1,33,410	79.1	1,68,750	100
1985	18,650	11	10,170	6	1,41,110	83	1,69,930	100
1986	16,840	9.3	10,910	6	1,53,990	84.7	1,81,740	100
1987	16,020	8.1	9,580	4.9	1,71,200	87	1,96,800	100
1988	13,440	6.2	10,370	4.8	1,93,480	89	2,17,290	100
1989	12,760	7.7	11,000	6.7	1,41,460	85.6	1,65,220	100
1990	6,640	5	14,100	10.6	1,12,730	84.5	1,33,470	100
1991	3,060	2.3	16,440	12.3	1,14,310	85.4	1,33,810	100
1992	1,610	1.2	28,110	21.7	99,590	77	1,29,310	99.9
1993	1,200	0.8	33,570	22.2	1,16,460	77	1,51,230	100
1994	450	0.3	33,590	20.3	1,31,400	79.4	1,65,440	100
1995	580	0.4	25,240	18.5	1,10,410	81	1,36,230	99.9
1996	490	0.3	22,630	15.6	1,21,530	84	1,44,650	99.9
1997	310	0.2	21,190	13.4	1,36,080	86.4	1,57,580	100
1998	100	0.1	17,490	11.7	1,31,810	88.2	1,49,400	100
1999	170	0.1	17,930	12.1	1,30,290	87.8	1,48,390	100
2000	100	0.1	14,040	9.8	1,28,470	90.1	1,42,610	100
2001	180	0.1	13,280	9	1,33,320	90.8	1,46,780	99.9
2002	160	0.1	14,560	9.7	1,35,970	90.2	1,50,690	100
2003	300	0.2	15,600	9.7	1,45,390	90.1	1,61,290	100
2004	170	0.1	19,370	11	1,57,150	89	1,76,690	100.1
2005	180	0.1	20,920	12	1,52,800	87.9	1,73,900	100
2006	290	0.2	21,110	12.4	1,49,210	87.5	1,70,610	100.1
2007	150	0.1	23,540	12.8	1,59,900	87.1	1,83,590	100
2008	370	0.3	24,160	22.6	82,370	77.1	1,06,900	100
2009	150	0.2	20,460	23.9	65,000	75.9	85,610	100
2010	1,460	1.3	24,350	22	84,860	76.7	1,10,670	100
2011	1,700	1.5	23,810	21	87,790	77.5	1,13,300	100
2012	1,510	1.5	19,260	19.1	80,260	79.4	1,01,030	100
2013	1,080	0.9	24,900	20	98,820	79.2	1,24,800	100.1
2014	2,630	1.9	26,340	18.7	1,11,790	79.4	1,40,760	100
2015	1,680	1.1	25,900	17.5	1,20,590	81.4	1,48,170	100
2016	1,660	1.1	25,340	16.3	1,28,160	82.6	1,55,160	100
2017	1,820	1.1	27,000	16.5	1,35,300	82.4	1,64,120	100
2018	2,420	1.4	28,010	16.6	1,38,190	82	1,68,620	100
2019	1,780	1.2	28,160	18.4	1,23,060	80.4	1,53,000	100
2020	1,740	1.3	25,280	19.5	1,02,400	79.1	1,29,420	99.9
2021	2,410	1.4	31,270	17.8	1,41,710	80.8	1,75,390	100

Note: Source: Lee and Carlisle (2023). * Annual percentages may not add due to rounding.

Two local authorities' homeless prevention loans

Lee and Carlisle (2023) report how two local authorities in London sought to overcome the problem of social housing tenants not being able to afford rents on their properties by providing small grants of around £85,000 each to a local Credit Union (CU) to provide Homeless Prevention Loans (HPLs) to tenants who were at risk of being evicted from their homes because of rent arrears. The first local authority provided the grant in 2010 and the second local authority provided the grant in 2012. The combined consequence of both grants is shown in Table 2, below. Marked increases in the demand for the loans are evident in the years that followed welfare reform acts when the reforms started to have an effect. As the table shows, the loans saved 435 families from eviction from their homes over the period reported.

A Currency unit (CU's) management of the loans

Local authorities do not have the expertise to manage loans. Consequently, they drew on the expertise of a local CU to deliver and manage the loans. CUs in Britain have a lower proportion of membership and less assets than those in other developed countries such as Australia, Canada and the USA (Table 3). CUs are also subject to financial regulations about how they may use their members' money. They were, thus, heavily dependent on the initial grants for delivery of the loans. The monies had to be managed prudently if the initial grants were to be effective. The process of providing HPLs often started when tenants received a notice that they were going to be evicted, instigated by the social housing provider. Tenants would go to the local authority to appeal for help who would refer them to the CU. The CU would get the tenant to complete a budget analysis showing income and outgoings to demonstrate that there was sufficient disposable income to repay a loan in monthly instalments. Consistent with CU policies, the monthly repayment would include a savings component which a borrower was not expected to redeem until the loan had been repaid. This helped recipients of loans to accumulate savings that might preclude them from experiencing an inability to pay their rent in future. Those whose incomes were insufficient to receive a HPL were provided with advice of other agencies who could help. The contractual agreement for those who received loans included exercise of legal rights to recover the loan and repayment orders if the recipient of the loan failed to keep to the repayment schedule. Table 2 indicates that he prudent management and repayment of HPLs enabled the CU to lend out the original grants several times over.

Table 2: Homeless prevention loans in two local boroughs 2010 to 2021 [7].

Year	Number of loans	Amount on Loan (£)	Repaid to date (£)	Outstanding balance to date	Value of actual write-off (£)	Number of write-offs
2010	9	30,370	29,950	0	420	1
2011	12	30,840	13,375	0	17,465	8
2012	9	19,415	16,535	0	2,880	2
2013	39	50,492	34,689	0	15,803	16
2014	26	26,419	19,295	2,000	5,124	7
2015	40	80,492	72,747	0	7,745	10
2016	55	80,435	70,732	0	9,703	11
2017	61	1,10,096	92,345	3,364	14,387	12
2018	55	1,32,383	1,03,572	205	28,606	14
2019	89	2,23,440	1,30,223	65,706	27,511	13
2020*	27	53,082	25,540	20,100	7,442	5
2021*	13	16,320	3,988	12,332	0	2 loans at risk
Totals	435	8,53,784	6,12,991	1,03,707	1,37,086	101
%	100	100	72	12.15	16	23

Note: Figures in 2020 and 2021 affected by lockdowns and provisions of Coronavirus Act (2020)

Table 3: Size of CUs in different advanced societies–source: WOCCU (2022)

Country	Number of CUs	Number of members	Membership as % of population who are financially active	Assets (USD)
Australia	57	50,63,221	30.6	1,12,94,98,18,182
Britain	251	13,94,708	3.26	2,92,08,34,259
Canada	434	1,06,98,157	42.58	4,17,99,36,10,224
USA	5,042	13,09,49,417	60. 96	20,83,37,23,57,463

Lee and Carlisle's analysis

Lee and Carlisle (2023) explain the situation that they studied as arising from marked differences between a social democratic period between 1945-1979 when governments accounted for public resources according to need and the neoliberal period since 1979 when governments accounted for public resources increasingly by market criteria. Lee and Carlisle (2023) conclude that while the HPLs helped to protect a limited number of extant tenants' tenancies, it does not address the growing problems of homelessness and reversal of the neoliberal policies of the preceding forty years would be a useful initial step in addressing these problems [11,12].

CONCLUSION

This review has explained how Lee and Carlisle's (2023) article documents and explains two local government authorities' provision of a grant to a CU and how that CU's provision of homeless prevention loans protected tenancies of 435 families. Lee and Carlisle locate the scheme within a historical trajectory of changes in central government policies. Consequently, they advocate for inter alia a reversal of those policies. Naturally, there may be those who contend that the issue of inadequate housing in the United Kingdom has existed prior to 1979, originated, in part, by laws restricting the construction of homes in numerous locales. Irrespective of the validity of alternative viewpoints, the data presented in the aforementioned undeniably reinforces the notion that these problems have been exacerbated since the aforementioned year.

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