

# Can We Afford to Criminalise Squatting?

A Full Impact Cost Analysis of the Criminalisation of Squatting, under Clause 130 of the  
Legal Aid, Sentencing and Punishment of Offenders Bill

**Squatting as a Means of Mitigating the Empty Homes Crisis**

February 2012

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## 1. Foreword

**Squatters Action for Secure Homes (SQUASH)** has collected and analysed information regarding the current housing crisis, empty properties and squatting in England and Wales in order to assess the financial implications of criminalising squatting, through Clause 130 of the Legal Aid, Sentencing and Punishment of Offenders Bill. As of February 2012, the Bill is under Committee Stage consideration in the House of Lords.

The report's findings present a challenge to the proposed Clause 130, which could effectively criminalise squatting in the United Kingdom. It is clear that the government is yet to examine the Clause's financial implications in any serious detail.

Given the magnitude of the financial implications that would arise from enacting the Clause one would expect responsible law makers to ensure that no change to the current law be enacted until its costs are sufficiently accounted for.

The report is divided into two distinct sections. The first section covers the background of housing and property ownership systems and highlights some of the ways in which tax loopholes, property sellers and abuses by private landlords push thousands of people into homelessness and squatting while overcharging renters. The second section explores i) the estimated savings to the state resulting from squatters using empty homes so not claiming housing benefit and other government services and ii) the financial implications of enacting Clause 130 of the Legal Aid, Sentencing and Punishment of Offenders Bill.

We have calculated the cost of criminalising squatting to be approximately £1bn over 5 years for the taxpayer.

In addition to this report, we have submitted a number of amendments to the Bill. Those amendments relevant to the content of this report are attached in the appendix.

## 2. Executive Summary

In the wake of the Financial Crisis there are 5 million<sup>1</sup> people on the waiting list for social housing in the UK and an estimated 600,000 homeless people<sup>2</sup>, 40% of whom have relied on squatting for off the street housing<sup>3</sup>. Homelessness is up by 17% since the start of the recession<sup>4</sup>.

There estimated to be between 20,000 and 50,000<sup>5</sup> people squatting in the United Kingdom, occupying between 2-4% of the 737,500<sup>6</sup> empty residential properties in the UK. SQUASH calculate that these empty properties could house 2 million people if fully occupied.

Clause 130 of the Legal Aid, Sentencing and Punishment of Offenders Bill could potentially outlaw squatting in residential buildings.

Not only does squatting save the government between **£21 - £52.7 million a year** in housing benefits alone, but also Enacting Clause 130 would be incredibly costly. Our calculations put the five-year cost to the taxpayer of criminalising squatting at **£1 billion**. It is also clear that the Government is yet to research the financial implications of the Clause in any considerable detail. The Ministry of Justice's October 2011 Impact Assessment projected costs of criminalising squatting to the police and legal system is £10m, a significant underestimate. Our mid-range estimate of police enforced evictions alone (not including prosecution, convictions or potential imprisonment) is £30m.

The Ministry of Justice's estimates appear to substantially underestimate the burden of enacting Clause 130 on the taxpayer and this report's figure of £1bn implies a cost of disproportionate magnitude compared to the scale of the issue. The Ministry's Impact Assessment report itself extends the option to "leave the criminal law unchanged but work with the enforcement authorities to improve the enforcement of existing offences" concluding that "it is likely that the cost of this non-legislative option would be low in comparison to other policy options"<sup>7</sup>.

Additionally, we have made monetary calculations to demonstrate the inflated State subsidy for private and public ownership of property and the protection of empty buildings, demonstrating that squatting saves taxpayers money and would be a burden on the public purse to criminalise. The Methodology behind our calculations is included in the references.

<sup>1</sup> Department of Work and Pensions; Additional £30m for local authorities to support tenants in adapted accommodation and foster carers, 14 December 2011

<sup>2</sup> Reeve, Kesia and Elaine Batty; The hidden truth about homelessness: Experiences of single homelessness in England; Crisis and CRESR, May 2011

<sup>3</sup> Reeve, Kesia; Squatting: A Homelessness Issue, an evidence review; Crisis and CRESR, September 2011

<sup>4</sup> The Independent; Numbers of homeless people in UK up by 17 per cent, 09 September 2011

<sup>5</sup> See: Options for Dealing with Squatting, Ministry of Justice, Nov 2011, pg 6 (20,000); Squatting: A Home Office Consultation Paper, Home Office, October 1991; Options for dealing with squatting – Equality Impact Assessment, Equality Impact Assessment, Ministry of Justice, 2010; Faces of Homelessness, University of Surrey, July 1991 ; & Squatting and Homelessness in the 90s: A response to the Home Office Consultation Paper on Squatting, SQUASH, 1992 (all 50,000).

<sup>6</sup> EHA: <http://emptyhomes.test-host.net/wp-content/uploads/2011/06/amended-stats-08-09-1.pdf>

<sup>7</sup> Options for Dealing with Squatting, Impact Assessment, Ministry of Justice pg. 6

## Background: Housing and Property Ownership

### 3. The Transfer of Property to Private Ownership

The laws and processes surrounding the current structure of property ownership is central to any discussion of homelessness, empty buildings and squatting.

In recent years, government policy has focused heavily on the privatisation of homes. Largely through subsidies like “shared ownership” and “shared equity” schemes, property ownership has increased by 18% between 2003 and 2006 (Dixon, 2009, S49), helping drive UK personal debt to £1,454 billion<sup>8</sup> (February 2011), and average household debt (including mortgages) to £57,697 (compared to £8,428 without mortgages). The government subsidises second-home ownership, with 246,000 “second homes” in England and Wales, “entitled to a discount”, amounting to an estimated **£6.3 million** a year [Meth: 1].

Similarly, the 43,000 hectares of development land which was transferred from public ownership to private entities in the 1980’s amounts to a **£117.2 Billion subsidy** to the private sector [Meth: 2], which have driven development land prices upwards, so that land prices have come to represent 40% of property prices. The Savilles Land Database of development land in England and Wales records that 7% of the land suitable for housing development is owned by “land-banking” companies, which equates to about 1,649 ha, worth £4.78 billion in 2009 prices, seeking to make a speculative profit by holding this land back to drive prices up [Meth: 3]. Another calculation, estimates that “unknown owners” hold 31,572 ha of development land in cities, worth around **£91.5 billion** [Meth: 4].

Property sellers operating through offshore tax havens pose a considerable barrier to a just property and housing system. Offshore companies preserve buyer’s confidentiality, with information on shareholders not publically available in most offshore jurisdictions. For example, a property “owned” by an offshore company can be transferred by selling/ granting the shares to the buyer and appointing them as a director, thus avoiding stamp duty (between 1-4% of the property value), Inheritance Tax and Capital Gains Tax (in the UK). According to the HPI 2011, 45% of high value (between £400,000 to £2 million sales) property transactions occurred in London. Using this data, we made a rough estimate of the value of tax evasion by high-value property transactions, which mostly occur through offshore companies, thus avoiding Stamp Duty, Capital Gains and Inheritance Tax. Using the total value of high-value transactions in London between 2009/10 and 2010/11, we estimate that these London property sellers alone avoided **£55 million** in tax that year, with the real figure probably much higher in years of considerable economic growth [Meth: 5]

These, and similar tax arrangements and property ownership structures constitute not only a subsidy of regressive tax breaks but also force up the cost of conventional housing and push many into homelessness and squatting.

<sup>8</sup> Credit Action: <http://www.creditaction.org.uk/assets/PDF/statistics/2011/april-2011.pdf>

## 4. Abuses by Private Landlords

The average monthly rent in London is approximately £1000, while a single bedroom flat is estimated to cost £1500 per month. Renting property in the UK costs 16% more than owning property of the same value, penalizing those who cannot afford or decide not to take out a mortgage. This is largely as a result of abuses by private landlords.

A number of charities, local authorities and voluntary organisations have noted the prevalence of “dodgy landlords” and private rent scams, which unjustly deprive tenants of deposits, services or accommodation so that private landlords can maximise their returns or control of their property. A number of these scams are detailed by the Brent Citizens Advice Bureau (CAB)<sup>9</sup> and Shelter’s “Evict Rogue Landlords” campaign<sup>10</sup>. Shelter claim that almost one million Britons were victims of a scam involving a private tenancy or landlord in the last 3 years. This was calculated through an online survey of 2,234 British adults, where 2% claimed they had been impacted by a scam in the last three years, with another 4% claiming to know someone who had been scammed. It also found that 20% of tenants were not aware of the Tenancy Deposit Protection Scheme, introduced in April 2007; and one in four landlords claiming that they were not aware of the scheme.

There are a variety of ways in which landlords are known to overcharge their tenants, several of which are detailed below:

**Deposits:** When a deposit is taken, the landlord claims that the agent has it, while the agent claims the landlord has it, leading to a Catch 22 situation - requiring costly legal action. Alternatively, the landlord claims that the tenant has damaged the property and therefore retains the deposit, or alternatively promises to pay the deposit back, on a certain date, but keeps delaying the process. In more extreme cases, prospective tenants are asked to wire the deposit to a friend or family member to prove they have the money, and the proof of receipt sent as evidence. This receipt is then used by the landlord to withdraw the funds using the transfer details, known as “Receipt Rip-off”. Where deposits are not required, and a guarantor is used instead, at the end of the tenancy, the guarantor suddenly becomes liable for “costly repairs”.

SQUASH calculates that landlords kept around **£3.4 million** in returnable deposits in 2010 [Meth: 6], in most cases without an independent arbiter to decide whether it was warranted or not.

**Estate Agents/ Letting Agents:** Prospective tenants pay admin fees of around £250 to agents, who take a fee for arranging a tenancy. Sometimes agents take these fees, leaving the tenant vulnerable if he/she is rejected by the landlord, in which case the agent occasionally keeps the fee claiming the client “didn’t provide details”. In other cases, agents handling the contract for the accommodation promise to fix facilities in the property after the tenant moves in, but then abdicates responsibility for the property. Hidden costs such as “fees for tenancy inspection” can also be introduced suddenly, without informing tenants, thus putting them immediately in arrears.

These additional fees, which could amount to something like **£83 million** in 2010, excludes the poorest and defrauds a great number of people [Meth: 7].

<sup>9</sup> Brent CAB: [http://en-gb.facebook.com/note.php?note\\_id=257710570913208&comments](http://en-gb.facebook.com/note.php?note_id=257710570913208&comments)

<sup>10</sup> Shelter: [http://media.shelter.org.uk/home/press\\_releases/almost\\_one\\_million\\_people\\_victim\\_of\\_landlord\\_scams\\_shelter\\_research\\_reveals3](http://media.shelter.org.uk/home/press_releases/almost_one_million_people_victim_of_landlord_scams_shelter_research_reveals3)

## The Housing Crisis, Empty Properties and Squatting

### 5. Empty Properties

With such an array of challenges to entering the housing market and remaining in secure accommodation in the UK, the homeless often have to rely on making use of empty, unused properties. The EHA database<sup>11</sup> calculates that there 737,491 empty residential properties in the UK in 2010<sup>12</sup>. These empty properties are a largely unused and wasted asset, which run down the neighbourhoods in which they are based. The UK is not alone in its derelict properties problem, found in many developed countries including the United States and the Netherlands. The reasons for this are varied, but inevitably lead back to systemic drivers in the form of perverse financial incentives .

A more specific study of empty property in the UK was undertaken by the University of Nottingham Survey Unit and EMEPF, in the Empty Properties Survey 2008 (EPS), providing insights into why private properties remain empty for prolonged periods of time, and fall into dereliction.

Applying these findings to the current database of empty residential property in England and Wales (EHA 2010), we estimate that almost 2 million people could be housed [Meth: 8].

Of these properties, 312,000 are ready for occupation, 117,000 need redecoration, and 317,000 need major improvements [Meth: 9]; buildings that require major improvement have often been transformed by squatters to create comfortable and creative living and social spaces with scant resources.

Landlords, both public and private, use a number of private means to protect their properties from being occupied, most notably “live-in guardians” and security companies. These are both growing industries as more properties fall derelict in face of slowing economic growth. Both these “solutions” undermine tenancy and civil rights, and as they grow more prevalent, so too will the abuses they engender.

“Live-in guardians” (or anti-squat) developed in the Netherlands as a private-profit response to the increasing number of derelict properties and the prevalence of squatting empty buildings. In the Netherlands there are 20 anti-squat companies managing 20,000 to 50,000 live-in guardians, who pay a “users allowance”, while the landlord pays both the guardian company (for protection by occupation, ie unpaid security guards) and the council tax (for which they are still liable). Anti-squat (live-in guardian companies), offer temporary-use contracts, removing any tenant protection or legal rights from tenants (or rather licensees). These companies do personality checks on potential users and stipulate that guardians have: no parties, no children, no pets, no smoking, no guests overnight, no vacation (permission needed to leave the house for more than 3 days), and no contact with the press. (Buchholz, 2009, 215). The growth of “live-in” guardian companies will mean that already threatened tenancy rights will continue to be undermined and eroded, with abuses such as withholding licensee deposits<sup>13</sup> becoming more prevalent.

Security companies have had a long-standing role in evicting and keeping squatters from entering empty buildings, using Sitex (metal shutters and doors), “self-help” eviction techniques such as forcible removal or re-entering sites, among others. One such company is Constance and Co., which has been established since the 1970’s. They have been implicated in human rights abuses, tenant harassment and unlawful evictions, including the violent eviction of Dale Farm, Basildon in 2011 for which they received £2 million in taxpayer funds. Bailiff companies, without independent supervision in an unregulated industry, will see an increase in violent and unlawful eviction of tenants, thus undermining civil rights in England and Wales.

<sup>11</sup> EHA: <http://emptyhomes.test-host.net/wp-content/uploads/2011/06/amended-stats-08-09-1.pdf>

<sup>12</sup> EHA: <http://emptyhomes.test-host.net/wp-content/uploads/2011/06/amended-stats-08-09-1.pdf>

<sup>13</sup> Heijkamp, Abel; Carefree Vacant Property, Holland, <http://vimeo.com/9649993>

In 2010, there were still 79,739 empty properties belonging to local authorities (39%), housing associations (54%) and other public bodies (7%). The value of the local authorities portion of empty properties comes to around £7 billion [Meth: 10] in 2011, with London making up £3 billion of it. The empty properties owned by local authorities are often protected by “live-in” guardians and security companies; in effect using taxpayer’s funds to protect these properties from being occupied and improved by those in housing need. For example, the three Wingrave blocks and 43-53 Rodney Road SE17 in Elephant and Castle, Southwark, London are estimated to have cost £789,000 in security costs between April 2008 until its demolition in February 2011 [Meth: 11]. Local authorities, and their housing companies, often use underhand tactics (“backdoor evictions”) in order to move people out of properties in expectation of redevelopment, which in reality takes many years, all the while buildings remain derelict:

Through Freedom of Information Requests (FOI’s), spending by local authorities on “live-in guardians” and security is steadily increasing, such that if the trend were applied to all 363 boroughs in England and Wales, this protection from occupation would cost 4.7 million per annum for “live-in” guardians, and 13 million per annum for security companies [Meth: 12]. However, applying these costs to the number of empty properties owned by local authorities and other public bodies would amount to £44 million (live-in guardians) to £6 billion (security companies) per annum [Meth: 13]. SQUASH believe that this to be huge waste of both public resources and assets, which ultimately belong to the taxpayer. With the massive transfer of public housing stock into the hands of housing associations, local government has transferred the liability of empty properties onto private institutions which remain unaccountable to the public, and security has been out-sourced to private companies which are both expensive and use questionable means to generate large profits for shareholders through public assets. The arbitrary nature of tenancy under “live-in guardian” licenses is a worrying trend that will see the erosion of tenant rights and decent, affordable accommodation.

### 6. Squatting: A Full Impact Cost of the Criminalisation of Squatting

Clare Smith, from Bristol University, has done an initial Cost-Benefit analysis of criminalizing squatting in England and Wales, by undertaking a survey of 50 squatters in Bristol. Using Smith’s (2011) figures, SQUASH have extrapolated these costs to the whole squatting population in the United Kingdom to get an idea of costs to local housing departments, and the criminal justice system. Currently, squatters save taxpayers in England and Wales between **£21 – 52.7 million a year** in housing benefit payments [Meth 14]. If a new law to criminalise squatting forced those who currently squat to rent privately and claim benefits, it would cost the taxpayer between **£35.9 – 89.8 million a year**. [Meth 15] Additionally, if all squats were evicted, it would cost an additional **£29.3 – 73.3 million** in police and magistrate costs to enforce. [Meth 16]. This would see between **10,400 – 26,000 under-25’s** join the currently stretched list of young people seeking accomodation, which CAB has highlighted is growing problem. [Meth 17].

SQUASH have undertaken their own methodology to account for costs to the taxpayer over the next 5 years if legislation was enacted to criminalise squatters. This accounts for the options available to them in rehousing themselves, and the subsequent costs of enforcing, housing and rehabilitating those who become homeless under the new legislation. The costs have been conservatively estimated and a discount rate of 4% has been applied. The discount rate is that used by public bodies in England and Wales (according to The Green Book for central government), and reduces future costs due to uncertainty.” Squatter’s Action for Secure Homes has estimated the Cost of Criminalising Squatting over the next five years. The full figure is up to: **£1 billion**

These costs can be broken up into the following sections:

1] **Initial Eviction and Prosecution costs:** This is the initial cost of evicting all squatters from their homes, and prosecuting them for the new criminal offense of “squatting”.

2] **Squatter Scenarios in subsequent years:** These are the costs associated with each of the subsequent options available to the squatting community to find shelter. These will inevitably occur simultaneously to varying degrees.

2.1] Scenario 1: Carry on squatting, and weather the resulting enforcement of proposed laws

2.2] Scenario 2: Start claiming housing benefit

2.3] Scenario 3: Become a Rough Sleeper and [a] remain unsheltered [b] enter rehabilitation [c] eventually become re-housed and a housing benefit claimant.

**Table 1: Costs associated with the Initial Eviction and Subsequent Scenarios**

For clarification of trends, see “Transition Over Time” and “Transition of Population of Squatters”

PERIOD	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
[1.1] Initial Eviction and Prosecution	97,664,000					
[2.1] Scenario 1		198,623,846	144,829,888	124,139,904	103,449,920	82,759,936
[2.2] Scenario 2		3,074,400	23,058,000	30,744,000	38,430,000	46,116,000
[2.3a] Scenario 3: Rough sleeper (zero cost)						
[2.3b] Scenario 3: Rehabilitation			17,465,000	69,860,000	43,662,500	87,325,000
[2.3c] Scenario 3: Housing Benefit				3,074,400	15,372,000	23,058,000
<b>£1,152,706,794.40</b>	97,664,000	201,698,246	185,352,888	227,818,304	200,914,420	239,258,936
Discount Rate	4%	[1]				
<b>£1,029,405,768.69</b>	97,664,000	193,630,317	170,821,222	201,559,055	170,645,971	195,085,204



### Breakdown of Figures and Methodology:

#### 1] Initial Eviction and Prosecution

Costs are based on: (Smith, 2011)<sup>14</sup>

Evict all squats and prosecute "offenders"	No. Squatters	Low* - 20,000	High** - 50,000	Average – 35,000
Police Eviction costs		16,660,800	41,652,000	29,156,400
Court Costs for prosecution (magistrates court)		12,667,200	31,668,000	22,167,600
Community Orders for squatters		26,480,000	66,200,000	46,340,000
	TOTAL	55,808,000	139,520,000	97,664,000

\* *Options for Dealing with Squatting*, Ministry of Justice, Nov 2011, pg 6

\*\* *Squatting: A Home Office Consultation Paper*, Home Office, October 1991; *Options for dealing with squatting – Equality Impact Assessment*, Equality Impact Assessment, Ministry of Justice, 2010; *Faces of Homelessness*, University of Surrey, July 1991 - 50,000; & *Squatting and Homelessness in the 90s: A response to the Home Office Consultation Paper on Squatting*, SQUASH, 1992

Smith's survey<sup>1</sup> calculates that the cost to evict 50 squatters is approximately £41,652, to prosecute all of them through a magistrate's court would cost £31,668, and the cost of managing a community order by the Probation Services (NOMS) for a period of 14 months would be £1,545<sup>15</sup> per person convicted.

#### Overall methodology assumes:

1] All squatters are evicted, arrested, prosecuted and convicted in the initial eviction wave. Though this may be seen as an overestimate, we have also assumed that no squatters are imprisoned. Each prisoner in the UK costs £38,000 per annum, a far larger per person figure than any of the aforementioned costs (Community Orders cost £1,324pp/pa – a comparative ratio of approx. 30:1). As a result the initial eviction figure of approx. £100m and continuing enforcement costs are relatively conservative.

2] A national squatter population of 35,000 is used, based on an average of the latest and most comprehensive estimates.<sup>16</sup>

#### 2.1 Scenario 1: Keep on Squatting

Smith's survey found that only 4% of those surveyed would "stop squatting" if the new laws were introduced. Accordingly, this model uses a figure of 96% squatting return rate [X] for the first year after the initial eviction – a number set to decrease substantially in following years (see "Transition Over Time" below).

In this methodology, we assume that squats will be evicted every 3 months in large-scale police operations [Z]; using Smith's figures applied as a per capita figure (Total), we assume that only 60% of squatters will be prosecuted and only 20% convicted of the offence of "squatting" (Adjusted). This adjusted per capita figure [Y] is applied to squatting population who carry in squatting. Note that no figures on imprisonment have been included.

Thus, the formula for costs of long-term eviction and prosecution of squatters =  $X*Y*(12/Z)$  per person per eviction.

Scenario 1: Keep squatting	per person costs (per eviction)		
Police Eviction costs	833	100%	833.04
Court Costs for prosecution	633	60%	380.02
Community Orders for squatters	1,324	20%	264.80
			1,478

<sup>14</sup> Smith, Clare; *A Cost-Benefit Analysis of the Proposed Introduction of an Intentional Trespass Law in Regards to Squatting*; July 2011 (1st Draft)

<sup>15</sup> Annual costs have been calculated assuming a discounted 12 month cost of £1,324 ((£1,545/14)\*12)

### 2.2] Scenario 2: Claim Housing Benefit

Using Clare Smith's high, low and "additional support" (for vulnerable ex-squatters) housing benefit figures, the average monthly housing benefit payment would amount to £149.80 per person.

**2.3a] Scenario 3: Rough sleeper (zero cost):** Assumes that rough sleepers do not cost anything to the State in the initial period. This would, however, increase the already considerable pressure on homeless charities and volunteer organisations. We project that many of these will enter rehabilitation [b].

**2.3b] Scenario 3: Rehabilitation:** The rough sleeper in this model enters into rehabilitation and rehousing; we assume that this process will take a year. Figures for the cost of this transition have been derived from three sources:

### Cost of Homelessness Figures:

per person	Source	Includes
£26,000	"Work it out - barriers to employment for homeless people", nef, 2009; <a href="http://www.bitc.org.uk/resources/publications/homelessness.html">http://www.bitc.org.uk/resources/publications/homelessness.html</a>	cost of benefits, hostel accommodation, and care of children
£24,350	"MEAM: a four-point manifesto for tackling multiple needs and exclusions", MEAM, 2009; <a href="http://www.meam.org.uk/wp-content/uploads/2009/09/MEAM-report.pdf">http://www.meam.org.uk/wp-content/uploads/2009/09/MEAM-report.pdf</a>	(broken down into hospital costs £150; drug treatment £3,000; medication £400; day centre services £1,800; and accommodation and support £19,000)
£24,500	"How Many, How Much"; new policy institute; 2003; <a href="http://www.crisis.org.uk/data/files/publications/HowManyHowMuch_full.pdf">http://www.crisis.org.uk/data/files/publications/HowManyHowMuch_full.pdf</a>	cost of a failed tenancy, temporary accommodation, outreach and advice services, health and criminal justice services, and resettlement
£24,950	Average (used in the SQUASH analysis)	

**2.3c] Scenario 3: Housing Benefit:** After a year in rehabilitation, it would be sensible to expect ex-squatters to start claiming housing benefit since they are unlikely to be employable in the traditional job market (figures in Scenario 2). We use the figure of £366 pp (the national average housing benefit as of March 2011).

## Transition Over Time

Using the average no. of squatters (35,000), we are modeling that the trend below will be followed:

	Year 1	Year 2	Year 3	Year 4	Year 5
S1	96%	70%	60%	50%	40%
S2	2%	15%	20%	25%	30.00%
S3	2%	15%	20.00%	25%	30.00%

S1: The deterrence effect forces squatters into Scenario 2 and 3

S2 and S3: We divide those who do not squat any longer 50:50 between the two scenarios as the two are just as likely, rough sleeping numbers being exacerbated by cuts to the housing benefits system.

Thus the **transition of population of squatters** is as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5		
S1	33,600	24,500	21,000	17,500	14,000		
S2	700	5,250	7,000	8,750	10,500		
S3:1	700	2,800	1,750	3,500	1,750		
S3:2		700	2,800	1,750	3,500	1,750	
S3:3			700	3,500	5,250	8,750	10,500

We have applied per person costs to the population in the 3 different scenarios in order to estimate costs to the taxpayer. These costs are summed in the year, and then across the years for a total 5-year figure. A discount rate of 4% is applied (this is the standard government discount rate) to the total costs and summed across the 5-years for a Discounted 5-year total of up to £1bn.

Depending on the estimated size of the squatting population, only 2% - 4% [Meth: 18] of empty properties are squatted. Even this may be an overestimation, considering that many squats are inhabited by more than two people. The CJA Bill consultation released the following figures regarding squatting in **England and Wales in 1994**:

- 1] 7,500 properties were occupied by 12,500 squatters
  - 2] 26% of the premises were privately owned, the remainder local authority and housing association owned.
  - 3] 52% of squatters were under-25, 40% between 26 and 40, and 8% over 40.
  - 4] 65% of squats were occupied by two adults, and the rest by single persons.
  - 5] In April 1990, there were 5,200 dwellings in England “unlawfully occupied”, with 90% in London, with Southwark, Lambeth and Hackney accounting for 65% of the national total.
- (Wilson, 1994, 3)

The Crisis report, *The Hidden Truth about Homelessness*, highlights the issue of “hidden homelessness” which is not counted in official statistics. It is estimated that 6.5% currently squat (20,150 people), while 39% (120,900) have squatted at some point in order to house themselves temporarily. A much greater number currently “sleep rough” (40%, or 124,000) and stay in hostels and night shelters (13%, or 40,300 each) [Meth: 19]. SQUASH do not believe that this “temporary accommodation” is a better or cheaper solution than squatting, or that a large portion of the hidden homeless should be criminalised.

## References

### 7.1 Methodologies:

[1]

Using Table 3: “Dwellings, exemptions and discounts by valuation band as at 13 September 2010 (Revised)” (from Department of Communities and Local Government: <http://www.communities.gov.uk/publications/corporate/statistics/counciltaxbase2010rev>), the total number of “second homes” entitled to a discount by band (A) are multiplied by the average of the tax band (average of bottom (B) and top values (C)), and summed (£20.995 million [a]). The range of discounts available – ie 10% (low (D)) and 50% (high (E)) are applied to this total figure (which equals £2 million and £10.5 million respectively), and an average of top and bottom is taken as a best-guess of discounts provided by local councils to “second home”-owners, using the limited information available.

**Formulae:**

- 1]  $A \times (B+C)/2$  = average taxable-value of property by tax band; all tax bands summed = [a]
- 2]  $(([a] \times D) + ([a] \times E))/2$  = average total discount given to “second home”-owners in 2010.

[2]

According to Home (2009, S106) 43,000ha of development land [a] was transferred from government to private ownership in the 1980's. When [a] is multiplied by the 1984 per ha price for development land (ibid, 2009) [b]; the same is done at 2009 prices (ibid, 2000) [c]. The difference between 2009 value of development land and the 1984 value represents the government subsidy.

**Formula:**

- 1]  $([a] \times [c]) - ([a] \times [b])$  = change in value of transferred development land between 1984 and 2009 (ie government subsidy)

[3]

Dixon (2009) references the Saville Land Database which estimates that there is 23,554 ha of development land [a], of which 7% is held by land banking companies [b]. By applying Home's (2009) 2009 price per ha of residential building land in England and Wales (£2.9 million per ha [c]), a figure for the value of development land held by land bankers is estimated.

**Formula:**

- 1]  $([a] \times [b]) \times [c]$  = value of development land owned by land-bankers.

[4]

Dixon (2009) estimates that 5% [a] of total urban area is composed of development land. Since the total area of United Kingdom is 24.361 million ha [b], of which 14.4% [c] is urban (Dixon, 2009), the total urban area is 3.5 million ha. Dixon's (2009) nation-wide average for “unknown ownership” in the United Kingdom for brownfield land is 18% [d] (equating to approximately 31,572 ha). In order to estimate the value of this land in “unknown ownership”, we apply the 2009 per ha price of residential building land (Home, 2009) ie £2.9 million per ha [e], which provides a value of £91,558,382,400.

**Formulae:**

- 1]  $[a] \times ([b] \times [c])$  = total area (ha) of urban development land in the UK [A]
- 2]  $[A] \times [d] \times [e]$  = total value of urban development land in “unknown ownership” (2009)

[5]

Using the Land Registry's House Price Index for July 2011, the “sales volumes by price range” [a] for England and Wales and London specifically is used to assess the transaction value of high-end property sales in the financial years 2009/10 and 2010/11. The sales volumes in the price ranges “£400,0001 - £500,000”, up to “more than 2 million” are used. In order to estimate the value of transactions, the average between the lower and higher value in the range (eg 400,001 [b] and £500,000 [c]) is used as the price-marker; the price-marker is multiplied by the sales volume for each

of the ranges, and summed, providing the total estimated value of high-value housing market sales in England and Wales, and London, in 2010/11. In order to calculate the change in property value between 2009/10 and 2010/11, we apply the average annual property price rises [d] for England and Wales, and London, in reverse in order to work out previous years' value. In order to work out the tax-evasion for this period, we applying the higher rate of Stamp Duty (4%) [e] and the higher Capital Gains Tax (28%) [f] to price rise between the 2009/10 and 2010/11 values; this shows a total estimated tax evasion for the period. However, this is an indicative figure and fails to take into account numerous factors such as actual values and actual tax brackets, assumes a 100% offshore involvement for high-value property, and does not take into account peculiarities in the tax code, etc.

**Formulae** (applied to both England and Wales, and London, separately):

- 1)  $[a] \times ([b] + [c])/2$  = value of property sold in 2010/11 by price-range; summing all price ranges gives the total value of high-end property sold in the period (A)
- 2)  $(A) \times (1-[d])$  = the value of the property in the previous period (2009/10) (B)
- 3)  $(A) \times [e]$  = Stamp Duty evaded (C)
- 4)  $((A) - (B)) \times [f]$  = Capital Gains evaded (D)
- 5)  $(C) + (D)$  = Total Tax Evasion in 2010/11 by high-value property-owners in the region specified

[6]

Home (2009) estimates that there are 2.6 million [a] privately rented homes in the UK. The "Property Owner's Survey 2009" - Deposits and Additional Fees section states that 78% of landlords required a deposit [b]. Assuming that the average rent in England and Wales is £800 per month [c] (which is the lower end of the spectrum, with the 2011 RRPI monthly rent average at £1,244 according to Rentright.co.uk); we assume that one month's rent is required as a deposit, which amounts to £1.6 billion held by landlords (or their agents) as deposits (A). The "Property Owner's Survey 2009" states that 67% of deposits were returned in full, 24% [d] returned in part (we assume to be 50% of the deposit [e] having no other guidance), and 9% not returned at all [f]. The estimated total value of deposits withheld in 2010 is £1,087,008,000(B), although the true figure is likely to be much higher since "dodgy landlords" are unlikely to have answered truthfully, or answered the survey at all.

**Formulae:**

- 1)  $[a] \times [b] \times [c]$  = Total value of deposits held by landlords, or their agents from privately-rented accommodation (A)
- 2)  $((A) \times [d] \times [e]) + ((A) \times [f])$  = total value of deposits withheld from tenants in 2010 (B).

[7]

The "Property Owner's Survey 2009" found that 41% [a] of those who charge deposits (78% [b] of the 2.6 million [c] privately rented homes in the UK (Home, 2009)), also charge fees, of which 62% are non-returnable administration fees [d]. Assuming an average fee of £100 per tenant [e](source: <http://www.hiddenfees.co.uk/house-rental-hidden-fees.html>) , it is estimated that £83,148,000 (A) may have been charged in 2010.

**Formula:**

- 1)  $[c] \times [b] \times [a] \times [d] \times [e]$  = value of non-returnable administration fees taken by landlords from tenants in 2009 (A)

[8]

Using the Empty Homes Agency database (EHA, 2010) for the numbers of empty residential properties and the Empty Property Survey (EPS, 2008) - Figure 2.1.4: "Number of bedrooms [empty properties have]", we are able to estimate the total number of people that could be housed in empty properties. The methodology applies the percentage of buildings by number of bedrooms [a] to the total vacant property figure [b], and assumes that a one-bedroom house will house one person [c], a two bedroom house will house two, etc. Thus we calculated that 1,910,102 people could be housed (B) in currently empty properties. This underestimates the number that could be housed because 1) only 98% of the total empty stock is used to calculate the figure; 2) a one bedroom house may house two or more people; 3) commercial premises are not included in the overall stock figure.

**Formulae ([b] and [c] are matrices):**

- 1)  $[a] \times [b]$  = number of bedrooms available for occupation in empty properties (A)
- 2)  $(A) \times [c]$  = total population that could be housed in empty properties (B)

[9]

Applying the Empty Homes Agency (2010) database of empty properties in 2010 [a] to the Empty Property Survey (2008) - Figure 2.1.7: “General Condition of property by approximate age of the property” [b], we are able to estimate the numbers of properties in the three types of condition.

**Formula** ([b] is a matrix):

1)  $[a] \times [b]$  = number of empty properties by general condition in 2010.

[10]

The Empty Homes Agency (2010) database of empty properties by region [a], is multiplied by the average house prices, by region, [b] given by the Land Registry's Housing Price Index, July 2011, in order to estimate the total market value of empty properties in 2010/11.

**Formula** ([a] and [b] are matrices):

1)  $[a] \times [b]$  = market value of empty properties in 2010/11

[11]

A Freedom of Information (FOI) request, provided through “What Do They Know” ([http://www.whatdotheyknow.com/request/elephant\\_and\\_castle\\_council\\_esta](http://www.whatdotheyknow.com/request/elephant_and_castle_council_esta)), provides a breakdown of security costs for a decant in Elephant and Castle, London (Charter Security, Safe Estates Security and Local Authority Wardens) for the period April 2008 to expected demolition in February 2011.

[12]

The average annual costs to local authorities for “live-in” guardians provided by Camelot in 2011 [a] has been estimated using FOI's to following boroughs: Barnet, Guilford, Bromley (all London) and Brighton and Hove; their annual spend to date has been adjusted to an annual figure and averaged (£13,185 pa). Average annual security costs [b] have been estimated from FOI requests to the following boroughs: City of London, RB Kensington and Chelsea and Shropshire County, all using Gallowglass Security (security company); costs to date have been annualised, and averaged (£36,784 pa). (FOI's have been sourced from: “What Do They Know”). These average annual costs have been applied to all 363 boroughs in England and Wales [c].

**Formulae:**

- 1) Annualised: (cost to date/ no. of months) x 12 months
- 2) Averaged: (Sum of Annual Cost to borough)/ no. of boroughs
- 3) “Live-in” guardian annual cost:  $[a] \times [c]$
- 4) Security company annual cost:  $[b] \times [c]$

[13]

Number of empty properties belonging to Local Authorities and “other public” [a] from EHA (2010) database, multiplied by the monthly costs for “live-in” guardian companies [b] (£100 per month per building – from FOI request: [www.walthamforest.gov.uk/wwcc-responses-october09.doc](http://www.walthamforest.gov.uk/wwcc-responses-october09.doc)) and security companies [c] (£13,500 per month per building – Safe Estates figure for Southwark: [http://www.whatdotheyknow.com/request/elephant\\_and\\_castle\\_council\\_esta](http://www.whatdotheyknow.com/request/elephant_and_castle_council_esta)). These figures are annualised and summed to provide total annual figures for “live-in” guardian and security costs for public bodies and their stock of empty properties. Security costs may be overestimated because security provision may not be applied to a single building, but rather a cluster of buildings; nonetheless, the figure is indicative of potential costs to taxpayers.

**Formulae:**

- 1)  $[a] \times [b] \times 12$  = annual cost to secure empty public buildings using “live-in” guardians
- 2)  $[a] \times [c] \times 12$  = annual cost to secure empty public buildings using security companies

[14]

Clare Smith (2011) estimates that her sample of squatters (50) save the local housing department £4,392 per month in housing benefit payments [a]; thus each squatter, on average, saves the LA £87.84 per month. This figure is applied to the low [b] and high [c] estimation of squatter populations.

### Formulae:

1)  $[a]/50$  = housing benefit savings per squatter (A)

2)  $[b]$  or  $[c] \times (A) \times 12$  = annualized housing benefit savings to local authorities by high and low estimates of squatting populations

[15]

Clare Smith (2011) makes some estimates for housing benefit needs of her sample of 50 squatters, depending on their circumstance (standard, supported housing, etc). She produces a low, high and supported housing figure; using an average, it is estimated that each squatter will cost the local housing department £149.80 per month; the low and high population figures are applied to this figure.

[16]

Clare Smith (2011) estimates the cost for the police of evicting and prosecuting all the squatters in her survey, which is used to calculate a per person figure: £833.04 for police eviction, £633.36 for magistrates costs. This is applied to the low and high squatter population estimates. Incarceration costs have not been included, but would certainly push costs higher.

[17]

Applying the 1994 (Wilson, 1994) statistics of 52% of squatters being under-25 to the low and high estimates of the squatting population, the number of young people facing homelessness is calculated.

[18]

In order to estimate the rate of occupancy by squatters in empty buildings, we use and the low[b] and high[c] estimates of the squatting population (20,000 and 50,000 respectively). The average building is occupied by 2 people [d] (65% [e]) and a single person [f] (35% [g]) according to Wilson (1994). Thus, it is calculated that between 12,121 and 30,303 vacant buildings are occupied by squatters. This is overestimated, as most squats are occupied by more than 2 people. As a percentage estimate, the Empty Homes Agency's (EHA) 2010 database of 737,491 empty residential properties [a] is used as a denominator.

### Formulae:

1)  $([d] \times [e]) + ([f] \times [g])$  = the average occupancy rate of a squatted building (A)

2) Low =  $[b]/(A)$  ; High =  $[c]/(A)$ : number of buildings occupied by squatters (B)

3)  $(B)/[a] \times 100$  = percentage of empty homes occupied by squatters

[19]

There are no hard numbers about the number of hidden homeless; however, the New Policy Institute estimated the scale of single homelessness at between 310,000 and 380,000 in 2003 [a]. Of those questioned by Crisis in its survey (Reeve and Batty, 2011), 62% were considered "hidden homeless" [b]. If we assume that the NPI (2003) figures are all "non-hidden" homeless (38% of all homelessness [c]), the scale of "hidden homeless" is around 505,789 people; a rounded figure of 500,000 (half a million) is used for simplicity. This "hidden homeless" population figure is applied to squatting figures from the Crisis Report, Table 4.1: "Where did you spend last night?" (current) [d], and Table 4.2: "Have you ever lived in any of the following housing situations?" (in the past or currently) [e] - (Reeve and Batty, 2011).

### Formulae:

1) If  $100\% - 62\% = 38\%$  [c] of homeless are "unhidden"; if  $[a]/x = 38\%$ , where x is the total homeless population, then  $x = [a]/38\%$ . Thus the hidden homeless are  $62\% \times x = 500,000$  (A)

2)  $(A) \times [d]$  = those hidden homeless who are currently squatting

3)  $(A) \times [e]$  = those hidden homeless who have squatted in the past

## 7.2 Bibliography and Datasets for Methodology

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## **8. ABOUT SQUASH**

**SQUASH (Squatters Action for Secure Homes)** is a campaigning organisation which, since the early 1990s, has worked to protect squatters and other vulnerably housed people. We are undertaking extensive research into the impacts of the proposed criminalisation of squatting. As part of this we are gathering the views and experiences of squatters and others who are at risk of being impacted. We campaign to raise awareness of these impacts and give voice to squatters and others experiencing insecure housing. SQUASH are in a unique position as one of the only organisations researching squatting in the UK from within the diverse world of squatting itself. It has been recognised as such from the beginning, with SQUASH research quoted extensively within the Home Office Research Paper 94/1 in 1994. Our broader aim is to provide resources for the achievement of secure housing for all.

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