

Briefing: Estimates Day Debate on Ministry of Housing, Communities and Local Government and Department for Work and Pensions

Summary:

At the heart of our national emergency in housing is a decades long failure to build enough homes, and particularly enough social homes. The impact of this failure is seen by Shelter every day in our services and in the harrowing statistics on housing that are increasingly all too familiar. The government, through both legislation and investment, can take steps to address this though and the spending of both MHCLG and DWP could be used to make a material impact on housing and homelessness in England.

To do this, the government must:

1. Ensure Local Housing Allowance rates are unfrozen and restored to at least the 30th percentile so that more homeless people can find a home they can afford in the private rented sector;
2. Ensure Social Housebuilding receives the levels of investment necessary to provide a secure, low-cost home to all who need one;
3. Introduce legislation to reform the 1961 Land Compensation Act – ensuring land comes into development at lower values so that genuinely affordable, high-quality homes can be built.

Context

In England, we face a national housing emergency, one driven by a long-term failure to build enough homes, particularly enough social and affordable homes. The ways in which this national housing emergency manifests itself are stark, They include:

- **277,000 people** in are homeless on any given night including **123,000 children**;
- **83,700 households are living in temporary accommodation**. The amount councils spend on TA for homeless households has increased by 71% in the last five years and cost more than £996 million in 2017/18;
- The average home in England in 2018 cost eight times more to buy than the average annual pay packet. The average share of income that young families spend on housing has trebled over the last 50 years;
- Home ownership is in decline and the English Housing Survey shows that 63.5% of households owned their own home in 2017/18, down from 68% a decade ago;
- Private renters on average spend 41% of their household income on rent. 31% say they struggle to pay their rent.
- 1 in 3 low-earning renters are having to borrow money to pay their rent. 800,000 people who are renting can't even afford to save just £10 a month.

Shelter also sees the human impact of the national housing emergency on a daily basis through our services around the country. Last year we helped tens of thousands of people improve their housing conditions, including halting the eviction of 12,000 households, helping more than 5,000 people secure somewhere new to live and supporting more than 36,000 households in securing a positive change in their housing situation.¹

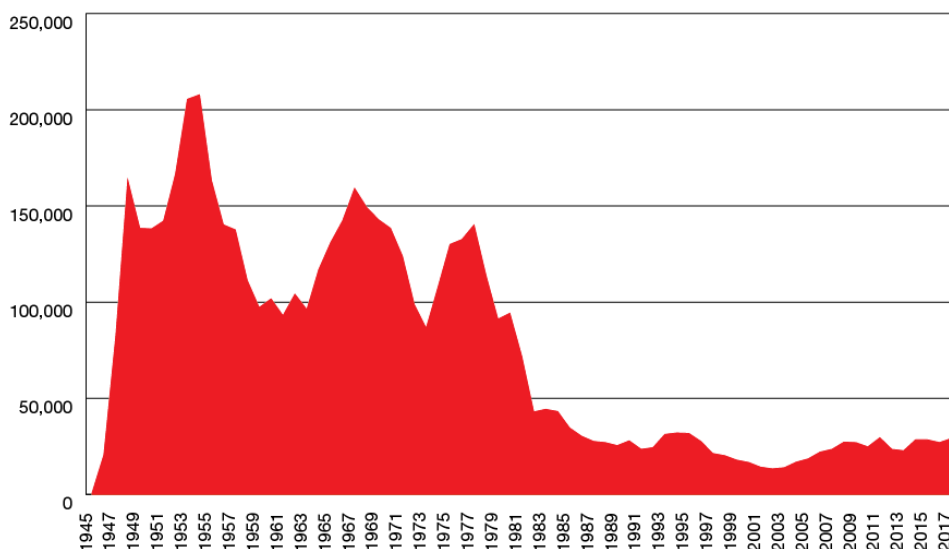
We know there is only one long-term solution to this emergency: **dramatically increasing the delivery of social rented housing**.

Yet, in recent years, the delivery of social housing in England has plummeted to historic lows. In 2017/18 just 6,463 new social homes were delivered² despite more than 1.1 million people being on local authority waiting lists.

¹ Shelter; [Impact Report](#), 2017/18

² Ministry of Housing, Communities and Local Government; [Live Tables on Affordable Housing, Table 1000](#), June 2019

New build annual social housebuilding completions since 1945



Investment in social housing is only one part of the solution to solving our national housing emergency. On top of this the government must also take immediate action to address the problem of Local Housing Allowance (LHA), which is now insufficient for enabling people to secure a place to live across England. In fact, Shelter research shows that in 97% of areas in England the amount available through LHA will not cover the cost of renting a 2-bedroom home at the 30th percentile (i.e. the cheapest third and the level government policy states LHA should be covering).

LHA is the way housing benefit, or the housing element of Universal Credit, is calculated for people who are privately renting. LHA rates have been subject to a range of cuts and changes since 2011. The failure of LHA to meet the cost of renting privately means that more and more families fall into homelessness while those that are housed in temporary or emergency accommodation find it more difficult to move out and into long-term accommodation. To address this the government must end the freeze on LHA rates, that has been in place since 2016, and also restore rates to the at least the bottom 30th percentile of local rents.

In the longer term, investment in social housing will make the housing benefit bill lower and more predictable. However, in the immediate term the lack of social housing, driven by the long-term undersupply, means the private sector will continue to play a crucial role in addressing and preventing homelessness, so that more investment in LHA is urgently needed.

Investing in Social Housing: The long-term solution

In 2018, Shelter brought together a group of 16 independent commissioners from across the two main parties and from diverse backgrounds, to ensure that a national conversation about the future of social housing took place. The commissioners spent a year listening to the views of social tenants, 31,000 members of the public and a range of housing experts. The commission recommend a decisive and generational shift in housing policy, providing millions of households an affordable and stable home. **They are calling on the government to invest in a major 20-year social housebuilding programme.**³

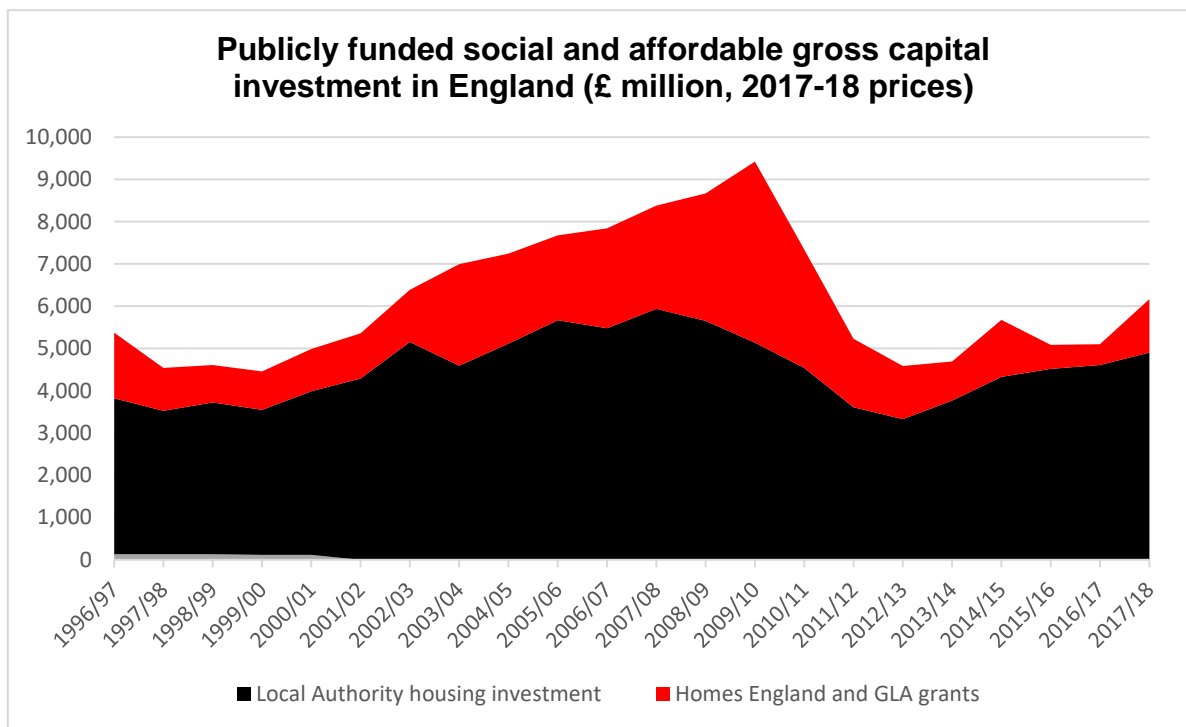
All political parties must rediscover publicly built housing as a key pillar of our national infrastructure. The commission report recommends that we build 3.1 million new social homes over the next 20 years; an average of around 150,000 a year.

Importantly, there is a precedent for such a figure: in the mid-1960s, we delivered 150,000 social homes a year. It's been done before, and it can be done again – if it is the major focus of government efforts. Building at such a scale would allow us to recapture the original purpose of social housing that is aspirational and provides opportunity to a wide range of people currently priced out of the private market – including young families and elderly renters, as well as those hit by homelessness.

³ See [Building for our Future](#)

Analysis from Capital Economics makes a compelling case for the economic benefits of such an investment, finding that most of the initial cost to government is recouped through savings to housing benefit and increased tax revenues.

This investment would also correct a long-term imbalance in the funding for social and affordable housing. For example, between 1996 and 2017, the value of land owned by households increased by 290% in real terms.⁴ At the same time, public investment in social and affordable housing increased by only 15%, from £5.4 bn in 1996/97 to £6.1 bn in 2017/18 (2017/18 prices).⁵



Even with recent cash injections into the Shared Ownership and Affordable Homes Programme the amount available remains comparatively low, and the amount available for the most affordable social rent homes is at historically low levels, just when they are needed the most. Research from Capital Economics for Shelter demonstrated that the average funding per unit of affordable housing since 2011 has stood at £26,000, however, recent analysis from the National Housing Federation suggests that average per unit funding to enable the delivery of enough social housing needs to be £183,000.⁶

Over the same period, Capital Economics calculated that the average funding per additional home delivered via the government’s Help-to-Buy programme could be as much as £380,000. And there is strong reason to believe that Help-to-Buy is delivering only a small number of additional homes into the market. The analysis undertaken by Capital Economics for Shelter suggests that just 73,000 newly-built homes were additional units, suggesting that more than half of the number of homes sold under Help-to-Buy would have been delivered and sold regardless of the scheme.

Investing in the welfare system: Essential immediate spending to reduce homelessness

LHA was initially set to cover the bottom half of the local market (50th percentile), but this was cut in 2011 to cover the bottom third (30th percentile). Between April 2012 and April 2016, the LHA rates were cut in real terms and the link between them and private rents was broken; they were subject to a one-year freeze, then raised by CPI (which does not include rents), then raised by just 1% for two years. In April 2016, the four-year benefit freeze was implemented, freezing LHA rates until April 2020.

⁴ Shelter analysis of ONS UK national balance sheet estimates: value of land owned by households, 2018

⁵ UK Housing Review 2019, Table 62b Housing Capital Investment in England – real terms

⁶ National Housing Federation; [Capital grant required to meet social housing need in England 2021 – 2031](#), June 2019



These cuts have meant that private rents have outpaced LHA rates, leaving the LHA rates too low for many. Those receiving the LHA can now face huge shortfalls between their rent and the amount they can receive to cover their rent. This can quickly put people at risk of accruing rent arrear debt, repossession and homelessness.

Shelter analysis of the LHA rate for 2019-20 shows that for a modest 2-bedroom home, there is now a shortfall between LHA rates and rents at the 30th percentile in 97% of broad market rental areas (BRMAs) in England. Our analysis also shows that in one in five areas of England (21%), a family with one or two children renting a two-bedroom home at the 30th percentile need **at least an extra £100pcm, on top of the full amount they can receive in LHA, to cover their rent.** These amounts are too large to budget around.

Around the country, the LHA rate is covering so little of the local market it is incredibly difficult to find suitable homes without a large shortfall. In one in three (32%) areas of England, the **rates don't even cover 10% of the market for a two-bedroom home.** The table below shows a selection of some of the highest shortfalls between the LHA rate and the local rents at the 30th percentile, excluding London.

Broad Market Rental Area in England	Difference between monthly rent at 30 th percentile and LHA rate for two-bedroom home	Broad Market Rental Area in England	Difference between monthly rent at 30 th percentile and LHA rate for two-bedroom home
Brighton and Hove	£112.71	Milton Keynes	£108.24
Bristol	£126.58	Northampton	£92.73
Cambridge	£156.74	Southern Greater Manchester	£76.25
Central Greater Manchester	£113.02	South West Essex	£131.62
Chilterns	£108.67	York	£88.04

These shortfalls can result in claimants having to make up their rent out of other subsistence benefits, cutting back on essentials or taking on further debt to prevent falling into arrears and facing the threat of repossession and homelessness. Shelter's survey of private renters' details some of the impossible trade-offs that renters in receipt of housing benefit are having to make. **One in three (31%) renters have cut back on food** for either themselves or their partner and **two in five (37%) have been forced to borrow money** to pay their rent in the last year.⁷

At Shelter, we see more and more people forced into homelessness after going into debt while claiming LHA. Homelessness acceptances by local authorities in England, due to the ending of an Assured Shorthold Tenancy, **has increased by 66% (more than doubled in London) since 2011/12** – when the changes to LHA were introduced.⁸ All available evidence points to LHA reforms as a major driver of the loss of private tenancies as an increasing cause of homelessness.⁹

Since 2014, the Government has made Targeted Affordability Funding (TAF) available as a top-up grant for the areas most impacted by the freeze. TAF is capped at 3% however, and therefore is not effective in overcoming the impact of the freeze. Additionally, TAF is not allocated or calculated based on how many areas are actually in need, just distributed to areas down a ranked order, until the money runs out. **Despite there being £85m available by way of TAF for the 2019/20 financial year, in 97% of areas the rates**

⁷ Base: 660 private renting GB adults aged 18+ who were currently in receipt of housing benefit Interviewed online 19th July – 23rd August 2017 by YouGov on behalf of Shelter.

⁸ Ministry for Housing Communities and Local Government (2019) [Acceptances and decisions live tables: January to March 2018 \(revised\)](#), London: MHCLG. Figures used for most recent financial year.

⁹ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B., Wood, J., [The homelessness monitor: England 2018](#), Crisis, Heriot-Watt University and University of New South Wales, 2018 - page xii, second bullet

available are still far below the 30th percentile for a two-bedroom home. TAF is not even close to plugging the gap.

Recommendations

In the long-term, it is clear that we need to deliver far more social rented homes in England than we have for decades. Only through doing this can we truly address the national housing emergency that we currently face and ensure that all families have access to safe, stable and affordable homes.

Investing in social housing is also the only way that we can reduce the housing benefit bill without negatively impacting the people and families who are reliant on support every day to ensure they keep a roof over their head. Failing to provide the investment that the historic failure to invest in social housing means we need will only lead to more families suffering and struggling as a result.

1. **End the freeze:** The LHA freeze must come to an end and the rates should be restored to at least the 30th percentile (i.e. cheapest third) of local rents. There needs to be a robust mechanism going forwards that keeps LHA rates to cover at least the 30th percentile of local rents in the future, regardless of fluctuations in private rents, so that low-income families have access to a home they can afford in their local area.
2. **Increase Social Housing Funding:** The available funding for social rented housing is far too low to enable delivery at the scale we need, and this is seen in the dramatic decline in delivery of recent years. At the next Spending Review the government must prioritise increasing this funding, responding to calls for investment from across the housing sector.
3. **Reform our broken land market:** The cost of land is already a major barrier to the delivery of social housing. Not only does it create a barrier to entry - with housing associations and councils alike listing access to land as the single biggest barrier to building more homes - it also means too much public money ends up in landowners' pockets.¹⁰

By reforming our broken land market at the same time as increasing grant funding the government can ensure that more of the available funding is directed to delivery and less to land trader profits. Work from Civitas has suggested that reform of the **1961 Land Compensation Act** to drive down land prices would slash 38% off the development costs of new social housing. This would reduce the cost of a new social rent home in outer London from £354,478 to £217,643.¹¹¹²

If you have any questions or would like more information, then please contact robin.white@shelter.org.uk.

¹⁰ Savills; *The Savills Housing Sector Survey 2019*, 2019; Shelter research with local authority planners, forthcoming 2019

¹¹ Daniel Bentley; [Reform of the land compensation code: How much could it save on the cost of a public-sector housebuilding programme?](#), 2018

¹² For more detail on Shelter's Land Reform proposals and the benefits it would bring see [Grounds for Change: The case for land reform in modern England](#).