Shelter submission
Budget 2021

The UK is in the midst of three interlinked crises. The health crisis caused by the pandemic has led to a resultant economic crisis which threatens the livelihoods of families across the country. These crises have been made far worse due to our country being in a long-standing housing crisis, which has made some homes across the country unaffordable and left hundreds of thousands facing homelessness.

The UK's housing emergency has been driven by a decades-long failure by successive governments to build enough homes affordable to households on low incomes - homes with social rents linked to local incomes. There has been such a chronic lack of social housing built that, with sales and demolitions, in 2018/19 we saw a net loss of 17,000 social homes.

The results of these failings are stark:

- 253,000 people are homeless and living in Temporary Accommodation in England; this is the highest figure for 14 years. This number has risen 115,000 in the last ten years but more worryingly it rose by 6,000 in the first three months of the pandemic alone.Home ownership is in decline. The English Housing Survey shows that 65% of households owned their own homes in 2019/20, a reduction from a peak of 71%.[i] The average market sale home in England costs nearly eight times more than the average annual household income. [ii]
- At the same time, private renters spend on average 38% of their household income on rent,[iii] more than any other tenure. 60% of private renters have no savings at all, making pulling together a deposit impossible, home ownership a distant dream, and making the government's homeownership schemes impossibly inaccessible for most renters.[iv]

The number one goal for this budget must be to **strengthen the UK's economic recovery from COVID-19 by prioritising jobs and skills.** By investing in social housing, the government can do this as well as solving the housing crisis. However, while the three crises continue and millions remain vulnerable in unaffordable, insecure homes, the storm must still be weathered. The welfare system must protect people to avoid a surge in homelessness due to rental debt.

Shelter's recommendations

Invest in social housing: to end the housing crisis and stimulate local economies, government should use its budget to increase capital investment in social housing, to significantly ramp up government grant investment as consumer demand for market homes to buy is hit by the recession. We have proposed investing £12.2 billion in affordable housing over the coming two years to deliver 173,100 affordable homes over and above existing government plans, all of them social rented, and house an extra 77,000 homeless people. This should provide the springboard to long-term investment in social rented housing of £12.8 billion a year to deliver the social rented homes we need to break the back of our housing emergency.

While more social housing is the answer to the housing crisis, changes are also needed to **secure the safety net so it can catch people in a crisis**. The government should use its budget to remove the benefit cap, provide emergency financial support to help renters pay off rent arrears built up during the pandemic, and ensure Local Housing Allowance (LHA) rates continue to cover, at the very least, the 30th percentile of local rents beyond the financial year 2021/22.

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1. The case for levelling up through investment in social housing

In June last year, research commissioned by Shelter from Savills illustrated the threat that a drop in consumer demand poses to housebuilding in this recession. They forecast it could lead to:

- As many as 300,000 new homes that we would have expected to be built being lost over the next five years
- A total of £29.6 billion lost from the UK economy
- As many as 116,000 jobs lost this year from the housebuilding industry and up to 128,000 more lost in the wider supply chain, damaging local economies and communities across the country.[v]

While, due to welcome government support for the economy, the effects of the recession have not been fully felt, experience from past recessions has been that collapsing consumer demand has led to thousands of jobs losses from the housebuilding industry and wider supply chain, and many SME builders' businesses failing, as well as directly contributing to the housing emergencies we see across the country. Once this capacity has been lost, it's taken years to get back to where it was before. It's always previously taken at least a decade for building to return to pre-downturn peaks, if at all.[vi]

Our housebuilding capacity is arguably also more vulnerable to a slump in consumer demand now than it has been in previous recessions. Every lever that could possibly be pulled to boost consumer demand is already pulled all the way out, with rock bottom interest rates and subsidised Help to Buy loans. Many affordable homes currently in the pipeline rely on the success of building the very market homes to sell that are threatened by slumping consumer demand, either through Section 106 obligations or the cross-subsidy model. They too could go unbuilt if consumer demand slumps.

Our proposal for countercyclical investment will help to counteract this drop in consumer demand in a way that helps local economies and communities across the country. The need to level up housing cuts across every region and through every area. The housing emergency isn't just a London and the South East problem, it is also deeply related to the broader levelling up agenda.

Across the country, our failure to invest in social housing has made itself felt in different ways in different places. Whether it's:

- big cities like Manchester with spiralling numbers of homeless households and rising private rents
- growing cities like Wolverhampton where increasing economic growth and private investment is set to increase housing pressures in future
- underinvestment in towns like Blackpool, where slum-like private renting can't offer decent or secure housing
- rural areas like the area around Harrogate where local people are priced out by holiday lets[vii]

These local housing crises are not only affecting people's quality of life but also holding back the growth of the local economies where they occur. Reversing years of underinvestment can begin to unpick each local effect, by providing decent and secure social rent housing where it's needed for those who need it. Housing investment is essential to make infrastructure investment and private investment work. And as both increase across the Northern Powerhouse and Midlands Engine, investment in social housing is needed alongside it so the deep affordability problems experienced in London and the South East aren't replicated elsewhere.

2. The case for building back better through investment in social housing and securing the welfare safety net

Shelter's driving motivation for calling for investment in social housing is because it is widely recognised as the best, most cost-effective way that we can tackle homelessness and solve the housing emergencies across the country. However, the chronic lack of social housing and the resulting pressure on the private market means that low-income households are slipping through the growing cracks in social and market provision.

Recognising that the welfare safety net was ill-equipped to cope, the government responded to the threat of COVID-19 in March 2020, with a bold package of measures to protect families against the economic fallout of the pandemic. **The realignment of LHA rates to the 30th percentile of market rents, the £20 a week uplift to Universal Credit and the introduction of the Job Retention Scheme have all been vital lifelines for families struggling to stay afloat throughout this crisis.**

The provisions that were made to protect street homeless people during the pandemic were also deeply welcome. This showed what is possible with investment, and so we also recommend ensuring local authorities, charities and community organisations are adequately resourced to help prevent and reduce homelessness if the government is to achieve its goal of ending rough sleeping for good.

The £20 uplift to Universal Credit is currently is due to end in April. If no action is taken to extend this, then an estimated 16 million people are set to lose £1040 from their annual budget overnight.[1] This will tip an additional 700,000 more people into poverty and an estimated half a million more into deep poverty (defined by JRF as more than 50% below the poverty line). For those who are already struggling to stay afloat, even with the uplift, removing it will create severe hardship. **The uplift to Universal Credit should be made permanent.**

However, the benefit cap has prevented tens of thousands of families from accessing these lifelines, as well as homeless households accessing affordable homes, and many more families are set to lose out in the coming months. The current benefit cap limits the maximum amount that an out-of-work household can receive, regardless of its size, to £20,000 a year outside of London and £23,000 inside the capital (a total that is less for single people). That's well below the cost of living.

170,000 households are currently not benefiting from the government's emergency COVID measures[2]. **That is an increase of 116%[3]** since February and the start of the pandemic. **Government should remove the benefit cap, which is sending hundreds of thousands into destitution (see Appendix). We estimate the cost of removing the benefit cap would be £504 million a year.[viii]**

Many more households could be benefit capped in the first few months of this year. For those who had their Universal Credit claim accepted at the start of the pandemic, many will have been exempt from the benefit cap. This is because there is a nine month exemption period, called the grace period, for those who have worked consistently before claiming Universal Credit.

For these households, if they have not found new permanent work, these nine months will be ending in the coming months, and they could see their income cut. Up to 183,800 Universal Credit households

[1] https://www.jrf.org.uk/blog/autumn-budget-keep-doing-right-thing-and-keep-lifeline
[2] Shelter, December 2020, 'New benefit cap statistics show numbers rising' https://england.shelter.org.uk/__data/assets/pdf_file/0005/2035364/Final_Infographic.pdf
[3] Ibid.

currently have a grace period due to end in January, February or March[4]. The average loss to those benefit capped is currently £57 per week. The same as an average weekly food shop.[5]

While the welfare safety net remains critical to support people who cannot afford stable housing, now is the time to tackle the root cause of our housing crisis and build back better. Homeless households are at the sharpest edge of our housing emergency, and many more low-income households are living in often poor conditions in expensive and insecure private rented housing. A combination of lost earnings and high private rents have pushed more than 300,000 into arrears since the pandemic began[ix] and, consequently, more than a fifth of private renters now fear being asked to leave their home in the next six months[x]. Alongside landlords, letting agents and charities, we are calling for **£270m emergency grants and loans to help people pay off these arrears**.[xi] But the fact that so many are in trouble so soon shows the urgent need to tackle the high rents and insecurity that put private renters in such a precarious situation.

As we rebuild from this crisis, our recommendations on investing in social housing and the welfare safety net will ensure we:

- Tackle affordability pressures for low-income households at source, producing savings for local and central government over the long-term.
- Strengthen the UK's economic recovery from COVID-19 through housing development activity and by underpinning local labour markets. Keeping low income families safe in their homes through an adequate safety net will also aid local economies.
- Reduce and prevent homelessness and underpin the government's plan to end rough sleeping by the end of the parliament in 2024, delivering a step change in security and stability for many households.
- Allow government to achieve its target of 300,000 net additional homes by the mid-2020s.

The solution to the housing emergency has always been to build our way out of it, with more decent social rented homes that people on low incomes can afford. Now, in the recession, investing in new social rented housing also holds the key to saving our housebuilding capacity and the contribution it makes to the economy. With a major package of investment, we can boost the economy, boost jobs and end the homelessness emergency once and for all.

[4] Not all these households will be benefit capped as some will find enough work before their grace period ends or their circumstances may change in a different way which will mean they are no longer subject to the benefit cap or they may not receive enough benefits to be capped. This is the maximum numbers of households who may be subject to the cap if no circumstances change before the grace period is due to end and they receive enough in benefits to be capped.
[5] Shelter, December 2020, 'New benefit cap statistics show numbers rising' https://england.shelter.org.uk/__data/assets/pdf_file/0005/2035364/Final_Infographic.pdf

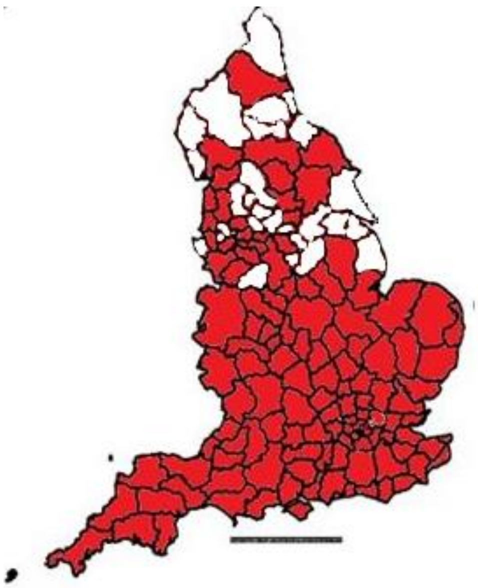
3. Appendix

Detail behind the case for suspending the Benefit Cap

The number of households that had their benefits capped increased by 116% between February and August this year. This means that 170,000 households are currently not benefiting fully from the government's emergency COVID measures.[xii] This huge increase also demonstrates that the grace period is not working. Usually to qualify for the grace period, you would have had to be in continuous employment for 50 out of the previous 52 weeks if on legacy benefits or have earned equal to or over £604 for the 12 months before your income dropped if on Universal Credit. If this is the case, you will be exempt from the benefit cap for nine months. However, this threshold is high and the exponential growth of households hitting the cap since February shows that the grace period is not working fairly.

The benefit cap is so far out of step with market rents and living costs, that capped families would struggle to find a home that they can afford to rent long term – putting them at particular risk of rent arrears, eviction and homelessness. Unless exempt, a couple with two children renting privately will be benefit capped in 82% of the country (based on BRMAs - Broad Market Rental Areas), and families with three or more children will be capped in every single BRMA[xiii].

Map One: Areas in England where a couple with two children would be impacted by benefit cap (if not exempt)



The benefit cap means that many families are left with a dangerously low income. To put the benefit cap into context, Shelter compared household incomes with the costs of basic goods (cheaper private rented accommodation (within LHA rates), household bills and enough food to live on)[xiv]**.** Even with conservative assumptions about a family would need, we found that a lone-parent family of three children would be unable to cover these essential costs in a third of the country. A couple with three children would be unable to afford essentials in four in ten (43%) areas of the country. It would be almost impossible for these families to avoid falling into rent arrears.

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[i] English Housing Survey Headline report 2019/20
[ii] ONS House price to residence-based earnings ratio
[iii] English Housing Survey Housing Costs and Affordability 2019/20
[iv] English Housing Survey Housing Costs and Affordability 2019/2020
[v] 80,000 new homes lost
[vi] See Live Table 244, MHCLG
[vii] Upcoming Shelter report on levelling up – please contact for details

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[viii] Calculated cost is £503,880,000. This is calculated from the total number of households affected in GB: (170,000), multiplied by the average weekly loss: (£57 a week), multiplied by 52 to bring it up to a year. It assumes that the total number of capped households will remain level for the next 12 months.
Source: DWP, Benefit cap: number of households capped to August 2020, https://www.gov.uk/government/publications/benefit-cap-number-of-households-capped-to-august-2020/benefit-cap-number-of-households-capped-to-august-2020

[ix] The calculation that least 322,000 private renters have fallen into rent arrears since the start of the pandemic is an estimate of how many renters are in arrears now but weren't in March 2020 – see table below. This is based on a YouGov survey of 3,698 England 18+ including 598 private renters in England, online, weighted to England adults, fieldwork 17 August to 19 August 2020.

[x] YouGov survey, online, 18+. England sample size was 5,177, 215 of whom were renting privately, and results weighted to be representative of England's population. Fieldwork dates were 4th - 7th September 2020.

[xi] Shelter, 'Renters at Risk, getting through the coronavirus crisis' 2020 https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/report_renters_at_risk,_getting_through_the_coronavirus_crisis

[xii] DWP, Benefit Cap Statistics May 2020, https://www.gov.uk/government/publications/benefit-cap-number-of-households-capped-to-may-2020/benefit-cap-number-of-households-capped-to-may-2020

[xiii] Shelter, 'Renters at Risk, getting through the coronavirus crisis' 2020 https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/report_renters_at_risk,_getting_through_the_coronavirus_crisis

[xiv] Shelter, 'Renters at Risk, getting through the coronavirus crisis' 2020 https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/report_renters_at_risk,_getting_through_the_coronavirus_crisis