SHELTER

Shelter submission: Spending Review 2021

As we emerge from the COVID-19 pandemic, the government has a vital opportunity to build a stronger, healthier and more resilient society. One that ensures people can get a good foundation in life, and we can bounce back from the pandemic. To this end, tackling the housing emergency must be at the top of the government's agenda.

Despite welcome efforts to support rough sleepers and renters last year, tens of thousands lost their homes and thousands are now living on the streets. The housing emergency has been driven by a decades-long failure by successive governments to build enough homes that are affordable for 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.[1]

To tackle the housing emergency and lift millions out of bad housing and homelessness, the government must use this Spending Review to:

1. Invest £12.8 billion a year over the next ten years to deliver the social rented homes we need to break the back of our housing emergency.
2. Announce the next 10 years of the Affordable Homes Programme (AHP) now, rather than waiting until 2025/6 to announce the next tranche of funding. This will provide long-term certainty to local authorities and housing associations, allowing them to deliver far more homes at a faster pace. The government must also significantly increase the proportion of the AHP which is spent on genuinely affordable social rented housing.
3. Pilot a programme of Net Zero social housing to help deploy and reduce the cost of technology needed to meet the Future Home Standard and deliver on our commitment to Net Zero. This should be funded in addition to the AHP and co-owned by BEIS and MHCLG to reduce to cost of the Net Zero transition in a socially equitable way.
4. Give renters security in their homes, by immediately introducing a COVID arrears fund of £360 million[2]. This will help clear the arrears of renters who have fallen into debt as a direct result of the COVID-19 pandemic, regardless of whether they're claiming benefits or not. In addition, the welfare safety net must be strengthened going forward to ensure low-income households can continue to afford rising rents. : Local Housing Allowance must be unfrozen and kept in line with at least the 30th percentile of rents, the planned £20 per week cut to Universal Credit must be reversed, and the benefit cap must be removed.

[1] The net loss of social homes in the last year is calculated by comparing the 2018/19 number of social rent homes completed (6,287) with the 2018/19 number of social homes lost through sales (19,389) and demolitions (4,351). It is assumed that social housing sales and demolitions were previously let at social rent. This results in a net loss of 17,453 social homes.

[2] Calculated from Citizens Advice estimate of private renters in arrears and the average amount of those arrears

Investment in social housing

- A recent Shelter report showed that shockingly, 17.5 million adults in Britain, or 1 in 3, are now impacted by the housing emergency. When children are factored into the results, the number affected rises to 22 million. For a third of us, our homes are unsuitable or unaffordable.
- At the same time thousands are sleeping rough, over 260,000 people are living in insecure temporary accommodation and over 1 million people are on council housing waiting lists for a social home. Providing more grant funding for social rented housing is widely recognised as the best, most cost-effective way to tackle homelessness and solve the housing emergency.
- On top of this, a move to longer-term funding through the Affordable Homes Programme (AHP) would have a transformative effect on housing associations' development capacity. The lack of predictability means housing associations are more cautious when it comes to building their development pipelines, limiting the number of social homes they can deliver. It has affected their land purchasing behaviours, the nature of sites they have taken forward and their ability to collaborate with others. This can result in pronounced peaks and troughs in delivery, with completions skewed towards the end of each programme, which has had knock-on consequences for development costs, build-quality and the productivity of the housebuilding industry.[3]
- A ten-year Affordable Homes Programme would enable housing associations to:
    - Confidently purchase more sites which do not yet have planning permission and use the savings in land costs to build more social housing;
    - Take on larger and more complex sites, increasing the proportion of social homes delivered and the pace of delivery;
    - Invest in their in-house development teams;
    - Strengthen existing relationships, for example by developing joint ventures, and forge new ones with building contractors, local authorities and private developers with benefits for the pace and scale of housebuilding.[4]
- **The government should invest in £12.8 billion a year over the next ten years in social rented housing delivery, and announce all ten years of funding now. Going forward, the government should double the duration of Affordable Homes Programmes, to give housing associations greater certainty and to secure more affordable homes as a result.**

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[3] The delivery of affordable housing is normally lower in the first years of any new programme. The peak in 2014-15 is explained by the end of the 2011-15 affordable homes programme and the increase in the number of completions since 2015-16 reflects the transition to the 2016-21 affordable homes programme. See: MHCLG Statistical Release, *Affordable Housing Supply* (April 2019-March 2020).
[4] Milcheva, S., *Double or Quits: The influence of longer-term grant funding on affordable housing supply*, The Bartlett School of Construction and Project Management, UCL, September 2020.

- The government must also use this spending round to make social rent the priority tenure within the AHP. Only 29,600 of the 119,000 new homes announced so far are for social rent, and 57,000 will be for ownership. The government has committed to building 32,000 social homes across the whole AHP period. Given demolitions and sales, the yearly net loss of social housing will continue.[5]
- This means that 76% of the homes provided through the new 'Affordable' Homes Programme will be homes that cannot be reasonably described as affordable.
- Rents for 'Affordable rent' homes are set by the market not by what people can afford. And evidence shows 'affordable homes' for ownership are not affordable for most. The average house price for a first-time buyer in England is £237,000.[6] Even just a 5% deposit on a home of this value would be £11,850 and the mortgage would typically require a household income of £56,300.[7] People earning well above the national average should not receive half of the public spend on 'affordable' housing.
- First Homes, which give first-time buyers a 30% discount on the market price, are unaffordable to the average earner in most of the country. Our analysis (below graph) shows that across the whole of England, only the richest 28% of private renting households earn enough money to be able to access a First Home. The vast majority of private renters – 3.3 million households – will miss out.[8]

	First Home Est (£)	April 2019 house prices (£)	% able to afford FH	% missing out on FH	No. Households missing out
England	171,590	245,128	29	71	3,258,884
North East	91,622	130,888	54	46	93,006
North West	113,324	161,891	39	61	348,341
Yorkshire & H'ber	113,010	161,443	39	61	260,380
East Midlands	134,877	192,682	45	55	197,404
West Midlands	136,849	195,498	34	66	267,151
East	202,598	289,426	18	82	358,160
London	330,053	471,504	15	85	819,609
South East	223,109	318,727	21	79	563,982
South West	177,387	253,410	26	74	350,850

Source; EHS 2017/18, HMLR house prices by region, ONS wage growth for 2017 and 2018

- **The government must significantly increase the proportion of the AHP which is spent on genuinely affordable, good quality social rent housing.**

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[5] Rich, H., *New data makes the case for a new generation of social homes*, Shelter, January 2020
[6] UK House Price Index June 2021 – First-Time Buyer data download.
[7] Based on a mortgage equating to 4 times household income.
[8] Bhakta, T., First Homes: the new government policy which could make the housing emergency worse, Shelter blog, March 2020.

A net zero social housing catapult fund

- We already see the impact of unmitigated climate change on those in poor housing or who are homeless. Whether it is rough sleepers facing flash floods or for those in inadequate housing finding it hard to stay cool in summer and warm in Winter, as our weather becomes more extreme people hit hard by the housing emergency are also hit hard by the climate emergency.
- UK homes account for 14% of total UK emissions.[9] Yet the cost of retrofitting existing homes is estimated at over £20,000 a property on average, three times higher[10] than doing so in a new build and a cost that is as financially impossible as it is unfair for those already hit by extortionate and rising housing costs.
- However, a new era of climate resilient and carbon negative housing offered at a social rent could be piloted to reduce costs and show how a Net Zero transition could help the most vulnerable reduce bills and produce better places to live. While existing funds for social housing retrofit are essential and must be spent effectively, utilising new technology at scale in new social rent properties would prepare the country and corresponding supply chains for the Future Homes Standard and it would help bring down the costs of this technology through deployment, helping us achieve our social as well as environmental goals. Cost reductions through deployment of heat pumps have occurred in France (394k heat pumps deployed in 2020), Italy (233k) and Germany (140k)[11] and an England-based pilot should be done at a similar scale. As happened with cost reduction of solar and wind technology, this deployment would serve a Net Zero housing catapult, similar to the Energy Systems Catapult that was used to mainstream renewable electricity technology.
- This would grow the market for essential new technologies, raise the installation skills base and reduce the costs for deploying Net Zero technology across all existing and new housing, including for retrofit, by using the ability for new build social housing to deliver on a broad scale across the country.
- A grant offer from government would allow private finance, councils and Housing Associations to make projects viable with their own investment so the cost would not be entirely on government spending.
- Given the dual goal of proving quality social homes and ensuring the new supply chains we need for net zero housing, funding would need to be additional to the Affordable Homes Programme and responsibility sit across both BEIS and MHCLG with delivery by Homes England.
- **The government should commit to and fund a pilot of 10,000 additional Net Zero social homes across the country, in addition to the AHP, at a scale to serve as a tech catapult to reduce the cost of wider deployment.**

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[9] Committee on Climate Change. *UK housing: fit for the future?* CCC. February 2019
[10] Currie&Brown, *The costs and benefits of tighter standards for new buildings*. February 2019
[11] The European Heat Pump Market and Statistics Report 2020

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Strengthening the welfare safety net

- In March 2020, the government released a bold package of measures to protect families against the economic fallout of the pandemic. The realignment of Local Housing Allowance (LHA) rates to the 30th percentile of market rents, the £20 a week uplift to Universal Credit (UC) and the Job Retention Scheme have all been vital lifelines for families struggling to stay afloat throughout the crisis.
- However, the government has since frozen LHA rates at March 2020 levels. With rents rising, shortfalls have opened up between the LHA levels and market rents. LHA now fails to cover the cost of a modest 2-bedroom home in 58% of England.[12]
- On top of that, more and more private renters have had to turn to LHA to stay afloat throughout the course of the pandemic – and as of August 2021, 36% of private renters in England now rely on LHA (through housing benefit or the housing element of UC) to pay their rent. With less than a third of the market covered by LHA, many private renters have no choice but to rent homes above the LHA rates, which risks debt, poverty and for some, homelessness.
- **The government must unfreeze and keep LHA rates in line with at least the 30th percentile and conduct an urgent review of LHA rates**, to ensure they are adequate to keep families on low incomes in their homes.

- Latest research suggests nearly half a million private renters are now in rent arrears as a result of the pandemic[13]. **The government must make a dedicated COVID-arrears fund of £360 million available to prevent homelessness**[14]. This funding must be introduced immediately to ensure those at imminent risk of eviction and homelessness can access it straight away.
- Universal Credit is due to be cut by £20 per week at the end of September. If no action is taken to cancel this cut, half a million people will be plunged into poverty, including 200,000 children[15]. This will be the biggest overnight cut to the basic rate of social security since the Second World War, affecting 5.5 million families. **The government must cancel the proposed cut to Universal Credit.**
- The benefit cap has prevented tens of thousands of families from accessing both the £20 uplift to UC and the restored rate of LHA.[16] 200,000 households are currently hit by the benefit cap– an increase of 157% compared to pre-pandemic levels.[17] **The benefit cap is directly driving destitution and homelessness, and the government must abolish the benefit cap to ensure every family can stay afloat during the pandemic and beyond.**

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[12] Universal Credit Alert Briefing, Shelter, May 2021.
[13] Joseph Rowntree Foundation press release, May 2021.
[14] Calculated from Citizens Advice estimate of private renters in arrears and the average amount of those arrears, see Preventing a Covid rent arrears crisis: financial support package for renters, StepChange, NRLA, Shelter, Generation Rent, Money Advice Trust and Propertymark, May 2021.
[15] Keep the lifeline - Open letter to the Prime Minister, Joseph Rowntree Foundation, September 2021.
[16] The current cap limits the maximum amount that a household earning less than £617 a month or working below a certain number of hours can receive in benefits, 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).
[17] Benefit Cap Alert Briefing, Shelter, June 2021.