

Shelter Briefing: Budget Debate 2020

Shelter is the UK's largest housing and homelessness charity. Last year we gave information, support and advice to millions of people experiencing bad housing and homelessness.

For generations, social housing played a vital role in meeting the housing needs of ordinary people, giving millions the quality and dignity of life that insecure and unaffordable private renting could not. A steep decline in social housebuilding has contributed to an increase in homelessness and a huge increase in private renting as more and more cannot afford to buy a home. Councils are spending over a billion pounds a year on temporary accommodation to house homeless households.

This year's budget took some important first steps on the road to tackling this emergency. With more money announced to support rough sleepers, a commitment to the Affordable Homes Programme and lowering of borrowing rates for councils to build social homes.

However, we are far from job done and there is still much to do. This includes:

1. Using the Spending Review to build on this foundation and provide clarity over how much of the next Affordable Homes Programme will be earmarked for the provision of truly affordable social rent housing.
2. Committing to ensuring Local Housing Allowance (LHA) payments actually cover the costs of private rents by re-aligning LHA rates with at least the 30th percentile of local rents from financial year 2020-21.

Snapshot: the national housing emergency

In England, we face a national housing emergency, one driven by a long-term failure to build enough homes, and particularly enough social and affordable homes, and compounded by a housing benefit system that all too often fails to enable people to pay rent. The results of this are stark:

- There are just over 280,000 people recorded as homeless in England on any given night, which includes over 236,000 people living in temporary accommodation of whom more than 127,000 are children
- Home ownership is in decline – the English Housing Survey shows that 64% of households owned their own homes in 2018/19, down from 68% a decade ago. At the same time the average home in England now costs eight times more than average annual incomes.
- Private renters spend on average 40% of their household income on rent, with these high costs meaning more and more will never be able to save enough to buy a home of their own – almost two thirds (63%) of private renters have no savings at all.
- For private renters on lower incomes and claiming LHA, this can be even more pronounced. In 97% of areas in England, the LHA rates do not cover the cost of renting leading to large shortfalls to make up just to keep a roof over their head. For those on no and low-incomes, these shortfalls are on average £113 per month.
- At the most visible end of the housing emergency we have 4,266 people who sleep rough on our streets any given night of the year, a decrease of 9% from the previous year but an increase of 141% since 2010.
- Social housing can more effectively address the affordability problems that lead to homelessness and needs to be at the heart of our plan to end the emergency. However, in 2018/19 just 6,287 new social rent homes were delivered in England - despite 1.15 million households being on housing waiting lists. In the same year we lost almost 24,000 social rent homes through sales and demolitions. This means that overall, we have at least 17,000 fewer social rent homes than

last year – and this is even before we account for social rent homes converted to less affordable forms of renting.

In this parliament there is an opportunity to turn this around and begin the job of tackling the national housing emergency we face.

Budget 2020: Key measures for the national housing emergency

Through the 2020 Budget the Chancellor of the Exchequer made a number of announcements relevant to tackling the national housing emergency. These included:

- **A new generation of the Affordable Homes Programme (AHP):** The Chancellor has confirmed that once the existing AHP comes to a close next year a new multi-year settlement will be made available. This next iteration will increase the overall funding pot, moving from £9 billion in the current programme to £12.2 billion in the next.

This is welcome as the AHP is vital to enabling the delivery of social housing and other types of housing in England. The government has committed to delivering some social rent housing through the new AHP, which are the types of homes that we most need and for which unmet need is greatest. However, it remains unclear exactly how much of this new settlement will be made available for social rent homes.

- **A £400 million brownfield first fund:** Making use of previously developed land to deliver the next generation of homes that people need is sensible. However, we should be realistic about what this means both in terms of development viability and cost to the public purse, and also about the limitations of brownfield for meeting housing need in local markets across the country.

Brownfield land can bring with it many complications and difficulties in terms of site remediation and difficulty of construction. So it is positive to see government continuing to invest in supporting councils to cover the costs of brownfield remediation.

However brownfield land – due to quantity and location – will never come close to meeting housing need on its own. Greenfield development and some sensible green belt release will also be needed, particularly in the areas of the country where the housing crisis is biting hardest.

- **A 1% lowering of the interest rates for councils when borrowing for social housebuilding:** Borrowing from the Public Works Loan Board (PWL) is a vital tool for enabling councils to meet their housing need. However, in 2019, councils were hit with an unexpected 1% increase on borrowing rates from the PWL. Something that threw many development plans into disarray as the finances no longer stacked up.

The decision to reverse this rate increase is very welcome. And, in addition, the decision to reverse it specifically to enable councils to borrow to build social housing is a major signal from government that they support councils to be delivering this most vital tenure.

However, social homes cannot be built upon borrowing alone and a robust system of grant financing via the AHP that also prioritises social rent will also be needed.

- **A total of £643 million over four years to support rough sleepers:** The government is committed to ending rough sleeping by the end of this parliament. In addition to the £236m of capital funding for 6,000 'Housing First' style accommodation units (announced by the Prime Minister in February), the government has now allocated an additional £144 million support package to help people sustain these tenancies. The remaining £262 million is for substance

misuse treatment services which will eventually enable 11,000 people a year to move off the streets and maintain a tenancy. It is welcome that the government sees the provision of new homes as a vital factor in tackling homelessness, but these homes must be affordable and suitable.

We should not underestimate the scale of this challenge though. Although rough sleeping fell 9% in the last year it is up 141% since 2010. On top of this rough sleeping is only the tip of the iceberg when it comes to homelessness. Overall 280,000 people in England are currently recorded as homeless, the vast majority of them families with children stuck in temporary accommodation. This figure doesn't include people who are sofa surfing, who are not captured in official statistics.

- **Exempting certain groups from the shared accommodation rate:** Young people who are care leavers, have experience of homelessness, domestic abuse or trafficking will now be eligible for the one-bedroom LHA rate instead of the rate for a room in a shared house. This will provide more financial assistance for young people who struggle to find suitable shared accommodation or for whom it wouldn't be appropriate.

However, without lifting the LHA rates back up to at least the 30th percentile, the one-bedroom rate (which some young people will now be entitled to) still falls short of covering the cost of renting a one bedroom home. For example, in North West Kent, York, and Central Greater Manchester, there is still a gap of over £100 between the one-bedroom LHA rate and the cost of renting a home in the bottom third of the market. Overcrowding rates are twice as high among LHA claimants than the wider private sector and their levels of overcrowding have increased significantly since the rates were first cut in 2011. With such large shortfalls for those renting a one-bedroom home, young people may still be forced to share.

Budget 2020: What was missing

Solving the housing emergency is a major undertaking which must be tackled urgently. While the budget was a step forwards there is still a long way to go until it is job done and the Chancellor could have gone significantly further on both building the social homes we need and on ensuring we have a robust safety net that helps prevent homelessness.

- **Supporting social housing:** As we've highlighted already, the confirmation provided around the next Affordable Homes Programme is very welcome. However, we still need to see more clarity on the split between how much will be spent delivering genuinely affordable social housing and how much will go on other, often unaffordable, housing.

There is no solution to our housing emergency that doesn't include far more social housing at its heart. In that context we still need more commitment on this from the Chancellor.

We urgently need clarity around funding, specifically for social homes and also wider measures that tackle the high price of land and the need for local areas to plan the social housing they need, both of which continue to hold back the delivery of social housing.

- **A robust welfare safety net:** Building the homes we need to end the housing emergency cannot happen overnight. Investment is urgently needed now, but in the meantime, we must ensure that support exists to help people keep or find an affordable home. Unless we do this, the reality is that homelessness will continue, and the state will continue to fund wildly expensive temporary accommodation, charged at nightly rates by unregulated private providers.

With this in mind it was hugely disappointing that the budget made no mention of addressing the inadequacies of Local Housing Allowance (LHA), which is the main tool to prevent homelessness.

Nearly 1.4 million households now have to claim LHA, the housing benefit for private renters, to help meet some or all of their housing costs¹. The LHA rates are designed to cover the 30th percentile (cheapest third) of each local rental market. The impact of the cuts and a four-year freeze mean they now do not cover even the cheapest third of rents in 97% of areas in England. In a third of areas in England (32%), they do not even cover the cheapest 10% of the rental market for a two-bedroom property. This makes it almost impossible to find an affordable home.

In January, the government announced that from April 2020, LHA will be unfrozen and raised in line with the Consumer Price Index (1.7%). While this increase is welcome, it will not come close to covering the vast shortfalls people face, putting them at risk of homelessness. The budget was a missed opportunity to prevent homelessness by realigning LHA rates with the 30th percentile, thereby allowing people to self-serve in the market rather than falling onto the state to be housed.

Making this the parliament that ends the housing emergency

The emergency we face in housing today does not have to continue. This government and this parliament can – and must – take the steps that will turn the tide and ensure everybody has access to a safe, secure and affordable home.

The initial steps have been taken in the budget, but we now need to build on this foundation and ensure that the next generation of social homes we need are delivered and that in the meantime the support is there via LHA to enable everyone to access a home.

If you would like more information, please contact robin_white@shelter.org.uk.

¹ DWP StatXplore: Family type for households on Universal Credit by housing entitlement Private rented sector and Family type for housing benefit claimants by detailed housing type Private deregulated tenant (LHA) (PRS) August 2019.