Shelter Briefing: Investment in housing is needed now more than ever

The national housing emergency

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 results of which are stark:

- There are 277,000 homeless people in England , including 83,700 homeless households living in temporary accommodation, which includes 61,700 families and more than 124,000 children.
- Home ownership is in decline – the English Housing Survey shows that 63.5% of households owned their own homes in 2017/18, down from 68% a decade ago. At the same time the average home in England costs eight times more than the average annual pay packet and the share of income that young families spend on housing has trebled over the last 50 years.
- Private renters spend on average 41% of their household income on rent and 800,000 people who are renting can't even afford to save just £10 a month .

In this context it is disappointing that the 2019 Queen's Speech did not commit to measures that will address the issues that ordinary people are facing due to the housing emergency. It is equally disappointing there is no clear place to debate housing around this Queen's Speech. We call on all of Parliament to ensure this critical national issue is not forgotten by ensuring the following issues are heard by the Government.

Deliver the social homes we need

Social housing is affordable in all parts of England and offers families the safety and stability they need to put down roots and to save. **Yet, in 2017/18 just 6, 434 new social homes were delivered in England, less than 3% of total housing delivery - despite 1.1 million people being on housing waiting lists.** This stands in stark comparison with the three and a half decades after the end of the Second World War, when local authorities and housing associations built 4.4 million social homes at an average rate of more than 126,000 a year.

Increasing the supply of social housing is also the only way that the government will reach its 300,000 homes per year target only when councils and housing associations were building at scale has this level of net additions to housing stock ever been reached in the past.

To make this a vision a reality there are three key steps for any Government to take:

1. **Rediscover the purpose of social housing:**

How we think about social housing has changed dramatically over the years. Where in the past it was viewed as a basis for strong society and community it has increasingly come to be seen as an 'ambulance service', something for only those in the greatest need.

This change in purpose is reflected in the planning system. The National Planning Policy Framework (NPPF) definition of 'affordable housing' now includes less affordable tenures such as shared ownership and 'Affordable Rent'. Recent changes to the NPPF in July 2018 made it explicit that 'low-cost' homeownership schemes are to be prioritised over the social rent homes we need most urgently.

Rents in 'Affordable Rent' housing can be set at up to 80% of local market rents – themselves increasingly unaffordable in many areas of the country meaning 'Affordable' rents for typical two-bed properties work out at 36% more expensive than social rents, amounting to £1,737 per year more on average.

We recommend the government tightens its definition of 'affordable housing'. Affordability must be defined in terms of local people's ability to afford their housing costs.

2. **Increase the available grant funding for social housing**

At the beginning of the 1990s, grants covered around three quarters of the costs of building new sub-market homes, this fell to 39% after the financial crash. The 2011–15 Affordable Homes Programme gave no grant at all to social housing, and the current Shared Ownership and Affordable Homes Programme for 2016–21 was only expanded to provide some funding for social housing in some areas in June 2018. At the

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same time, the costs of building new homes have escalated, driven by rising land costs.

Shelter has joined with the National Housing Association, Crisis, the Chartered Institute for Housing and the Campaign for Rural England to call for £12.8 billion of annual investment in social rent and other sub-market homes in England. This should be committed to at the earliest opportunity.

3. Reform England's broken land market

Access to land is a major constraint on social housebuilding. Currently, the 1961 Land Compensation Act enshrines in law the right to 'hope value'. Put simply 'hope value' is the value that land *may* have *if* the land were ultimately used for a purpose for which it currently has no permission. **Essentially it means that land is priced according to the most profitable use to which it might ever have been put.**

Removing 'hope value' from the 1961 Act would change this and would send a clear market signal that land assembly is done on the basis of what is actually going to be delivered – rather than what might. This would enable a new generation of large-scale, strategic, developments with levels of social housing that reflect current need to be delivered.

Delivering security for private renters

Earlier this year the government announced its intention to scrap Section 21 'no-fault' evictions. This represented a huge win for England's 11 million private renters, promising them the security and stability they need in their homes. Research from Citizen's Advice shows that renters have a 50/50 chance (46%) of being evicted within 6 months if they make a complaint to their landlord.

Section 21 of the Housing Act 1988 enables private landlords to evict their tenants for no reason, giving just eight weeks' notice that the tenancy is ending. For the 11 million renters living in private rented sector accommodation, this means living under the constant threat of being forced to leave, even if you pay your rent-on time, take excellent care of the property and are an all-round good tenant. Excluding action on this in the Queen's Speech was a missed opportunity.

Delivering for low income renters

Local Housing Allowance (LHA) is the way housing benefit is calculated for people who are privately renting. LHA rates have been subject to a range of cuts and changes since 2011. Initially set to cover the bottom half of the local market (50th percentile), LHA 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 broken; they were subject to a one-year freeze, then raised by CPI (which doesn't 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.

These cuts have meant that private rents have outpaced LHA rates for a number of years, leaving the LHA rate too low for too many. This has meant those receiving LHA, or the housing element of Universal Credit, can face huge shortfalls between their rent and the amount they can receive to cover their rent. These shortfalls have to be made up through other limited means.

Our analysis of the LHA rate for 2019-20 shows that for a modest two-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. 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.

The LHA freeze must come to an end when it is due to next year. When it does, we are calling for:

- Rates to be restored to at least the 30th percentile of local rents;
- A robust mechanism to be put in place going forwards to ensure LHA rates cover at least the 30th percentile of local rents, regardless of fluctuations in the market.

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