

## Shelter Briefing: the availability and affordability of housing

### Summary:

Shelter helps millions of people every year struggling with bad housing or homelessness – and we campaign to prevent it in the first place. We're here so no one has to fight bad housing or homelessness on their own.

At the heart of every problem that we see is the overall lack of affordable homes. Quite simply we aren't building enough homes – and haven't for a generation. In addition, the homes we are building are all too often unaffordable, unattractive and lacking in necessary community infrastructure.

The continued shortage of homes – and particularly affordable homes – means that home ownership is declining while at the same time rents continue rise. Shelter advisers report that increasingly low-income families are running out of options when it comes to finding a safe, secure and affordable home.

It is vital that action is taken to address these challenges. In the long-term that clearly means driving up our overall supply of homes, however, there are also short term measures that need to be taken. These include:

- **Ending the freeze on Local Housing Allowance which is making it almost impossible for low-income families in some areas to find a home.**
- **Addressing the viability loophole in national planning guidance that is responsible for the loss of thousands of affordable homes a year.**

Implementing these short-term measures now would have a real impact for those currently struggling. Then, over the longer term, the government can focus on the changes to our development system that are necessary start delivering many more genuinely affordable homes.

### Ending the Local Housing Allowance Freeze

In April 2016, the government instigated a four-year freeze on the rates of LHA (housing benefit paid to low-income families). Subsequently, as rents continue to climb, LHA rates have failed to keep pace with even the cheapest local rents. Families have seen the gap between what they receive in LHA and what they need to pay in rent grow year-on-year, **putting them at risk of falling into debt or homelessness.**

Shelter research suggests that by 2019/20 if the freeze is not undone, **83% of areas in England will be unaffordable those receiving LHA.** Families try their best to manage, often by cutting back on essentials or by falling into debt, but with few options available to them, they are at **increasing risk of rent arrears and eviction.**

Families living in London - including in the outskirts - face the greatest shortfalls in the country, but this problem is not limited to the capital. In **Cambridge**, the same family would be expected to pay an

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additional **£531.17** a month to top up their LHA to pay the rent for one of the cheapest homes in the area.

**Shelter is, therefore, calling for the government to end the LHA freeze two years early and rebase rates to the 30th percentile of local rents.** Momentum around ending the freeze is building. Charities, landlord groups, councils, Lords, MPs and former ministers agree families are being put at needless risk of homelessness.

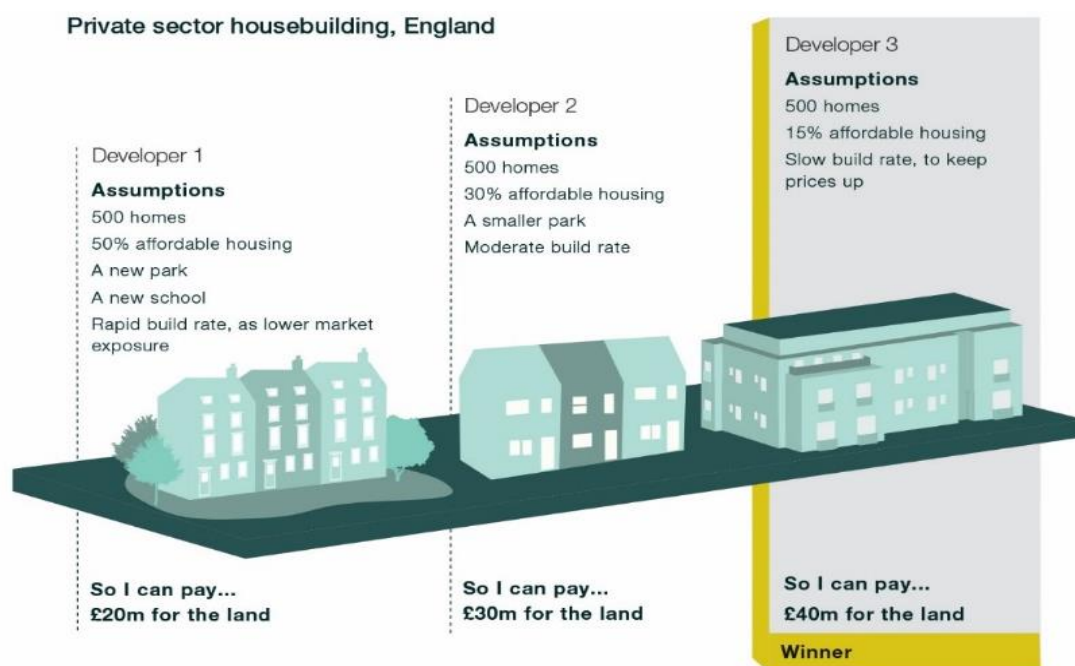
**In the longer-term, LHA rates should continue to track the bottom 30th percentile of the market.** The decision to decouple rates from actual rent inflation in 2013 and link LHA rates to CPI increased the risk that affordability would decline over the long-term, as historically rents have increased faster than headline inflation. This is vital in ensuring that LHA tenants can access a portion of the local rented market.

For more information on the LHA freeze please see our [briefing](#) on this or our report [Shut Out: The barriers low-income families face in private renting](#).

## Increasing the supply and affordability of new build housing

In the year 2015-16 in England, 163,940 new homes were completed.<sup>1</sup> Of the new homes completed during this period just 32,630 were classified as affordable housing.<sup>2</sup> Well short of the minimum 250,000 homes a year we need.

**Shelter believes that the speculative housebuilding model we rely on is incapable of building the homes we need.**



<sup>1</sup> This refers only to new build completions. In terms of net additional dwellings, which also takes into account conversions and change of use, 189,650 homes were created.

<sup>2</sup> [DCLG live tables on affordable housing](#).

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Under the speculative model housebuilders buy land competitively with each other on the basis of who can pay the most. This model means that the firm that is able to squeeze their costs the most, including reducing affordable housing and other commitments, is the one that can pay the most upfront and, therefore, secure land to build on. In addition, the private homes that are built under this model are often unaffordable and of poor quality:

- Shelter research earlier in 2017 found that typical new homes built today are out of reach for eight in ten (83%) working private renting families across the country – even if they use the Government's Help to Buy scheme.<sup>3</sup>
- The 2017 Home Builders Federation and National Housebuilding Council customer satisfaction survey results show that 98% of buyers reporting a problem with their new build home.<sup>4</sup>
- In addition, satisfaction with the condition of new build homes has fallen by 10% between 2012 and 2017,<sup>5</sup> demonstrating that this problem is getting worse rather than better.

This all underlines that the current system of housebuilding cannot deliver the homes we need on its own. **Shelter's New Civic Housebuilding model starts by bringing in land at a lower, fairer cost, and channels competition between developers into raising the quality and affordability of homes.**

To achieve this the government should commit to:

- **A new generation of Development Corporations** - these bodies should be given powers to acquire and assemble land, as well as being empowered to act as master-developer on the site.
- **Introducing Neighbourhood Exception Sites** - these should be based on the existing rural exception site model and can allocate small housing sites that are not already allocated in Local Plans.
- **Smarter use of Public Land** - rather than being sold off to the highest bidder, public land should be invested into partnerships that will deliver long term returns. This will also ensure that control can be exercised over development on this land to ensure more genuinely affordable homes are delivered.

## Viability and affordable housing

Currently, local authority targets on affordable housing are being met all too rarely. One of the primary reasons for this is the frequent use of viability assessments by developers to argue down affordable housing contributions in order to protect their profits.

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<sup>3</sup> Shelter calculations based on Office for National Statistics HPSSA median new build prices, average regional first-time buyer advances and loan-to-income ratios from Council of Mortgage Lenders data (CML) and gross household incomes (excluding income related benefits) from the Family Resources Survey.

<sup>4</sup> Home Builders Federation; National new home customer satisfaction survey, March 2017

<sup>5</sup> Shelter analysis of Home Builders Federation; National new home customer satisfaction survey, March 2017

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As already highlighted, often the reason why developers do this is that it enables them to pay more for land. In essence they can factor in using viability to reduce affordable housing provision when calculating what they can pay.

**There is no suggestion that in doing this, developers are doing anything wrong. The National Planning Policy Framework (NPPF) guarantees developers' right to around a 20% profit and allows them to use viability to ensure this.**

Recently, Shelter has written about the impact of viability on specific sites such as [Battersea Power Station](#) and the redevelopment of [Hornsey Town Hall](#).

In addition, recent Shelter research into viability in the Royal Borough of Kensington & Chelsea demonstrated the implication that viability is having. We found that from 2009 – 2016, just on sites that included a viability assessment, the Borough lost out on at least 831 affordable homes that its own planning policies say should have been given planning permission.<sup>6</sup>

The government has already committed to taking action in this area and the recently published ['Planning for the right homes in the right places'](#) consultation contains positive steps.<sup>7</sup> However, we would urge the government to ensure to:

1. **Amend the NPPF** – paragraph 173 of the NPPF gives developers a right to “competitive returns”, which is generally taken to mean 20%. If this were amended to say “a return” then a site would be deemed viable provided it generated a positive return.
2. **Introduce complete transparency** – government guidance should be clear that viability assessments will be considered public documents. This would ensure that the viability process can't take place behind closed doors and that local communities can understand why a developer is proposing to cut affordable homes, and can scrutinise the calculations behind this claim.
3. **Policy not targets** – in all but genuinely exceptional circumstances affordable homes policy should be non-negotiable. This would make sure developers factor the delivery of affordable homes into their plans from the start and buy land at a price that reflects this.

**If you have any questions, please contact Robin White: [Robin.White@shelter.org.uk](mailto:Robin.White@shelter.org.uk) or 0344 515 2052**

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<sup>6</sup> Analysis of 96 planning applications provided by Kensington and Chelsea through a Freedom of Information request. On those 96 schemes 3,517 homes were given planning permission. Based on Kensington and Chelsea policy exactly 50% of those should have been affordable units, however, the actual overall percentage of affordable homes delivered was 22%. On sites where there was a viability assessment (44 of the 96) this number stands at 15%.

<sup>7</sup> Department for Communities and Local Government; [Planning for the right homes in the right places: consultation proposals](#), 2017