

# Shelter

## Comprehensive spending review briefing

Housing has been the biggest loser in the CSR. The coalition, like previous governments, has failed to meet the aspirations of a generation of people who are seeking decent, secure, affordable housing. This briefing provides a summary of what has been announced, the likely impacts of these announcements, and Shelter's response.

### ***What has been announced?***

#### **Capital investment**

The Chancellor announced a £4.4b investment in capital spend on housing. This suggests that money for new social housing has been cut by 60%, down from £8.8b over the previous three year period to £4.4b over the next four years. Full details of how this figure will break down have yet to be revealed.

#### **Affordable Rent**

Social landlords will be able to offer intermediate rental contracts to new social tenants, with rent levels set at a rate between market and social rents. This scheme will be known as Affordable Rent.

#### **Housing benefit**

The Single Room Rate restriction (SRR) will be extended to claimants up to the age of 35. This means that single claimants up to that age will only be entitled to claim for the equivalent of a room in a shared home, rather than for a one-bedroom flat. Previously this only applied to under 25s. This will take effect from April 2012, with existing claimants affected when their claim is reviewed.

#### **Support for the vulnerable**

Provision for Disabled Facilities Grants will rise with inflation, investment in the Homelessness Grant will be protected, and there will be £6.5b of funding (a moderate real terms cut) over the Spending Review period for the Supporting People programme, which provides homelessness prevention support for vulnerable people.

### **Help for homeowners**

The temporary change to Support for Mortgage Interest (SMI) will be maintained for a further year. This means that the current reduced waiting period of 13 weeks and the temporary capital limit of £200,000 will be retained. £200m will be provided for four years to the Mortgage Rescue Scheme.

### **Decent Homes/Empty Homes**

An extra £2b will be provided for the Decent Homes Programme and £100m will be provided over the next four years to bring empty homes back into use.

### ***Cuts previously confirmed***

#### **Housing benefit**

In June's budget the Government made substantial cuts to housing benefit, to reach an overall saving of £1.8b per year by the end of this parliament. It has also already been announced that there will be a cap on the amount of benefits households can claim, at £26,000 per year. This cap will also affect many housing benefit claimants.

#### **Support for Mortgage Interest**

The Chancellor announced in the June 2010 budget that the interest rate by which SMI is paid will now be calculated at the Bank of England average mortgage interest rate, currently 3.63%, effective from 1st October. This rate is a drop from 6.08% so represents a 40% decrease in actual payments for all 225,000 claimants.

#### **Capital spend**

Since the election the government has announced £370m of in-year cuts to capital expenditure on housing.

For further details see Shelter's briefings at [www.shelter.org.uk/policylibrary](http://www.shelter.org.uk/policylibrary).

### ***What will be the impact of the announcements?***

#### **Housing delivery**

The government has said that it aims to deliver up to 150,000 new affordable homes over the spending review period. Shelter believes this is an optimistic projection given the new cut to capital funding and the general shortage of sources of private investment. It will be important to ensure that these homes are actually affordable for people in housing need.

The 150,000 represents less than a third of the affordable homes needed over the next 4 years to meet need. Research by Shelter in 2009 found that 3.5m additional homes would have to be built in England by 2020 to meet existing and newly arising need. In England,

more than one million children live in overcrowded conditions and 1.8 million households are on housing waiting lists.

Housing does not sit in isolation. These cuts will lead to the loss of jobs, skills and expertise that we know from the last recession could take over a decade to recover. Shelter research shows that for each £1 cut from public investment in housing the wider economy will take a hit of at least £3.50.

### **Affordable Rent**

Shelter is keen to see further details about this reform, the merits of which will depend on how this tenure will be allocated and how affordable it will be. While intermediate contracts may well represent a better deal than the private rented sector for some households, they may be unaffordable to the lowest income households. We are concerned that they could take up funding that should be used for housing the most vulnerable. We also note that the government still has no strategy to improve security, standards and affordability for the 3 million households that currently live in the private rented sector.

### **Single Room Rate Restriction**

This reform will mean that all single, childless adults under 35 in the private rented sector claiming Local Housing Allowance (LHA) will have their LHA substantially cut from the current one bedroom rate to the shared room rate for the area in which they live. The Government estimates that 88,000 people will be affected by this change.

The change will leave many more adults in the private rented sector facing rent shortfalls. Many will have no choice but to move to cheaper accommodation but, crucially, due to a lack of shared accommodation, many will be unable to find a single room and will be forced to remain in more expensive self-contained accommodation, creating further shortfalls, the risk of eviction and possible homelessness.

Even before this change the SRR was deeply flawed and Shelter has campaigned for it to be abolished. The lack of supply of shared accommodation in many parts of the country has meant that many claimants have to live in more expensive self-contained accommodation but only receive enough LHA to cover a single room. Previous research found 87% of people on the SRR suffer a shortfall between their rent and LHA award, at an average of £35 a week. Claimants also tend to struggle to access shared accommodation when it does exist: Shelter research has found that adverts for shared property are the most likely to explicitly bar benefit claimants, with around half stating such restrictions.

### **Support for the vulnerable and for homeowners**

With unemployment set to rise and incomes tightening, we welcome the homelessness and Supporting People grants and provision for those facing repossession being left fairly intact.

In these times anyone can lose their home, and it is vital the vulnerable are supported as they face their housing situation spiralling downwards. SMI helps 225,000 people in financial difficulty to stay in their homes and Supporting People funds support for about 1m vulnerable people at any one time.

### ***Shelter's position***

Shelter is greatly concerned that housing, one of the most basic needs for every single person in this country, is facing some of the biggest cuts. A succession of governments has failed to address our housing crisis and this CSR indicates that the coalition is also prepared to deny responsibility for ensuring that people can access decent, secure, affordable housing.

The combined worry of cuts to housing benefit and the slashing of the affordable house building subsidy will be devastating for the housing aspirations of thousands of young people consigned to increasing costs and bringing up their future families in an insecure private rented sector.

The Chancellor revealed nothing about the government's position on some of the most fundamental housing issues, such tackling exorbitant house prices or improving our ever growing private rented sector. The government must urgently set out its long term vision to solve our entire housing crisis or accept responsibility for the impact these policies will have on entire generations for years to come.

October 2010