

## Shelter Briefing: HCLG Select Committee Questions to Ministers – Housing Priorities

This briefing gives Select Committee members background to the challenges of housing and homelessness, and on-going issues on which it would be useful to ask questions of Ministers. This includes the review of the National Planning Policy Framework, progress with remedial works for unsafe cladding and the impact of welfare reform. The shortage of homes – especially affordable homes – is at the core of many of the issues we see from our frontline services.

### Questions for Ministers

- **National Planning Policy Framework (NPPF):** The proposed changes to viability assessments are very welcome and should help deliver more affordable homes. Will Ministers commit to provide greater clarity in the drafting to make sure good intentions aren't undermined by ambiguity or uncertainty in drafting?
- **Unsafe cladding and remedial works:** Will government provide clearer guidance about what materials are safe to use, who should pay and when works should be completed by?
- **Freeze to Local Housing Allowance:** Will government look again at ending the freeze to Local Housing Allowance and realign rates with the 30<sup>th</sup> percentile of local markets to help prevent homelessness?

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### Housing Supply: Affordable housing

For a generation in England we have failed to build enough homes, and particularly enough affordable homes. This is at the heart of every housing problem that we see: from increasing homelessness and rising rents, through to declining home ownership.

- We need to be building at least 250,000 homes a year, of which around 100,000 should be homes at low rents. Last year the government demonstrated its recognition of this problem by raising the annual house-building target to 300,000 homes per year.
- In the year 2016/17, in England, we built 183,570 new homes<sup>1</sup> of which just 41,530 were new affordable homes.<sup>2</sup> Within that, social rent has now reached historic lows with just 5,380 being built last year. These are the homes that are needed to support those on low incomes and prevent homelessness.

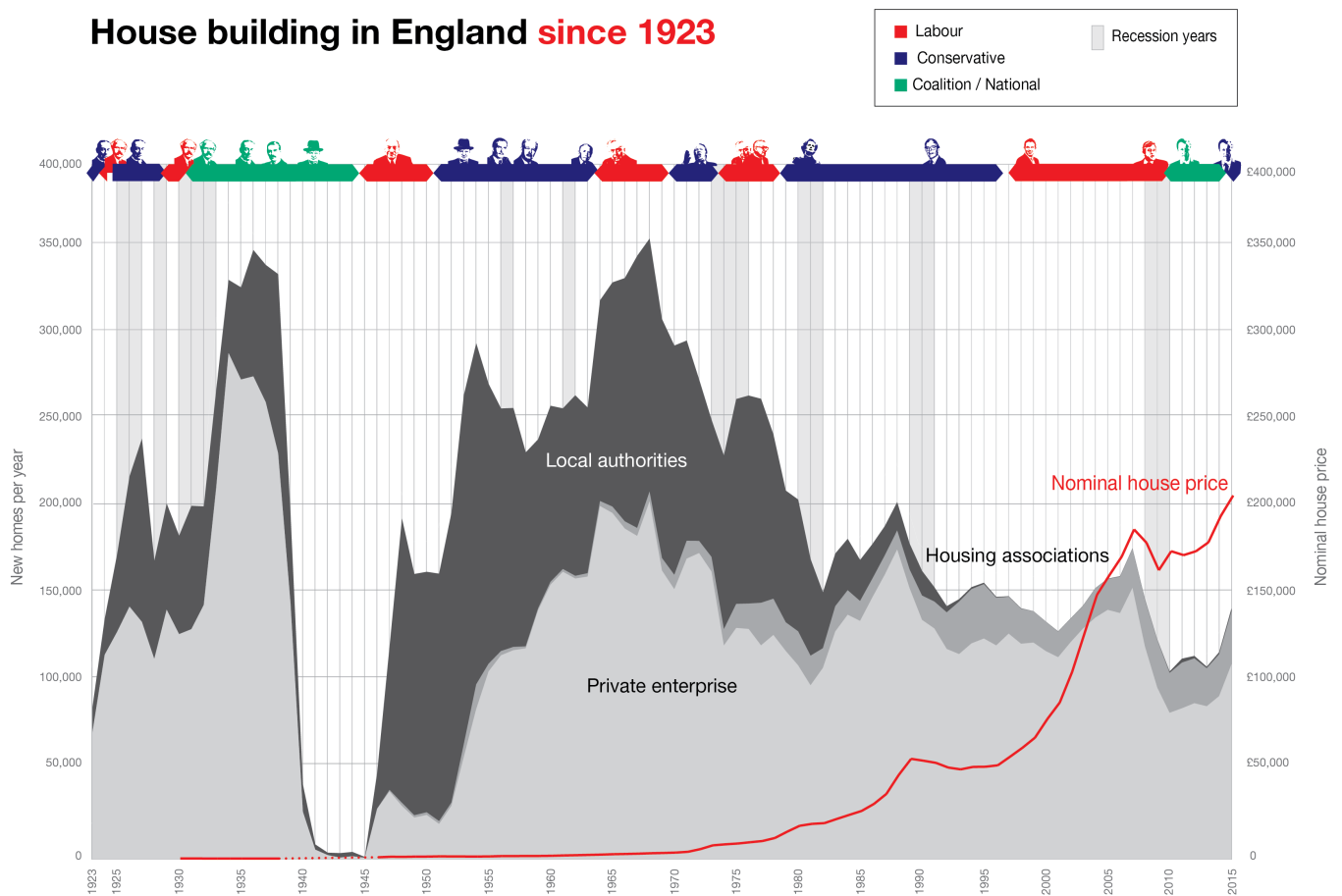
This is not a new problem - it is one that stretches across 30 years and across multiple governments.

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<sup>1</sup> Total net additions were 217,350

<sup>2</sup> Live Tables on Housing Supply and Affordable Housing Supply, MHCLG, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>

## House building in England since 1923



Sources: DCLG, Shelter analysis  
 Images (1946-2015): A Right To Build, Architecture 00:/, 2012<http://issuu.com/architecture00/docs/arighttobuild>

Based on our research and work with companies like KPMG and L&G, Shelter believes that the private house-building market is fundamentally broken: it is dominated by a business model that is based on high land prices. Because of high land prices, developers tend to not only cut back on quality and affordable homes, but they also build slowly in order to keep sale prices high. This is not because they are malevolent, but because they have had to pay enormous and often speculative sums for land. It is perfectly rational, but is at the heart of why we don't build enough good quality, affordable homes in England.

Just putting greater targets on councils, or exhorting developers to build more quickly, will not solve this problem on its own. Local authorities or development corporations must be given powers to buy land cheaply and sell it on to private builders on the basis of who can build the most good quality homes the quickest. They should be given greater powers to buy land from developers who are building too slowly.

On top of that, local authorities and housing associations need to be given a far greater role in delivering genuinely affordable homes such as social rent.

### Potential questions for the Ministers

1. Will increasing house-building targets on local authorities without giving them greater powers (e.g. land assembly or borrowing) really deliver more homes? Isn't the private house-building market fundamentally broken?

2. Social rent building is at historic lows. Does the government accept that it now needs to prioritise this to ensure that those on low incomes - those in most need of help - have the opportunity to access a safe and secure home?

3. When can we expect the government's Green Paper on social housing to be published? Will it cover supply as well as the condition and regulation of existing stock?

### **NPPF: Viability assessments and affordable housing**

Planning obligations on developers – so called Section 106 agreements – are a vital way of delivering more genuinely affordable homes, especially as other methods (such as council borrowing and government grant) are relatively restricted.

Shelter has been campaigning to change the rules around the use of viability assessments by developers to argue down affordable housing contributions in Section 106 agreements.

It is reasonable for developers to make sure their schemes are profitable. The problem is that some developers have been upping their bids for land by assuming that they won't provide affordable homes, then using the high cost of land as evidence for why they cannot provide the homes – a circular logic that has 'planned out' affordable homes and inflated land prices. It can also undermine local support for house-building.

Shelter research found that in 11 urban local planning authorities over just one year 2,500 potential affordable homes were lost on sites where a viability assessment was used by the developer.<sup>3</sup> Furthermore, recent research undertaken alongside CPRE found that in 8 rural planning authorities the provision lost 958 homes in the same year.<sup>4</sup>

We are still analysing the full text of the new NPPF but are very happy to see that there have been significant changes made to the guidance of viability, with a strong rhetoric to rebalance power between developers and communities.

The rules will no longer allow developers to use the price paid for land as evidence to cut affordable housing numbers, and the government is crystal clear that developers and land traders must account for local policies like affordable housing when agreeing the price of land. This should mean more affordable homes coming through the system.

Nonetheless we need to ensure that this system is watertight, as a few ambiguous phrases in the old planning rules led to the growth of an industry around viability assessments and the loss of much-needed affordable homes. It's important that the good intentions of the new NPPF are not undermined by vague drafting in parts of the guidance.

#### Benchmark land value

For instance, proposed guidance sets out how landowners' returns should be worked out within viability assessments at plan level, rather than at site level, based on how much the land is worth in relation to what is actually planned for it – and how much money for affordable housing is therefore left over (i.e. deemed 'viable'). It recommends landowner returns be calculated according to the 'existing use' land value of sites, plus 'a premium', to incentivise landowners to sell.

On the one hand, this is very welcome. The current viability system accepts high land values calculated using aggressive assumptions of value and costs that often ignore local authority requirements. This leaves little money left over for affordable housing and encourages developers to pay exorbitant amounts

for land, safe in the knowledge that affordable housing can be reduced to recover costs. This has a circular logic, pushing up land prices and pushing down affordable housing delivery over time – so a move to Existing Use Value Plus is welcome.

However, the guidance suggests that the premium that is added on to the new Existing Use Value calculation be established according to *“data from comparable sites of the same site type that have recently been granted planning consent in accordance with relevant policies...the price paid for those comparable sites should then be established...the evidence of the price paid on top of existing use value should then be used to inform a judgement on an appropriate minimum premium to the landowner”*.

This is very broad and potentially risks factoring high land prices into the premium, since it potentially links premiums to inflated prices paid in a broken system. Overall returns to landowners would then be set at an artificially high level, recreating the very problem this change seeks to solve. Greater clarity is needed in future drafts to achieve the government’s stated aims. Ideally, a reasonable premium for landowners should be tightly defined by government or the local authority - for instance it could be between 20-30% of the value of the site. At the very least, it should be clarified that premiums will only be benchmarked against sites that fully meet local affordable housing requirements.

### **Potential questions for the Ministers**

1. Guidance suggests councils use viability reviews ‘to provide more certainty through economic cycles’. Does the government intend to reduce the level of affordable housing developers must provide on sites with every dip in the housing market, or will it be restricted to rare events such as housing market crashes?
2. Given that landowners profits have increased greatly in recent years, does the government feel reading recent land values into the future is the best way to determine the premium added to Existing Use Value in assessments? At the very least, will they be more specific that it is only benchmarked to comparable schemes that deliver on local policies?
3. Will detail published in viability assessments be thorough, with only personal information (such as names and addresses) excluded?

### **Grenfell: Cladding**

Many months on from the Grenfell Tower fire, only a tiny proportion of the unsafe cladding has been totally replaced on homes across the country – only 7 out of 158 affected social housing blocks have had the unsafe cladding totally replaced and there is no data available about progress with privately owned blocks<sup>3</sup>.

There is confusion and uncertainty about what works can and should be done, by when and who should pay. This had led to delays on remedial works and on-going legal challenges, particularly in relation to privately owned buildings. As the one-year anniversary of the Grenfell Tower fire is soon approaching, there is widespread concern about progress of works.

Building and fire safety are crucial for public safety, and go to the heart of the purpose of government. The government should step up to rectify the situation, setting out clearly who is liable for the cost

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<sup>3</sup> Building Safety Programme Monthly Data Release, Ministry of Housing, Communities & Local Government, 27 February 2018, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/684206/February\\_Data\\_Release.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/684206/February_Data_Release.pdf)

of works, when they should be completed by and what materials are safe to use, the remedial work can be carried out as efficiently and effectively as possible. We urge the government to provide clarity on fire safety, as well as clearer guidance on who should pay for and carry out these essential works – government should set a timetable for when all works must be complete.

### **Potential questions to ask the Ministers**

1. Does government feel comfortable with the pace of progress in undertaking remedial works, given the 1-year anniversary of Grenfell is soon approaching?

a) Will government set an ultimate deadline for when remedial works should be completed by?

2. Will government provide clearer guidance about which materials are safe to replace the unsafe cladding with, in order to prevent further confusions and delay to remedial works?

a) Why is government continuing to use desktop studies to test combustibility of materials, when desktop studies passed materials, which have now been found to be non-compliant with building regulations?

3. Who should pay to remove cladding that isn't compliant with building regulations?

a) If leaseholders are found to be legally liable to pay for remedial works, would the government find this acceptable?

b) If leaseholders cannot afford to pay for remedial works, what does the government see as the correct course of action for conducting necessary works?

### **Homelessness: The freeze to Local Housing Allowance (LHA)**

Homelessness has risen dramatically across a range of measures since 2010, with over 120,000 children now living in temporary accommodation (TA).<sup>4</sup> This is costing local authorities enormous amounts of money - £1.15bn was spent on homelessness services during 2015-16 and over three-quarters of this – £845m – was spent on TA<sup>5</sup>. For many, TA has become a trap. Low-income families, who once could rent in the private rented sector with the support of LHA, now are unable to access even the lowest local rents. LHA is the benefit low-income renters receive to rent in the private rented sector.

In April 2016, the government instigated a four-year freeze on the rates of LHA. Subsequently, as rents continue to increase, 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 arrears or homelessness.

Shelter's analysis suggests that over a million households in Britain (1,069,517) could be put at risk of homelessness by 2020, unless the freeze ends<sup>6</sup>. This is because they are in areas where there will be a shortfall between LHA and the cost of renting one of the cheapest local homes. Families living in London - including in the outskirts - face the greatest shortfalls in the country, but this problem is not limited to the capital. Cambridge, Basingstoke, Canterbury and Bristol all face significant shortfalls.

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<sup>4</sup> Homelessness Report, National Audit Office, September 2017, <https://www.nao.org.uk/wp-content/uploads/2017/09/Homelessness.pdf>

<sup>5</sup> Homelessness Report, National Audit Office, September 2017, <https://www.nao.org.uk/wp-content/uploads/2017/09/Homelessness.pdf>

<sup>6</sup> Briefing: Ending the Freeze to Local Housing Allowance, Shelter, October 2011, [http://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/policy\\_library\\_folder/briefing\\_ending\\_the\\_freeze\\_to\\_local\\_housing\\_allowance](http://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/briefing_ending_the_freeze_to_local_housing_allowance)

The number of households accepted as homeless because of the ending of an assured shorthold tenancy has trebled from 11% during 2009-10 to 32% during 2016-17.<sup>7</sup> The National Audit Office's recent homelessness report shows a clear link between welfare cuts and homelessness. Frontline local authority staff they interviewed identified the end of tenancies in the private rented sector as the key driver of increased homelessness. This was attributed in increased rents, and crucially, a decline in people's ability to pay them, due to welfare reforms (including the freeze).

Shelter was active in campaigning to end the freeze to LHA and realign rates with the 30<sup>th</sup> percentile of local markets in the 2017 Autumn Budget.<sup>8</sup> While we didn't win a complete unfreezing of the benefit, government did pledge to increase the Targeted Affordability Fund (TAF) by £125m over the next two years. This is the fund that redistributes a third of the money saved from the LHA freeze to the areas where the gap between the rate of benefit and local rents are highest. This will put more money in the pockets of 140,000 people.

This is a significant step in the right direction by government to end the freeze to LHA, but it doesn't go far enough. To prevent homelessness, LHA rates should be restored to the bottom 30th percentile of the market.

### **Potential questions to ask the Ministers**

1. If government is committed to preventing and tackling homelessness, will it consider reviewing the link between welfare reform – such as the freeze to LHA – and the rise in homelessness?
2. Given the growing body of evidence about the adverse impact of the LHA freeze on increasing risk of homelessness, will government accept that the freeze to LHA is a failed market intervention and has unintended consequences for those on low-incomes?
3. If government is committed to achieving its ambitious target of eliminating rough sleeping by 2027, will it ensure that the Rough Sleeping Taskforce will broaden its focus to consider the wider causes of homelessness?

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<sup>7</sup> Homelessness Report, National Audit Office, September 2017, <https://www.nao.org.uk/wp-content/uploads/2017/09/Homelessness.pdf>

<sup>8</sup> Submission: Autumn Budget, Shelter, September 2017, [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/policy\\_library\\_folder/submission\\_autumn\\_budget](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/submission_autumn_budget)