

# A Capital in Crisis

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**Ahead of the London 2020 Mayoral Election, this report has been developed by Shelter to shed light on London's spiralling housing emergency and steps that can be taken to tackle it.**

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## EXECUTIVE SUMMARY

London is at the epicentre of a deepening national housing emergency. For people living in London, the impact of this spiralling crisis is often unescapable. Families are struggling with unaffordable and insecure housing, which is leading to sharp increases in homelessness. There has been a collective failure from governments of all stripes to deal with this emergency. Without urgent action, things will only get worse.

With a new government at Westminster and Mayoral elections in London, 2020 represents a crucial opportunity to bring immediate attention to London's growing housing emergency and to achieve change. London's housing emergency is so bad that it is eroding the ability of households on low incomes, who make up much of London's workforce, from accessing a genuinely affordable place to call home.

This emergency is being driven by two things. Firstly, spiralling private rents that are unaffordable to renters, which is being experienced most harshly by private renters on low incomes whose Local Housing Allowance (LHA)—the housing benefit available to those renting privately—does not cover the exorbitant cost of renting. Secondly, it is being driven by a lack of social rent homes—the genuinely affordable homes that are the only long-term solution to the housing emergency in London, and across the country.

The disappearance of social rent housing delivery in the capital has meant that central government and London's local authorities are increasingly relying on the private rented sector, and therefore to LHA to relieve homelessness. This has been a recipe for disaster. LHA does not adequately cover private rents, leading to homelessness and giving local authorities no choice but to place more and more people in eye-wateringly expensive 'temporary accommodation', often beds in hostels or bed and breakfasts, or tiny, poor quality flats, leased nightly at huge costs from private landlords. A toxic combination of exorbitant private rents, insufficient LHA levels, and the disappearance of social rent housing delivery is not only fuelling an affordability crisis for households on low incomes in London, it is also coming at a huge cost to the public purse.

If this growing emergency is to be tackled, then collective government action is necessary. The report shows that London's housing emergency, which is also having national consequences, will only be tackled through a revolution in social housebuilding and increases to LHA so that it covers at least the bottom 30% of private rents. The report will point to key measures that central government, local government and London's next Mayor must take to solve the city's housing emergency.

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## Chapter one: London's housing emergency

At the heart of this housing emergency is a lack of affordable housing options for people on low incomes in London. Between April 2008 and April 2019 private rents in London shot up by 28.8% on average. Over the same period, there have been cuts and freezes to LHA which has meant that rates do not cover the cost of spiralling private rents for Londoners on low wages. Nowhere in London do LHA rates cover the 30<sup>th</sup> percentile of rents, as they were intended to do. At the same time, London has not been delivering the social rent homes that struggling private renters desperately need.

These trends have contributed to a chilling affordability crisis for struggling private renters. In 2018/19 private renters on low wages used a shocking 58% of their wages to cover the lowest quartile of rents in London. This is unacceptable and the consequences have been grave for renters on low incomes, London and the country more broadly.

Households that are struggling are being forced into impossible choices to keep a roof over their head. To make their private rent, families are cutting back on essentials like food and are taking on further debt. Communities are being broken up as residents are being forced to move out of their neighbourhoods and out of London to find somewhere cheap enough, contributing to housing pressures outside of London. The high cost of private renting in London is also preventing people from other parts of the country from moving to the capital, impacting on their ability to take up job opportunities, and the ability of companies to get the workers they need.

Analysis of wages and rents shows that social rent housing delivery is the only long-term solution to London's housing emergency. We take private renting households on the lowest 20% of wages and analyse rents to see what is affordable to them. In 2018/19, median rents for new social rent lettings took up 23% of their wages. By comparison London Affordable Rent, at benchmark levels, took up 32% and median 'Affordable Rents' 41% of their wages. This analysis shows that only social rent takes up less than 30% of this household group's wages. It therefore should not be conflated with London Affordable Rent or 'Affordable Rent'. We need to prioritise social rent delivery to meet the affordability needs of the private renters, workers and homeless families at the sharpest end of London's housing emergency.

Despite this, social rent delivery in London has fallen off a cliff. Between 2011/12 and 2018/19 social rent housing delivery declined from 11,374 to only 534. Worse still, London is losing social rent homes too. Since 2014-15, London has been losing more social rent homes through sales than it has been delivering. This disappearance of social housing in London is feeding into an affordability crisis and increasing homelessness. The Greater London Authority's (GLA's) assessment of annual need for 'low-cost rent' housing has nearly doubled from 14,560 in 2007 to 30,972 at present. Recorded homelessness has risen from over 103,000 people in 2010 to over 165,000 in 2018—a 60% rise in

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homelessness—with minority ethnic households and women being disproportionately represented amongst London’s households that are homeless. These figures now mean that 1 in 52 people in London are homeless, compared with 1 in 200 across England. London is at an urgent point and action is needed now to tackle this emergency.

Tackling this emergency is also of national importance. The lack of social rent housing delivery, combined with the expense of private temporary accommodation in London, is having ripple effects outside of the city. Households in London who are homeless are being placed in temporary accommodation in areas such as Milton Keynes, away from support networks and even amenities. This is subsequently impacting on other areas’ ability to manage their respective housing problems.

## Chapter two: Ending the blame games, tackling London’s housing emergency

Two overarching solutions are needed to tackle London’s housing emergency: scaled-up social housing delivery and an increase in LHA rates. Achieving this will require collective action from different tiers of government. However, efforts to meaningfully address London’s growing emergency have been stifled by blame games between national government, the GLA and local government.

These blame games must end. Central government, local authorities and the next Mayor (through the GLA) all need to act. Specific policies and funding decisions have created the housing emergency that London faces in 2020:

- reductions and freezes to LHA rates meaning that low income households are not getting the welfare support that they require to afford their rents;
- the conflation of social rent housing with other so-called affordable housing tenures within successive London Plans and local authority Local Plans which has hindered the delivery of the social housing that will help address London’s housing emergency and its unequal impacts;
- the long-term paucity of national government funding for social housing delivery has made it impossible for local government to deliver the social housing that London requires; and
- existing social housing ‘get-out’ clauses within the national planning system—permitted development rights, Vacant Building Credit and small site exemptions—are limiting possibilities of securing social housing contributions from all types of housing development.

Five key actions need to be taken to help solve London’s housing emergency:

- **Recommendation 1: The next Mayor must develop a strong social rent delivery policy within The London Plan and end the conflation of social rent housing with other so-called affordable housing tenures.** This policy should be developed in collaboration with London’s local authorities and communities. It should set out that social rent housing is the tenure that is required to be delivered to meet housing need arising from households on low incomes. It should also provide the

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tools available to help plan for, and secure, required delivery, for example a robust Equality Impact Assessment and public land.

- **Recommendation 2: Each local authority should develop a social rent delivery policy within their Local Plan.** These policies should end the conflation of social rent housing with other so-called affordable housing tenures. They should be informed by a robust assessment of need, a robust Equality Impact Assessment and after outlining the capacity of all types of housing development to deliver social rent housing. The next Mayor must facilitate this by using the London Plan to require all London local authorities to develop a robustly determined social rent delivery policy within their Local Plans.
- **Recommendation 3: Central government must use the next affordable homes programme to invest the capital grant needed for a significant increase in social housing delivery.** The next Mayor must make the case that London needs a substantial and long-term grant settlement that prioritises social rent housing, in order to reboot social housing delivery in the capital.
- **Recommendation 4: Central government should introduce planning reforms that will enhance opportunities to secure social rent housing from all types of housing development.** Ahead of the publication of the Planning White Paper, the next Mayor must use all channels at their disposal to evidence to government that removing social housing get-out clauses from the national planning system—e.g. permitted development rights, Vacant Building Credit and small site exemptions—is necessary if London is to seriously tackle its housing emergency.
- **Recommendation 5: Government must bring LHA rates up to at least the 30<sup>th</sup> percentile of local rents in perpetuity.** This should be a key national policy change that the next Mayor lobbies for over the course of the next Mayoral term.

## Chapter three: Hope for a brighter housing future in London

Together, the measures discussed in this report will help end London's housing emergency which is creating pain and misery for so many. The collective action that we argue for will create a sea change in social housing delivery and in welfare provision in the capital. The impacts will be life-changing for households currently struggling under London's housing emergency. Renters on low incomes will be able to afford their rent. Long-standing communities will not be broken up. Levels of homelessness and housing need will begin to come down. London's capacity to house households on low incomes who want and need to call this city home will be enhanced.

Solving London's housing emergency will also ease housing pressures being experienced by neighbouring towns, cities and regions. Families will no longer have to move outside of London to afford somewhere to live and work, and those who are homeless in will no longer need to be placed outside of the city due to a shortage of available social homes in their communities, easing housing pressures faced by other areas.

Labour-market mobility will be supported as households on low incomes can afford the housing costs associated with living in London. Furthermore, investing in social housing delivery will produce long-term savings to the national housing



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benefit bill. Taking action to solve London's housing emergency will produce ripples that will be felt nationally.

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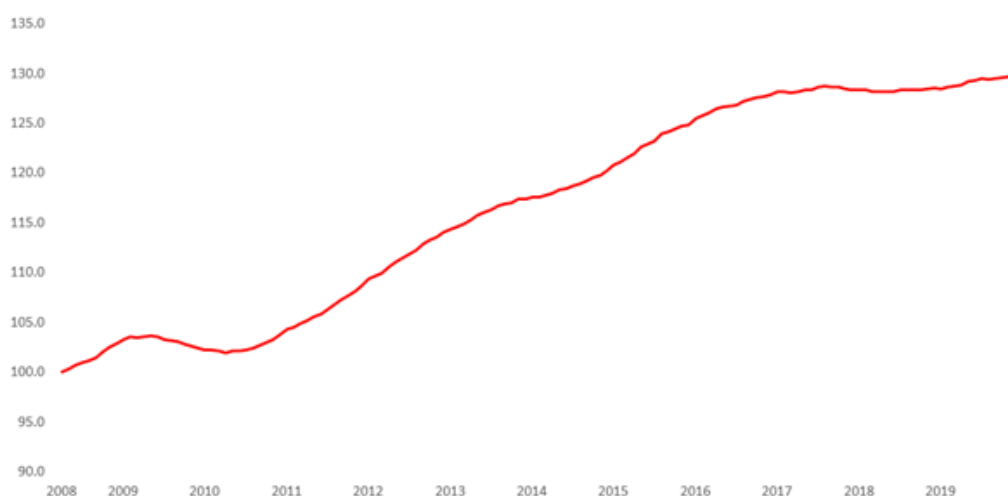
# CHAPTER 1: LONDON'S HOUSING EMERGENCY

The housing emergency in London is driven by a crisis of affordability. This most acutely affects households on low incomes in the private rented sector. A toxic combination of soaring private rents and insufficient LHA rates is leading many private renters into debt and poverty, to skip meals or to not heat their homes just to pay their rent. The unaffordability of the private rented sector combined with the disappearance of social rent housing delivery is leading more and more private renters towards homelessness.

## 1.1 London's affordability crisis

London is an expensive city to live in. For private renters, the cost of renting is particularly acute. From April 2008 to April 2019 private rents in London have risen by 28.8% on average.<sup>1</sup>

Figure 1: Indexed changes in London private rents, April 2012 – April 2019.<sup>2</sup>



Over the same period, private rents in England have risen by 21.2% on average.<sup>3</sup>

The sharp, and disproportionate, rises in rents in London has created an often-impossible situation for many private renters who are on low wages. In 2018/19, a private renting family on low wages (£2,167 per month) who needed a 2-bed property would have to use a huge 58% of their wage on rent in order to live in one of the cheapest quarter of properties available on the market (£1,250 per

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<sup>1</sup>Office for National Statistics. 2019. [Index of Private Rental Housing Prices](#)

<sup>2</sup>Ibid

<sup>3</sup>Office for National Statistics. 2019. [Index of Private Rental Housing Prices](#)

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month).<sup>4</sup> <sup>5</sup> If they tried to rent a median-priced 2-bed, they would have to pay an astronomical 67% of their wage on rent (£1,450 per month), leaving only just over £700 for food, heating, bills, transport, and everything else.<sup>6</sup> This lack of affordability is making it a huge struggle for people to afford to stay in London.

Sky-high private rents are preventing people from moving to London to take up job offers. The Resolution Foundation has found that in places like London “rising rents [are] acting as a headwind to labour market mobility.”<sup>7</sup> If nothing is done, London will not be able to get the workers it needs, and even those already working in London may leave. One study found that half (49%) of employees say they’re likely to leave London if housing costs continue to increase.<sup>8</sup> For some this point has already been reached—research released this year by the Royal College of Nursing has identified that 57% of nursing staff they questioned were planning to leave London because of the high cost of living. Exorbitant private rents are a key contributor to this high cost.<sup>9</sup>

For non- or low-wage households who are facing affordability pressures, and struggle to stay in London, the housing benefit safety net should be stepping in to enable them to cover the cost of renting. Currently, the housing benefit that is available to private renters is LHA. For households that are eligible for LHA, the amount received (the rate) is based on family size. For example, a family with one or two children, depending on their age and gender, would be eligible for the 2-bedroom LHA rate. Rates are localised and calculated based upon different Broad Rental Market Areas (BRMAs)—the areas in which households make their claim for LHA—across the country.

Historically, LHA has played an essential role in helping struggling private renters to afford their rents. Prior to 2011, LHA rates were set so that they covered rents in the bottom half of local markets (the 50<sup>th</sup> percentile). This helped ensure that struggling renters were not spending unsustainable levels of their income on rents. However, a series of changes to the way that LHA rates are set has meant that LHA is no longer fit for purpose.

In 2011, LHA was cut to cover only the 30<sup>th</sup> percentile of rents in each BRMA, making it more difficult for people to find homes that were affordable and available when they needed them. In 2012, the rates were subject to a 1-year freeze, which broke the link between the LHA rates and local rent levels. Then in

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<sup>4</sup>Wages are derived from a modelled household of one full-time worker and one part-time worker living in London. They are taken from [Table 8.1a of the Annual Survey of Hours and Earnings](#) and are correct as of April 2019.

<sup>5</sup>**Lower quartile private rent:**

Private rental statistics are the lower quartile (25th percentile) of two-bedroom properties in London. They are taken from [Table 2.4 of the Private Rental Market Statistics](#) released by the Office for National Statistics. Statistics were collected between 1st October 2018 and 30th September 2019.

<sup>6</sup>**Median private rent:**

Private rental statistics are the median of a two-bedroom property in London. They are taken from [Table 2.4 of the Private Rental Market Statistics](#) released by the Office for National Statistics. Statistics were collected between 1st October 2018 and 30th September 2019.

<sup>7</sup>L. Judge. 2019. [Moving Matters: Housing costs and labour market mobility](#)

<sup>8</sup> Turner and Townsend. 2019. [Moving Out: How London's housing shortage is threatening the capital's competitiveness](#)

<sup>9</sup>Royal College of Nursing. 2020. [Living in the red: the cost of living crisis for London's nursing workforce](#)

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2013 rates were only raised by Consumer Price Index (CPI) levels, which is not influenced by fluctuations in rent levels. For 2 years from 2014 rates were only increased by 1% each year. To make matters worse, in April 2016 government implemented a destructive 4-year benefit freeze which held LHA rates at 2016 levels until April 2020. These cuts and freezes over the last decade have all taken place while rents in London have been sharply rising.

This now means that LHA rates do not cover the bottom 30% of rents (the 30<sup>th</sup> percentile) anywhere in London (see figure 2). Additionally, 69% of all LHA rates in London do not even cover the bottom 10% of rents (the 10<sup>th</sup> percentile).<sup>10</sup> With LHA rates covering such small proportions of the market, individuals and families will often be completely unable to find a suitable home that is affordable on LHA rates. As a result, people frequently have to accept appalling quality or tiny homes, or a shortfall between their rent and the amount they receive on LHA just so they can find somewhere to live. Shelter research has calculated that, as of February 2018, households in receipt of LHA face an average shortfall of £211.94 between their private rent and their housing benefit.<sup>11</sup>

Shelter research has shown that shortfalls such as these are pushing the poorest private renters into making unacceptable choices. 36% have cut back on food, 32% have had to sell possessions and 28% have had to cut back on heating their home. 48% have had to take on further debt.<sup>12</sup> Private renters are also squeezing themselves into unsuitably-sized accommodation, living in overcrowded conditions, in order to find a rent that is affordable for them.<sup>13</sup>

#### **Case Study 1: Sacrifices being made to make up shortfall between LHA and rent**

“I spend £1,350 on rent. My take home pay is £1,450. Near enough all my salary goes on rent. I get £212 universal credit, so I get £212 a month to pay everything which is not possible. I’ve lived off credit cards and am £28,000 in debt as a result.

I work 40 hours a week and am up at 5am to go to work. Then it’s home to the family. All I do is go to work, come home do what I’ve got to do, go to bed and do it again the next day. There’s no room for holidays or going out with friends...it is simply going to work to keep a roof over my head.”

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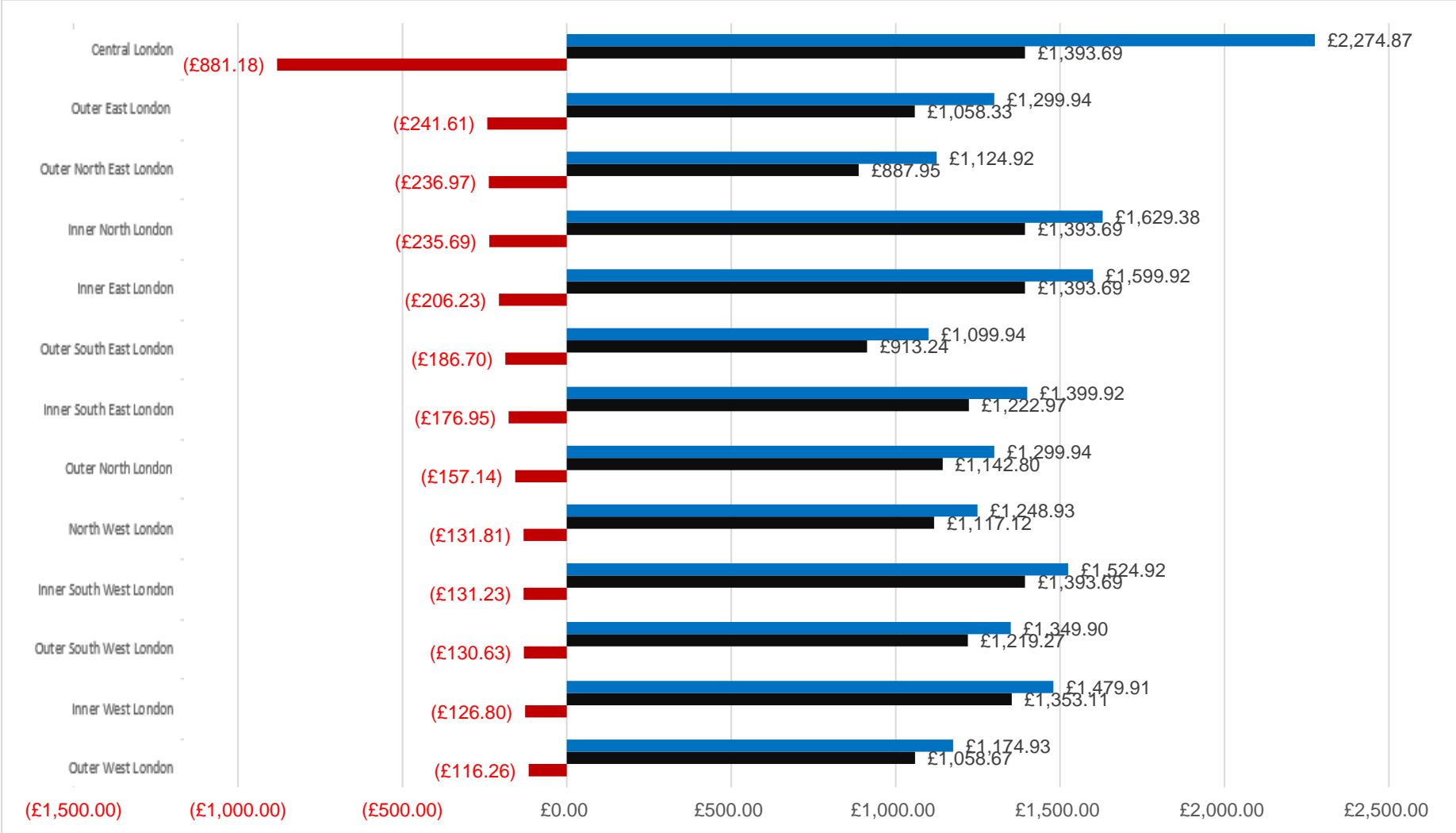
<sup>10</sup>Ibid.

<sup>11</sup>Shelter analysis of data from the Single Housing Benefit Extract received from a Freedom of Information Request. It refers to all private renters in London that are in receipt of LHA and Passported Benefits. These households have been financially assessed and found to have low levels of income, and low levels of savings. This means they are almost entirely dependent on benefits for their income. They are automatically entitled to the full amount of LHA. They may still have their benefit capped due to the overall benefit cap.

<sup>12</sup>Base: 828 private renting GB adults aged 18+ who were currently in receipt of housing benefit. Interviewed online by YouGov 12<sup>th</sup> August – 3<sup>rd</sup> September 2019.

<sup>13</sup>T. Weekes. 2019. [From the frontline: the ongoing impact of welfare reform](#)

**Figure 2: 2-bedroom LHA rates for BRMAs in London versus 30<sup>th</sup> percentile rents, 2019/20<sup>14</sup>**



<sup>14</sup>Shelter Analysis of LHA rates applicable from April 2019 to March 2020 and the LHA List of Rents used for LHA rates April 2019 to March 2020.

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The combination of sky-high rents and insufficient LHA rates is leading renters on low incomes to make huge sacrifices. But, for many households these sacrifices still do not enable them to make up the shortfall. The consequences are grave. They must seek help from their council, but with no social housing councils often simply send them to the private rented sector where the lack of affordability means they end up needing more help. The result is that more and more are ending up homeless, either sleeping on the streets, in the car, overstaying their welcome on friends or families' sofas, or placed in awful quality, insecure and expensive 'temporary accommodation'.<sup>15</sup>

**Case Study 2: Threatened with homelessness—insufficient LHA rates and a lack of a safe, suitable and genuinely affordable alternative**

"I was forced into a 3-bed property with five children after six months in a women's refuge due to domestic violence. From the day we moved in I've reported disrepair to Hammersmith and Fulham and have been ignored.

When I was housed here I was advised by the private lets team that if I have any issues I should go through them.

I've advised that the rent was too high. I couldn't afford it. Yet, I was assured that my LHA rate would cover it. That's never been the case. I'm in serious rent arrears and the council have advised they will find me intentionally homeless and will not re-house me. I've been left with no options and no support. I'm facing homelessness with three children."

Experiences like these are a tragedy—they are traumatic, stifle children's development and make people ill. They are also coming at a huge expense to the public purse. In 2018/19 councils in England spent almost £1.1 billion on temporary accommodation. London local authorities account for nearly three-quarters (74%) of this having spent more than £800 million on temporary accommodation in 2018/19.<sup>16</sup>

This situation is not sustainable nationally and is intolerable. Households on low incomes who simply cannot afford to live in the private rented sector should be able to access a more affordable housing tenure. They should be able to benefit from the affordability that social housing brings. But, as section 1.2 will discuss, this is an increasingly limited option as a result of the disappearance of social housing delivery. This is giving councils no choice but to send people who should be accessing social housing into the unaffordable and unsuitable private sector pushing more and more people into a cycle of unaffordable rents, debt, poverty and homelessness.

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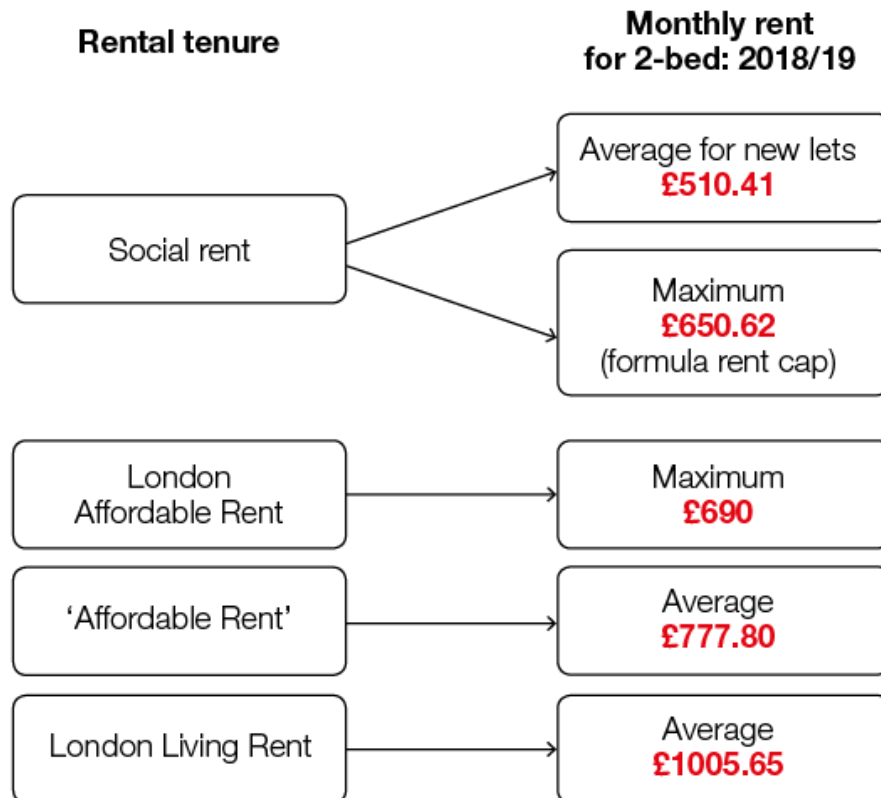
<sup>15</sup>Temporary accommodation is leased by local authorities who have a duty to provide people with a bed for the night. It is often beds in hostels or Bed and Breakfasts, or tiny, poor quality flats, leased nightly at huge costs from private landlords.

<sup>16</sup>MHCLG. 2019. [Local authority revenue expenditure and financing England: 2018 to 2019 individual local authority data – outturn](#). Revenue outturn housing services (RO4) 2018 to 2019.

## 1.2 The disappearance of social housing delivery

The struggles that London renters on low incomes currently face to try and keep a roof over their head illustrates their need to be housed in a much more affordable tenure. Currently, there are a range of different 'affordable housing' tenures that are supplied in London, as illustrated by figure 3.

Figure 3: 'Affordable Housing' tenures in London, 2018-19<sup>17</sup>



<sup>17</sup>How rents are calculated in figure 2 and sources for data.

- **Social rent—new lets:** 70% national average rent (Apr 2000) x relative county earnings (1999) x bed weighting + 30% national average rent (Apr 2000) x relative property value (Jan 1999). Then uprate/reduce. Since Apr 2016, 1% reduction each year. From Apr 2020, uprate by CPI +1%. Average new social rent lettings: Social housing lettings in England, 2018/2019: Continuous Recording (CORE) data and Private rental market summary statistics: April 2018 to March 2019, Valuation Office Agency
- **Social rent—formula rent caps:** Max that can be charged for social rents. Since Apr 2016 cap has reduced by 1% each year. From Apr 2020, cap will increase by CPI +1.5% each year. See MHCLG. 2018. [Policy statement on rents for social housing](#)
- **London Affordable Rent:** Benchmarks initially set at formula rent cap levels in 2016. Since Apr 2016, benchmarks have increased by CPI+1%. London Affordable Rent benchmarks: Mayor of London, Homes for Londoners, Affordable Homes Programme and Private rental market summary statistics: April 2018 to March 2019, Valuation Office Agency
- **'Affordable Rent':** Max of 80% of local market rent. But many registered social landlords charge less. Average 'affordable' rents: Social housing lettings in England, 2018/2019: Continuous Recording (CORE) data and Private rental market summary statistics: April 2018 to March 2019, Valuation Office Agency
- **London Living Rent:** one-third of local earnings. Average London Living Rent: Mayor of London, London Living Rent benchmarks and Private rental market summary statistics: April 2018 to March 2019, Valuation Office Agency

Table 1 assesses the affordability of these tenures against a 30% measure of affordability. It uses the 20<sup>th</sup> percentile of wages in London, to show the situation for a huge number of people—a fifth of all Londoners. It assesses whether a modelled household on 20<sup>th</sup> percentile wages would use more (unaffordable) or less (affordable) than 30% of their monthly wage to cover the cost of their rents.<sup>18</sup> Table 1 shows that the only type of housing that is affordable for those on the lowest 20<sup>th</sup> percentile of wages is social rent housing.<sup>19</sup>

**Table 1: Affordability of different renting tenures for 2-bed properties, based on a monthly wage of £2,167—a 20<sup>th</sup> percentile household wage in London, 2018-19<sup>20</sup>**

<b>Monthly rent levels</b>	<b>Monthly spend on rent (out of a total wage of £2,167)</b>	<b>Percentage of incomes spent on rent (assuming 20<sup>th</sup> percentile wage for a household with one full-time worker and one part-time worker)</b>
<b>Median of new social rent lettings</b>	£496	(23%)
<b>London Affordable Rent benchmarks</b>	£690	(32%)
<b>Median of new 'Affordable Rent' lettings</b>	£782	(36%)
<b>London Living Rent</b>	£1,030	(41%)
<b>Lower quartile private rents</b>	£1,250	(58%)
<b>Median private rents</b>	£1,450	(67%)

<sup>18</sup>Wages are derived from a modelled household of one full-time worker and one part-time worker living in London. They are taken from [Table 8.1a of the Annual Survey of Hours and Earnings](#) and are correct as of April 2019. Wages are weekly pay—gross and have had National Insurance and Income Tax deducted from them. To accurately compare across sources and variables all wages and rents have been converted to monthly rates. This was done by multiplying any weekly rates by 52.14 and subsequently dividing by 12.

<sup>19</sup>A Common measure of affordability is that households do not use more than 30% of household income on housing costs. For discussion, see: Affordable Housing Commission. 2019. [Defining and measuring housing affordability – an alternative approach for](#)

<sup>20</sup>Sources for rent data in the affordability analysis:

**Social rent—new social rent lettings:**

Social rent statistics are the median weekly social rent of new general needs lettings in London. They are taken from [Table 2Cii of the CORE summary tables](#) released by the Ministry of Housing, Communities & Local Government. Statistics were collected between April 2018 and March 2019

**London Affordable Rent:**

[London Affordable rent - weekly rent benchmarks](#)

**'Affordable Rent':**

Affordable rent statistics are the median weekly affordable rent of new general needs lettings in London. They are taken from [Table 2dii of the CORE summary tables](#) released by the Ministry of Housing, Communities & Local Government. Statistics were collected between April 2018 and March 2019.

**London living rent:**

Broadly, the rent for a 2-bedroom property is based on one-third of the local median household income, and across London as a whole comes to around £1,030 a month, or two thirds of the median monthly market rent in London of £1,500 reported by the Valuation Office Agency for 2018/19.

**Lower quartile private rent:**

Private rental statistics are the lower quartile (25th percentile) of two-bedroom properties in London. They are taken from [Table 2.4 of the Private Rental Market Statistics](#) released by the Office for National Statistics. Statistics were collected between 1st October 2018 and 30th September 2019.

**Median private rent:**

Private rental statistics are the median of a two-bedroom property in London. They are taken from [Table 2.4 of the Private Rental Market Statistics](#) released by the Office for National Statistics. Statistics were collected between 1st October 2018 and 30th September 2019.



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As previously highlighted, if this family, with a monthly wage of £2,167, needed to rent a 2-bed property privately, they would have to use a huge 58% of their wage on rent in order to live in one of the cheapest quarter of properties available on the market.<sup>21</sup> <sup>22</sup> They would have to pay an astronomical 67% of their wage on rent if they tried to rent a median-priced 2-bed within the private rented sector.<sup>23</sup> They would only need to use 23% of their wage for median social rents (for new lettings) in London. This scale of reduction in housing costs would have a massive impact—it would stop people having to forego food and plunging themselves into debt just to maintain a place to call home.

Social rents also provide a much more genuinely affordable housing option than any other type of housing, including London Affordable Rent—a tenure where there is a live debate about whether it should be used to meet the same affordability needs as social rent housing.<sup>24</sup>

London Affordable Rent was introduced as a tenure in 2016, during a period from 2011 to 2018 when there was no central government grant available for the delivery of social rent housing in England (see section 2.2.3). London Affordable Rent was also introduced at a time when central government funding for the delivery of ‘affordable’ rental tenures prioritised the delivery of ‘Affordable Rent’. This is despite ‘Affordable Rents’ having the capacity to be up to 80% of local market rents, and so out of the reach of households on low incomes.

Recognising that ‘Affordable Rent’ was not affordable by design for Londoners on low incomes, the GLA made a case to government that Londoners and London needed funding to enable the delivery of housing that provided lower rents. But central government did not respond by enabling ‘affordable’ housing funding to be channelled into social rent housing delivery. Instead, central government and the GLA agreed to develop a new tenure—London Affordable Rent. Existing ‘affordable’ housing funding could then support the delivery of this tenure.

We recognise that London Affordable Rent was introduced as a tenure at a time when no grant was available for social rent, and that it was an attempt to use central government funding to deliver a tenure that provided lower rents than ‘Affordable Rent’. But London Affordable Rent is not social rent and—as our analysis shows—it does not meet the affordability needs of the households on lowest wages in the way that social rent does.<sup>25</sup> Table 1 shows that London Affordable Rent would take up 32% of 20<sup>th</sup> percentile household wages. For

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<sup>21</sup>Wages are derived from a modelled household of one full-time worker and one part-time worker living in London. They are taken from [Table 8.1a of the Annual Survey of Hours and Earnings](#) and are correct as of April 2019.

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<sup>23</sup>**Median private rent:**

Private rental statistics are the median of a two-bedroom property in London. They are taken from [Table 2.4 of the Private Rental Market Statistics](#) released by the Office for National Statistics. Statistics were collected between 1st October 2018 and 30th September 2019.

<sup>24</sup>Gavriel Hollander. 2020. [The opaque art of rent setting: London Affordable Rent explained](#)

<sup>25</sup>Mayor of London. 2017. [Affordable Housing and Viability Supplementary Planning Guidance](#)

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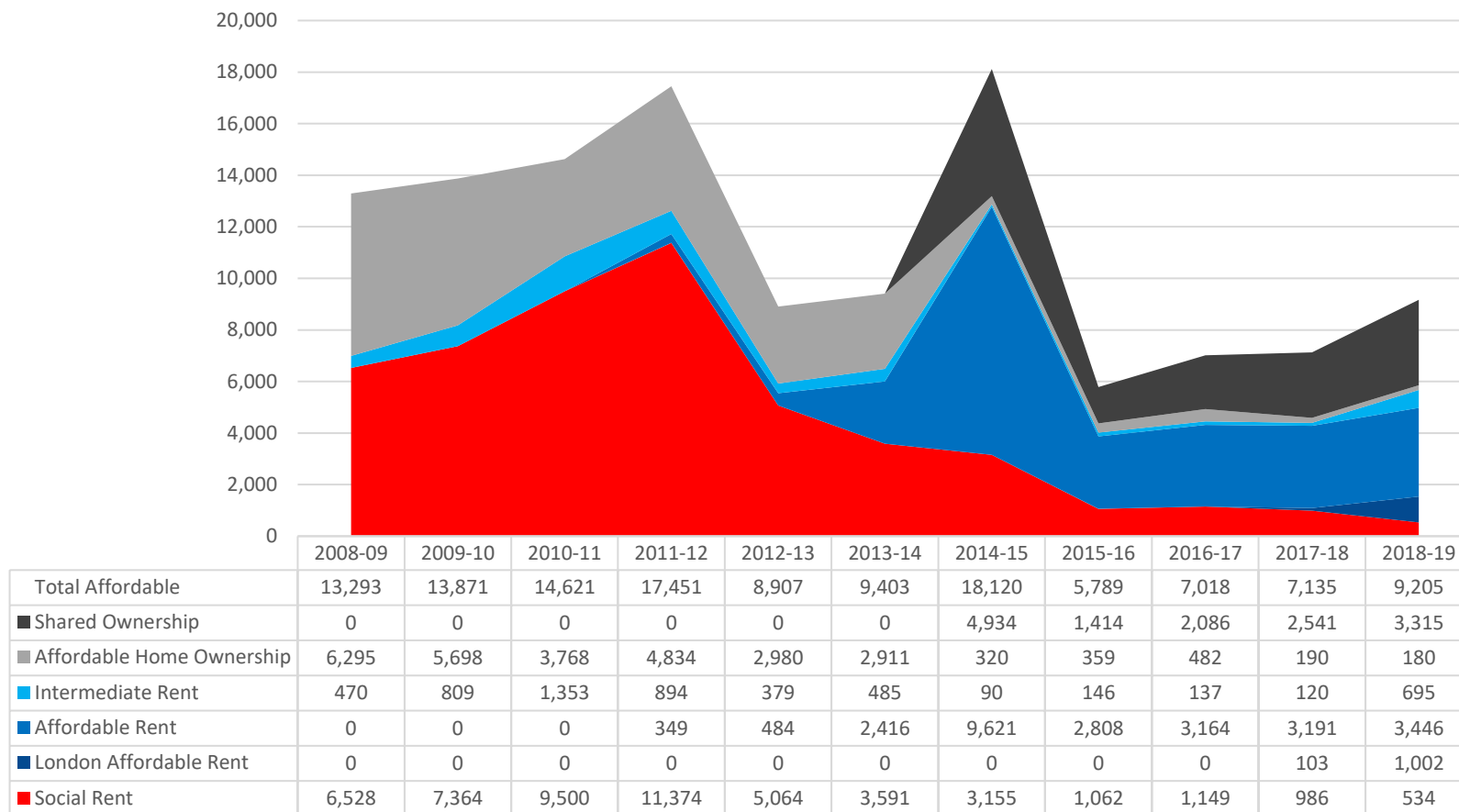
those on the lowest 10% of wages (10<sup>th</sup> percentile), London Affordable Rent would take up 40% of their wage, whereas they would use 29% of their wage to cover median social rents (for new lettings) in London.

London Affordable Rent may have a role to play in addressing the housing needs of households who are not at the sharpest end of London's housing emergency. However, our analysis shows that it is social rent housing which London desperately needs in order to resolve its housing emergency in the long-term. It is the only tenure that meets the long-term affordability needs of the hundreds of thousands of private renters, workers and homeless families on low incomes who are struggling under London's emergency.

But, a prevailing feature of housing supply in London is the disappearance of social rent housing delivery. There are a few main routes that the GLA and local authorities technically have for securing social rent housing delivery. These are: (1) direct delivery from local authorities that is supported through central government grant funding and/or borrowing against their housing revenue account; (2) delivery by housing associations and private developers that is supported through central government grant funding; and (3) requiring developers to make social and affordable housing contributions within their housing schemes through planning agreements known as section 106 agreements. Social rent housing has been placed in competition with other affordable housing tenures (see chapter 2) within every one of these forms of delivery. When the test is not what is needed but what gets the most homes for the cheapest cost, social rent housing loses out. This system has decimated social housing delivery.

Figure 4 illustrates the level of social housing completions that have been delivered through these routes over the last decade. It shows that social rent housing completions have tailed off from 11,374 in 2011-12 to just 534 in 2018-19. By comparison, from 2014/15 onwards 'Affordable Rent' and Shared Ownership have consistently delivered in the thousands, with London Affordable Rent gaining increased prominence over the last year.

**Figure 4: Affordable housing completions in London, by tenure: 2008/09 – 2018/19<sup>26 27</sup>**

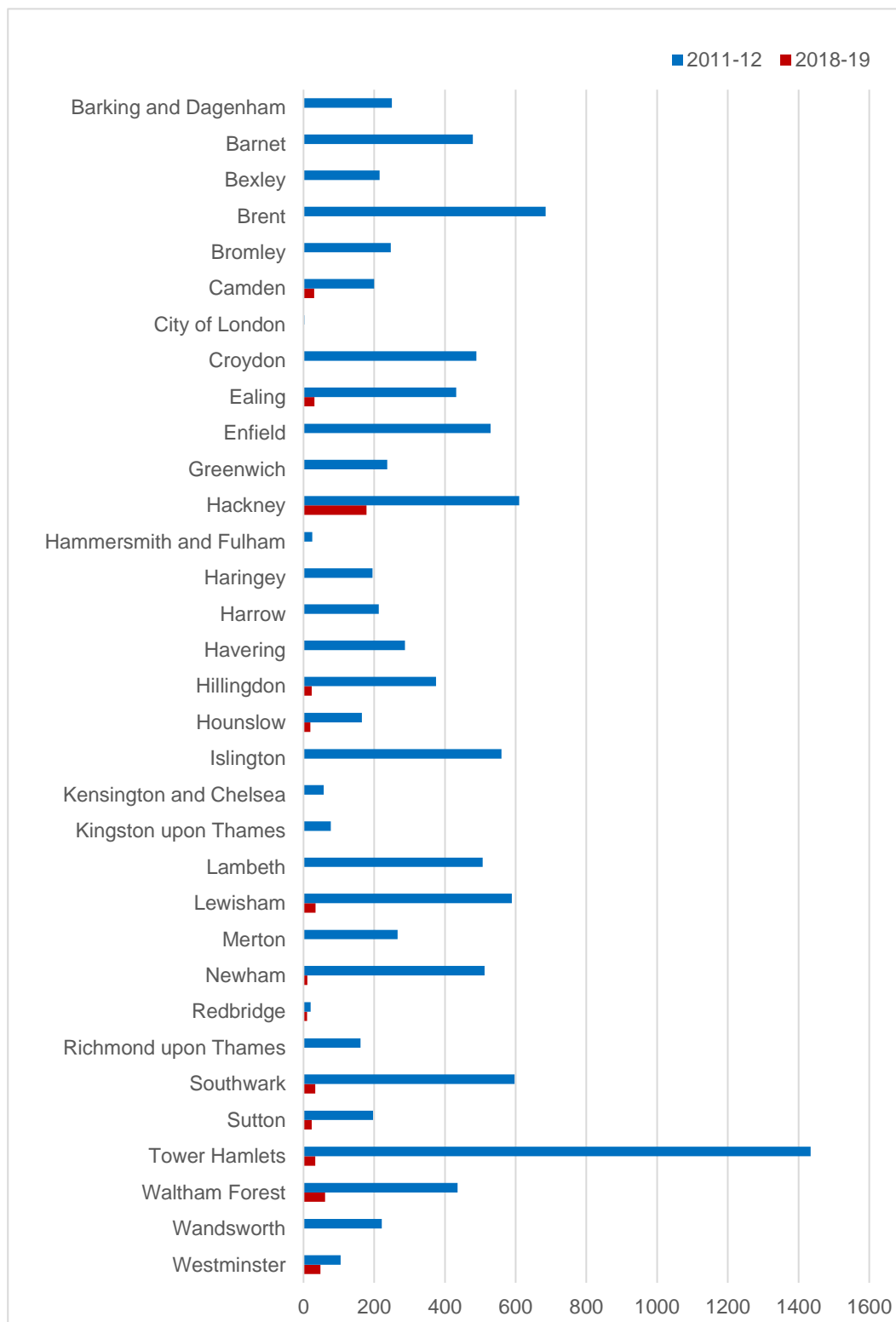


<sup>26</sup>See MHCLG. 2020. [Live Tables 1011C](#)

<sup>27</sup>Intermediate rent figures will not include London Living Rent as by 2018-19 there had been no London Living Rent homes delivered in London. See I. Aikman. 2019. [London Living Rent: Can you benefit from this scheme?](#)

Figure 5 illustrates that the disappearance of social rent housing delivery has been a feature of housing supply across all local authority areas in London.

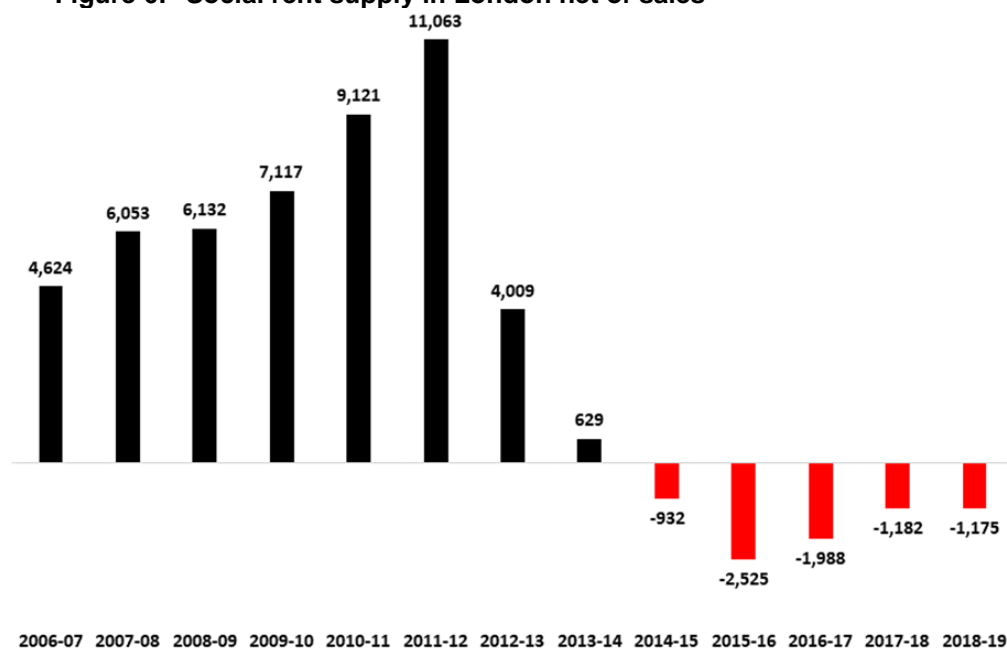
**Figure 5: Disappearance of social housing delivery in London local authorities 2011-12 to 2018-19<sup>28</sup>**



<sup>28</sup>See MHCLG. 2020. [Live Tables 1006C](#)

To make matters much worse, London is also losing social rent housing stock.

**Figure 6: Social rent supply in London net of sales<sup>29</sup>**



Over the last 5 years, London has sold more social rented stock than it has supplied. These figures do not even include the amount of social rent homes that have been lost through demolitions, meaning that London’s loss of social rent stock has been higher.<sup>30</sup>

Such figures for social rent completions and losses, over a period when large amounts of people are struggling to afford a place to call home, has fuelled a substantial growth in homelessness, debt and poverty—people desperately need social housing, but with less available, more and more are going without. Table 2 shows that according to GLA data the need for new-build low-cost rent housing in London has shot up from 14,560 per year in 2007 to 30,972 per year now.

**Table 2: Net annual requirement for new homes in London.<sup>31 32 33</sup>**

	Number of homes needed / % of total		
	2007 - 2017	2015/16 – 2034/35	2016 - 2041
<b>Market</b>	14,360 (44%)	23,217 (48%)	23,037 (35%)
<b>Intermediate</b>	3,650 (11%)	9,902 (20%)	11,869 (18%)
<b>Low-cost rent</b>	14,560 (45%)	15,722 (32%)	30,972 (47%)
<b>Total</b>	32,570	48,841	65,878

<sup>29</sup>MHCLG. 2019. [Live tables on social housing sales: Table 691: Quarterly Right to Buy sales, by local authority](#).  
 MHCLG. 2019. [Live tables on affordable housing supply: Tables 1006 to 1009: additional affordable homes provided by type of scheme and local authority, England](#)

<sup>30</sup>We have not provided figures on the number of social rent homes that London has lost through demolitions as national-level figures are not cut by London.

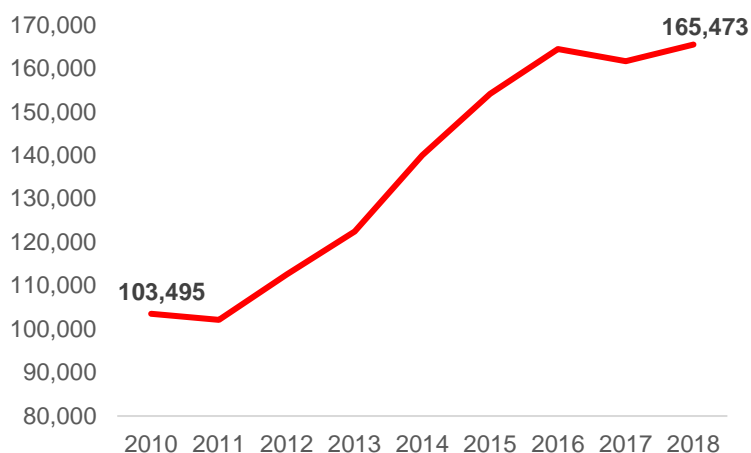
<sup>31</sup>GLA. 2009. [Greater London Strategic Housing Market Assessment 2008. Report of Study Findings](#).

<sup>32</sup>GLA. 2013. [2013 London Strategic Housing Market Assessment](#)

<sup>33</sup>GLA. 2017. [2017 London Strategic Housing Market Assessment](#)

At the worst end of this rise in need is a growing homelessness crisis in the capital. As figure 7 illustrates recorded homelessness—rough sleeping and people in temporary accommodation—has risen dramatically from 103,495 in 2010 to 165,473 in 2018 in London.

**Figure 7: Estimated number of homeless people (in temporary accommodation or rough sleeping), 2010 – 2018.<sup>34 35</sup>**



This sharp rise in homelessness in London is disproportionately impacting on certain social groups.

**Table 3: Composition of London’s homeless households by ethnicity<sup>36</sup>**

Ethnicity	Percentage of main homeless applicants in London (2019)	Percentage of adults in London’s population (2017/18)
White	32%	64%
Minority ethnic	58%	36%

**Table 4: Composition of London’s homeless households by gender<sup>37</sup>**

Gender	Percentage of adults in temporary accommodation in London (2019)	Percentage of adults in London’s population (2018)
Men	35%	50%
Women	65%	50%

<sup>34</sup>MHCLG, Live tables on homelessness, [Rough sleeping statistics England autumn 2018](#), Table 1  
 MHCLG, Live tables on homelessness, [Statutory homelessness live tables](#), Detailed local authority level tables: October to December 2018, Table TA1 and TA2  
 MHCLG, Live tables on homelessness, [Discontinued tables](#), Detailed local authority level homelessness figures, October to December 2010-2017, Section 6  
<sup>35</sup>These figures are likely to be a big underestimation of the true scale of homelessness as they do not account for people who are ‘hidden homeless’, e.g. sofa surfers.  
<sup>36</sup> MHCLG, Live tables on homelessness, [Statutory homelessness live tables](#), Detailed local authority level tables: January to March 2019, Table A8  
 English Housing Survey 2017/18 ethnic origin of HRP  
<sup>37</sup> Live tables on homelessness, [Statutory homelessness live tables](#), Detailed local authority level tables: April to June 2019, Table TA2  
 ONS, [Estimates of the population for the UK, England and Wales, Scotland and Northern Ireland](#), Mid-2018, Table MYE2. Figures are for adults aged 18+

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Tables 3 and 4 respectively provide an ethnic and gender breakdown of recorded homelessness in London. They show that minority ethnic people and women are disproportionately impacted by homelessness. A key, although not exclusive<sup>38</sup>, factor informing the racialised and gendered nature of homelessness in London is that minority ethnic people and women are more likely to be on lower wages (see table 5), meaning that they are more likely to face affordability pressures, especially with LHA not covering the cost of renting.

**Table 5: Average incomes for different social groups in London<sup>39</sup>**

Group	Mean amount
All	£2,277
Men	£2,691
Women	£1,889
White	£2,455
Minority Ethnic	£1,838

The scale of London's homelessness crisis is such that 1 in 52 people in London are homeless, compared with 1 in 200 across England.

The disappearance of social housing delivery in London, and the exorbitant cost of temporary accommodation, makes it grossly expensive, or even impossible for local authorities to provide temporary or permanent housing solutions for homeless households within their local authority area, and at times within London. This is leading to ripple effects impacting on regions outside of London.

London's local authorities are increasingly placing London's homeless households in temporary accommodation outside of their local authority, often in other London boroughs that have less expensive private rented sector accommodation. Households are also being placed in temporary accommodation outside of London, for example in areas such as Milton Keynes and the West Midlands.<sup>40</sup> With these out-of-area placements comes the risk of: families being displaced from the neighbourhoods and communities that they know, love and rely on day-to-day; people losing their jobs as it is no longer possible for them to travel to their place of work; and children's education being disrupted as they either have to travel long distances to school or because they are forced to change school.

These out-of-area placements also mean that local authorities covering areas such as Milton Keynes and the West Midlands have a reduced ability to use temporary accommodation for homeless households in their area; local authorities across England are increasingly having to resort to the use of expensive, often poor quality, private sector temporary accommodation due to the disappearance of social housing delivery in England—last year, just 6,287 social homes were delivered in England.

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<sup>38</sup>Other important factors include the [gendered nature of homelessness that arises from people fleeing domestic abuse](#) and that [minority ethnic households are more likely](#) to have to wait longer for a housing offer.

<sup>39</sup>Source: [Understanding Society Wave 8 2016-18](#) - All adults aged 18+ in London

<sup>40</sup>Shelter. 2016. [Home and away: The rise in homeless families moved away from their local area](#)

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London's housing emergency is not just causing misery for Londoners, it is exacerbating housing emergencies outside of the city too. Tackling London's housing emergency is therefore not only an issue of concern for the GLA or London's local authorities. It should be a significant issue for national government too.

### 1.3 The consequences of inaction on London's housing emergency

The harmful combination of spiralling rents compared to wages and LHA, and the disappearance of social rent housing delivery, are severely impacting on the availability of genuinely affordable housing options for households on low incomes. Inaction has led to intolerable consequences, with the national housing emergency being felt more acutely in London than the rest of England.

Without urgent action, things will only get worse. Sky-high levels of homelessness will increase even more. Households on low incomes will increasingly be excluded from homes in London, with this impact being disproportionately felt by minority ethnic households, women and households containing people who are disabled—across England 8% of households have either the head of the household or their partner as registered disabled and this increases to 12.7% of households for those that are living in the private rented sector and are supported by housing benefit.

These groups of households on low incomes are at risk of being displaced from their neighbourhoods and their city, away from schools and support networks—areas outside of London are increasingly having to shoulder the weight of London's housing emergency as well as their own respective housing emergencies.

With this displacement, communities and vital contributors to London's and the United Kingdom's economy will also be lost. Furthermore, inaction will mean that vacancies in key aspects of London's economy will not be filled as ordinary working people cannot afford to make this city their home. Research by Turner and Townsend has found that someone would need to earn £70,000 a year before they found it easy to manage housing costs in London, well above an entry level role in the vast majority of industries, including essential services that London relies upon.<sup>41</sup>

Failure to deal with London housing's emergency should be a concern both within London, and nationally. Government at all levels must take action to solve this emergency. The next chapter outlines urgent action that different tiers of government must take to end London's housing emergency and ensure that the city is affordable for all who currently live here and who wish to make this city their home.

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<sup>41</sup>Turner and Townsend. 2019. [Moving Out: How London's housing shortage is threatening the capital's competitiveness](#)



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# CHAPTER 2: ENDING THE BLAME GAMES, TACKLING LONDON'S HOUSING EMERGENCY

**Urgent action is required to tackle London's housing emergency. Yet, unhelpful blame games have meant that we have lacked the co-ordinated government effort required to end this emergency. The GLA, local councils and central government will all need to play their part. If they do not, London's housing emergency will only grow worse.**

## 2.1 Ending the blame games

Central government and the GLA have spent a lot of time blaming one another for London's housing emergency. At the same time, there has been a lack of joined up thinking about what they can all be doing better to address this emergency.

The government, for example, has publicly criticised Sadiq Khan's administration for not developing ambitious enough housing targets, arguing his current targets are not based on "the full extent of housing need in London to tackle affordability problems" in the capital.<sup>42</sup> These criticisms have been made whilst that government, and successive governments before them, have not provided the social housing grant settlement that is needed to ensure the GLA can deliver more ambitious social housing delivery plans.

In a similar vein, the Mayor of London has been critical of successive government's failure to invest "anywhere near enough" to help fund social housing delivery.<sup>43</sup> Yet, there are some steps the GLA could have taken in spite of the inarguable lack of investment. They have not made full use of their planning powers to help secure greater levels of social housing delivery in London—for example, they could have pushed for more social rent housing within the London Plan (see section 2.3).<sup>44</sup>

Likewise, London's local authorities have shed important light on how chronic underinvestment by government has impacted on their capacity to tackle their respective homelessness crises.<sup>45</sup> But, at the same time, not all of them have been making the best use of their plan-making and planning decision-making powers to secure the social housing they need from developers.<sup>46</sup>

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<sup>42</sup>MHCLG. 2018. [Letter from Ministry of Housing Communities and Local Government to the GLA](#)

<sup>43</sup>Planning and Construction News. 2017. [Khan calls for government investment to double housebuilding](#)

<sup>44</sup>This is a problem that was also a feature of Boris Johnson's tenure as Mayor, as section 2.3 will discuss.

<sup>45</sup>London Councils. 2019. *London Councils responds to 'appalling' homelessness figures from Shelter*

<sup>46</sup>Town and Country Planning Association and Trust for London. 2019. [London – Planning for a Just City? Exploring how local planning authorities are embedding equality and inclusion in planning policy](#)

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These blame games must end. They are taking energy away from the urgent, coordinated action that is required from different tiers of government to address London's spiralling housing emergency.

Central government, the GLA, and London's local authorities should draw inspiration from a recent time when there have been complementary actions to address a barrier to remedying London's housing emergency: closing the viability loophole. Since the publication of the National Planning Policy Framework in 2012, developers had been able to shirk their affordable housing obligations if they could show that building genuinely affordable homes on a scheme threatened their ability to make a 20% profit. Developers and land traders gamed the system, overpaying for land and using the high price they paid to wriggle out of providing genuinely affordable homes.<sup>47</sup>

Shelter, along with many communities and campaigners,<sup>48</sup> campaigned for this problem to be addressed. Subsequently, in 2017, the GLA introduced a "threshold approach to viability" where developers do not need to submit viability information for housing planning applications that comply with the GLA's affordable housing policy.<sup>49</sup> In 2018, the government subsequently introduced game-changing amendments to national-level affordable housing policy, stating that "Under no circumstances will the price paid for land be relevant justification for failing to accord with relevant policies in the plan",<sup>50</sup> including social and affordable housing policies.

These changes are beginning to filter down locally within London local authorities' affordable housing plans,<sup>51</sup> which will enhance local authorities' capacity to secure policy compliant affordable housing contributions from developers—in London, the number of social rent housing starts from section 106 contributions (with no grant) in London increased from 148 in 2016/17 to 419 in 2018/19.

Unfortunately, this sort of complementary action has been in far too short supply. If London's housing emergency is to be tackled, then different tiers of government all need to play their part.

## 2.2 The collective action required

Tackling London's housing emergency means remedying the lack of genuinely affordable housing options for households struggling under the housing emergency. Chapter 1 explained that the inability of households on low incomes to find genuinely affordable housing for themselves is on the one hand being

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<sup>47</sup>R. Grayston. 2019. [We closed the viability loophole](#)

<sup>48</sup>See: [35% campaign](#)

J. Flynn. 2016. [Complete control: Developers, financial viability and regeneration at the Elephant and Castle](#)

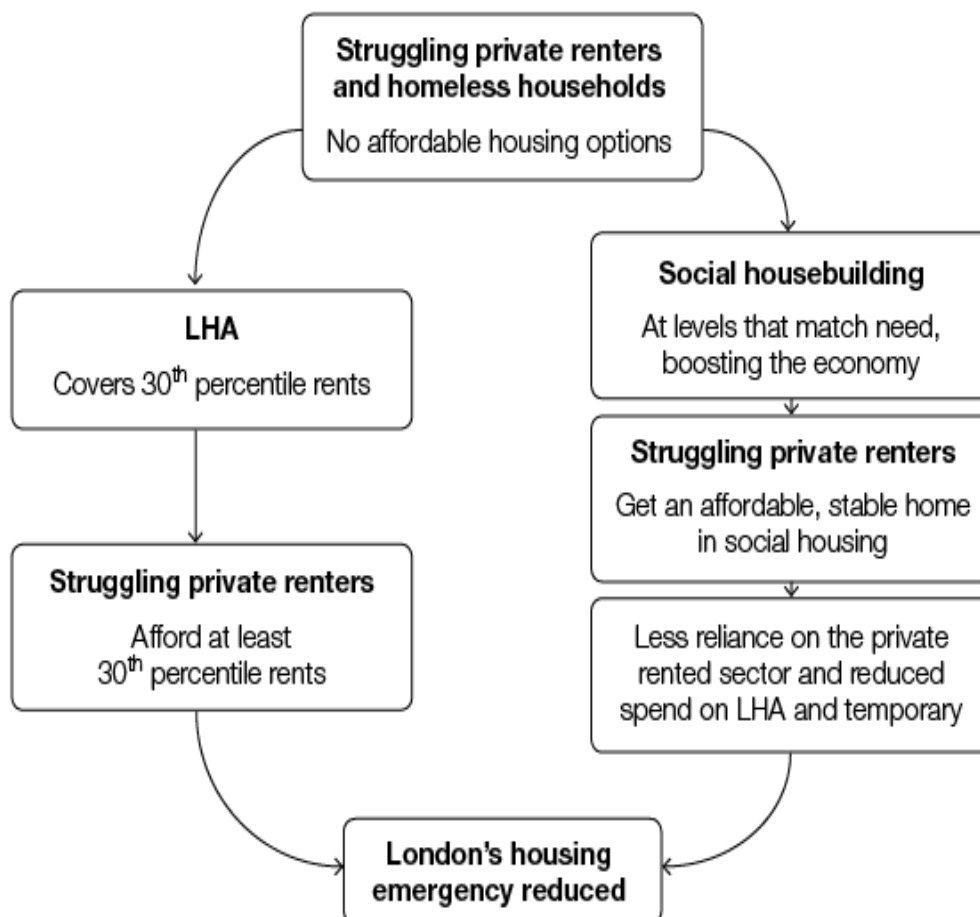
<sup>49</sup>Mayor of London. 2017. [Homes for Londoners: Affordable housing and viability supplementary planning guidance 2017](#)

<sup>50</sup>MHCLG. 2020. [Guidance: Viability](#)

<sup>51</sup>See for example Sutton London Borough Council. 2019. [Draft supplementary planning document: Affordable housing and financial viability SPD](#)

driven by LHA rates that do not cover the cost of renting. On the other, it is being driven by the disappearance of social rent housing delivery. Action on both these fronts is required to begin to make serious inroads into London's housing emergency.

**Figure 8: Remedying London's housing emergency**



The recommendations discussed below represent priority areas for action given the pre-existing powers of the Mayor and local authorities and given critical opportunities in the upcoming political calendar to lobby for national changes that will make a significant difference.<sup>52</sup> In this regard, recommendations discussed relate to:

- the GLA's and local authorities' planning powers;
- central government funding for social housing delivery;
- national planning policy and guidance; and
- central government policy on LHA.

<sup>52</sup>To see our full vision of policy changes that are required refer to Shelter. 2019. [Building for our future: A vision for social housing](#) which discusses how the national housing emergency can be solved.

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## 2.2.1 A social rent delivery policy for London

Historically, The London Plan has set social rent housing targets as policy—this meant that there was policy that required developers, through the section 106 process, to build certain levels of social rent housing as part of new housing developments. This was a feature of the 2004, 2008 and 2011 versions of The London Plan (see figure 9). However, this changed after the introduction of the *National Planning Policy Framework* in 2012 which established ‘Affordable Rent’ and stated that it could be “let by local authorities or private registered providers of social housing to households who are eligible for social rented housing”<sup>53</sup>. It also followed the withdrawal of central government funding for continued social rent delivery (see section 2.2.3). Following this, there was a conflation of ‘Affordable Rent’ and social rent within subsequent London Plans (see figure 9). The consequence was that there was no London-wide policy framework that that could be used to require social rent over ‘Affordable Rent’ as part of the decision-making on housing planning applications.

This problem has taken on a slightly different form since the emergence of London Affordable Rent. In 2017, the GLA outlined the planning policy approach that was to be taken to London Affordable Rent within the *Affordable Housing and Viability Strategic Planning Guidance*. This document outlines the threshold approach to viability currently operation in London (see section 2.1), and within this approach there is a conflated target for social rent and London Affordable Rent. Worryingly, this conflation is set to be embedded within the emerging *London Plan* that will be introduced in March 2020 (see figure 9).<sup>54</sup>

Our analysis in section 1.2 shows why social rent and London Affordable Rent should not be treated as one and the same. The huge difference in affordability between these two tenures means that they should not be treated as meeting the same affordability needs in planning policy terms. Also, London Affordable Rent levels are not shaped by local earnings in the same way that social housing rent levels are.<sup>55</sup> Again, the overriding consequence is that with no social rent delivery policy for London, and with government investment prioritising the delivery of London Affordable Rent, social rent will not be delivered through the section 106 process, despite the clear need for social rent housing over London Affordable Rent.

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<sup>53</sup>Department for Communities and Local Government. 2012. [National Planning Policy Framework](#)

<sup>54</sup>Mayor of London. 2019. [The London Plan – Intend to publish \(clean version\): Spatial development strategy for Greater London](#)

<sup>55</sup>**Social rent—new lets:** 70% national average rent (Apr 2000) x relative county earnings (1999) x bed weighting + 30% national average rent (Apr 2000) x relative property value (Jan 1999). Then uprate/reduce. Since Apr 2016, 1% reduction each year. From Apr 2020, uprate by CPI +1%. Average new social rent lettings: Social housing lettings in England, 2018/2019: Continuous Recording (CORE) data and Private rental market summary statistics: April 2018 to March 2019, Valuation Office Agency

**London Affordable Rent:** Benchmarks initially set at formula rent cap levels in 2016. Since Apr 2016, benchmarks have increased by CPI+1%. London Affordable Rent benchmarks: Mayor of London, Homes for Londoners, Affordable Homes Programme and Private rental market summary statistics: April 2018 to March 2019, Valuation Office Agency

**Figure 9: London Plan affordable housing target policy 2004 – present, showing significant reductions in social rent targets<sup>56 57 58 59 60 61 62</sup>**

London Plan version	Tenure targets (%)
2004 Plan	<b>Social rent: 35%</b> Intermediate: 15% Market: 50%
2008 Plan	<b>Social rent: 35%</b> Intermediate: 15% Market: 50%
2011 Plan	<b>Social rent: 24.6%</b> Intermediate: 16.4% Market: 59%
2013 Plan	<b>Social rent OR 'Affordable Rent': 24.6%</b> Intermediate: 16.4% Market: 59%
2015 and 2016 Plans	<b>Social rent OR 'Affordable Rent': 24.1%</b> Intermediate: 16% Market: 59.9%
Draft New Plan (due March 2020)	<b>Social rent OR London Affordable Rent: 15%</b> Intermediate: 15% Local authority decision over 'Affordable Housing' contribution: 20% Market: 50%

The next Mayor has the power to change this situation. Though limited by a lack of government funding, the next Mayor can secure more social rent housing through amending The London Plan. Within the plan they can develop a social rent delivery policy, in consultation with London's local authorities and London's communities. This policy should:

1. outline that social rent, not London Affordable Rent or 'Affordable Rent', is the tenure that will meet the affordability needs of households on low incomes, and that its delivery should be prioritised to meet these needs;
2. require London's local authorities to develop social rent housing delivery policies for their boundaries that are not conflated with other so-called affordable housing tenures; and

<sup>56</sup> Mayor of London. 2008. [The London Plan 2008 \(Consolidate with Alterations since 2004\)](#)

<sup>57</sup> Mayor of London. 2011. [The London Plan 2011](#)

<sup>58</sup> Mayor of London. 2013. [The London Plan: Revised Early Minor Alterations](#)

<sup>59</sup> Mayor of London. 2016. [The current London Plan](#)

<sup>60</sup> Mayor of London. 2016. [Minor Alterations to the London Plan](#)

<sup>61</sup> Mayor of London. 2019. [The London Plan: Intend to Publish](#)

<sup>62</sup>In this table, intermediate will include Shared Ownership, London Living Rent and other 'affordable' home ownership and rental tenures (not including 'Affordable Rent').

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3. outline tools that must be used to help plan for, and secure the delivery of, the social housing that London needs, e.g. a robust Equality Impacts Assessment and GLA-owned or local authority-owned land.

The combined effect of a policy like this will be to: (1) send a signal to the housing development market in London that they should price in social rent delivery when buying land;<sup>63</sup> (2) require local authorities to develop a planning policy framework that will give them a stronger hand to demand the delivery of social rent housing over other housing tenures in order to address their identified need for 'low-cost rent' housing; and (3) point to the tools that should be used to help deliver the social rent housing that London needs.<sup>64</sup>

**Recommendation 1: The next Mayor must develop a strong social rent delivery policy within The London Plan and end the conflation of social rent housing with other so-called affordable housing tenures.** This policy should be developed in collaboration with London's local authorities and communities. It should set out that social rent housing is the tenure that is required to be delivered to meet housing need arising from households on low incomes. It should also provide the tools available to help plan for, and secure, required delivery, for example a robust Equality Impact Assessment and public land.

## 2.2.2 We need London's local authorities to develop social rent delivery policies

Since the introduction of 'Affordable Rent' as a tenure in 2012, many London local authorities have also conflated social rent housing with other so-called "affordable" housing tenures in their affordable housing policies. According to research conducted by the Town and County Planning Association with support from Trust for London last year, only 29% of existing or emerging Local Plans in London contain a section 106 policy for social rent housing delivery.<sup>65</sup>

The majority of Local Plans in London will lack the local-level policy framework that will provide local authorities with a stronger capacity to require social rent housing over other 'affordable' renting tenures in order to meet the housing needs of households on low incomes. This is one factor behind the disappearance of social rent delivery within most local authority areas in London over the last few years (see figure 5 in section 1.2).

As will be discussed in subsequent sections, the national context will impact on how ambitious any local authority social rent delivery policy can be. But, even

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<sup>63</sup>Remembering that [National planning guidance](#) on viability states that "the price paid for land is not a relevant justification for failing to accord with relevant policies in the [Local] plan."

<sup>64</sup>This recommendation should be read alongside the recommendations we make in section 2.2.3 and 2.2.4 which will help enhance London's capacity to deliver social rent housing over other "affordable" housing tenures.

<sup>65</sup>Town and Country Planning Association and Trust for London. 2019. [London – Planning for a Just City?: Exploring how local planning authorities are embedding equality and inclusion in planning policy](#)

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within the current climate they are feasible to develop. Indeed, the fact that there are London local authorities who do/are intending to outline a clear social rent delivery policy for their area illustrates that this is the case. This is because a social rent delivery policy is essentially a tool that can be used to outline, and secure, the social housing contributions that are expected from developers within the section 106 process. This process aims to use private sector finance to help deliver social goods, such as social housing, that help ensure developers are delivering schemes that communities need rather than just schemes which maximise their profit.

If local authorities are to make the best use of their planning powers to secure the social rent housing that their communities need then they must each develop a social rent delivery policy for their boundary. It should:

1. outline the social rent housing contributions that it would expect developers to make to help meet the housing needs of households on low incomes; and
2. outline the tools and the breadth of development that they will use to help plan for, and secure the delivery of, the social housing that their communities need, e.g. a robust Equality Impacts Assessment, local authority-owned land, and large and small sites.<sup>66</sup>

Developing a policy like this will give a strong indication to developers on all types of sites that they will be expected to deliver social rent housing to help meet housing need in respective local authority areas, encouraging them to price in social rent housing delivery when they buy land.

**Recommendation 2: Each local authority should develop a social rent delivery policy within their Local Plan.** These policies should end the conflation of social rent housing with other so-called affordable housing tenures. They should be informed by a robust assessment of need, a robust Equality Impact Assessment and after outlining the capacity of all types of housing development to deliver social rent housing. The next Mayor must facilitate this by using the London Plan to require all London local authorities to develop a robustly determined social rent delivery policy within their Local Plans.

### **2.2.3 Government should deliver much more grant for social housing in London**

The next Mayor and London's local authorities can certainly be doing more with their respective planning powers to boost social housing delivery in London. But there are major limits on what they can achieve through better use of planning,

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<sup>66</sup>See section 2.2.4 for more detailed discussion of this specific issue as it manifests at a national-level.

and their ability to directly deliver social housing. These limits are set by central government funding and policy, which must be changed.

One of the necessary changes is reform to government’s approach to funding affordable housing delivery. A significant barrier to social housing delivery is the absence of a substantial, long-term grant settlement that prioritises the delivery of social rent housing.

Figure 10 outlines the affordable housing programmes that have been in place since 2008 and the funding settlements for London.<sup>67</sup> Figure 11 illustrates how many GLA funded social rent housing starts there have been over this period.

**Figure 10: Government funding for new affordable housing delivery in London since 2008<sup>68 69 70 71 72</sup>**

Affordable Homes Programme	Funding Amount	Tenures supported by grant
2008-09 to 2010-11	£2.97bn	Social rented and intermediate (rent and ownership)
2011-12 to 2014-15	£1.85bn	‘Affordable Rent’, intermediate and affordable home ownership tenures
2015-16 to 2017-18	£1.25bn	‘Affordable Rent’ and affordable home ownership tenures
2016-17 to 2020-21	Nov 2016: £3.15bn	London Affordable Rent, ‘Affordable Rent’ and ‘affordable’ home ownership tenures
	March 2018: £1.67bn	Social rent, ‘Affordable Rent’ and ‘affordable’ home ownership tenures

<sup>67</sup> Grant figures are for all of England rather than just for London.

<sup>68</sup> Mayor of London, 2010, [The London Housing Strategy](#)

<sup>69</sup> Mayor of London, 2011, [The Revised London Housing Strategy: For consultation with the public](#)

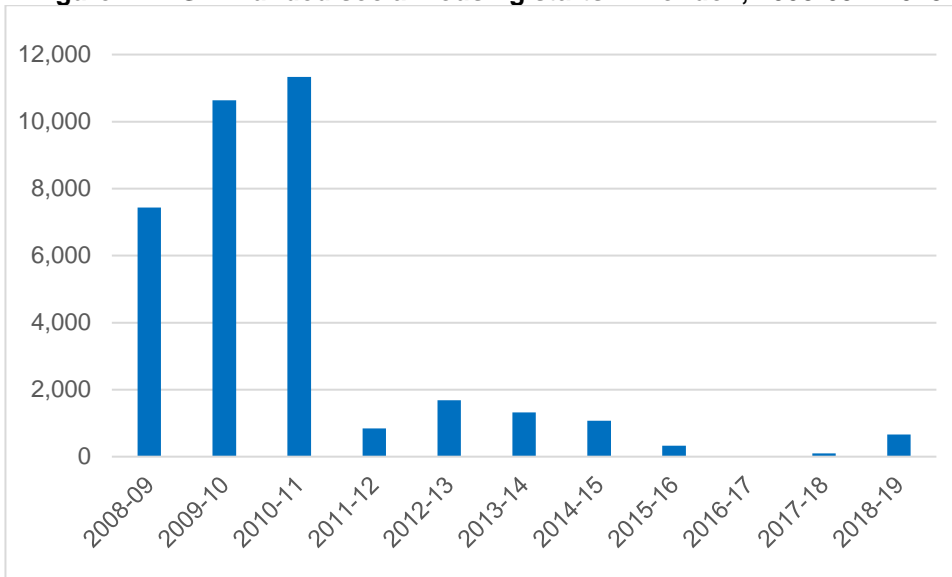
<sup>70</sup> Mayor of London, 2014, [Homes for London: The London Housing Strategy](#)

<sup>71</sup> Mayor of London, 2016, [Affordable Homes Programme 2016 – 21 Funding Guidance](#)

<sup>72</sup> Mayor of London, 2018, [MD2282: Additional funding for affordable homes](#)



**Figure 11: GLA funded social housing starts in London, 2008-09 – 2018-19<sup>73</sup>**



GLA funded social rent housing starts were at their peak between 2008-09 to 2010-11 when funding was specifically available for the delivery of social rent housing. GLA funded social rent starts averaged 9,800 a year during this period. However, from 2011-12 to 2017-18 affordable housing funding was to be used to support the delivery of 'Affordable Rent' and intermediate housing—it was not allowed to be used to support social housing delivery. There were devastating consequences. GLA funded social housing starts averaged just 1,232 a year between 2011-12 and 2014-15. This average dropped to just 51 homes started a year between 2016-17 and 2017-18.

Since March 2018, £1.67bn has been made available by government, some of which can go into supporting social rent housing delivery. But social rent housing has still had to compete for this funding with London Affordable Rent and 'Affordable Rent'. Under a simple assessment of cost per unit, both these tenures will get prioritised over social rent housing—they have the capacity to yield higher rents than social rent housing. This is why GLA funded social rent starts in recent years have in no way compared to starts between 2008-09 and 2010-11, when there was no other rented tenure that it had to compete with for funding. If London is to deliver social rent housing at scale again then a substantial grant settlement which prioritises social housing delivery is essential.

Currently, the best estimate for the level of grant that London requires to deliver the social rent housing London needs has been provided by the GLA. Last year, they released a report which identified that London requires a grant settlement of £4.9bn a year over the next 10 years to support the delivery of 22,750 social rent

<sup>73</sup>GLA. 2018. [GLA housing starts on site and completions](#)

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homes every year, alongside shared ownership homes and intermediate rent (e.g. London Living Rent) homes.<sup>74</sup> Investment on this scale would reboot social housing delivery within London in a way that would begin to seriously address London's significant housing need, providing homes for families struggling in private rentals, people who are homeless, and the essential workers that London needs.

Government committing to this amount would enable local authorities and housing associations to set out ambitious plans and to deliver the social rent housing required to meet London's housing needs. National action would unlock much more effective local action.

**Recommendation 3: Central government must use the next affordable homes programme to invest the capital grant needed for a significant increase in social housing delivery.** The next Mayor must make the case that London needs a substantial and long-term grant settlement that prioritises social rent housing, in order to reboot social housing delivery in the capital.

#### **2.2.4 Government must remove social housing 'get-out' clauses from planning**

Another priority area for government action concerns the planning system. National planning policy should provide the guidance and policies that support local authorities to deliver the social rent housing that is needed. But, over the last several years planning deregulation has provided blanket 'get-out' clauses for developers, meaning they can avoid providing their fair contribution towards the social housing London needs.

National planning deregulations have been introduced because of the belief that 'burdensome' obligations tied in with the planning process are slowing down the development process and overall housing delivery.<sup>75</sup> But across London in 2019 89% of major planning decisions across all development have been completed within the required 13-week timeframe.<sup>76</sup> These deregulations are therefore based on an erroneous premise.

They have also come at a heavy price in London. They have undermined possibilities for the GLA and London local authorities to get social housing contributions from all types of new housing development within their boundaries. Local authorities have responded by setting their expectations lower, setting limited affordable housing planning policies that have not normally sought social

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<sup>74</sup>GLA. 2019. [The 2022-2032 affordable housing funding requirement for London](#)

<sup>75</sup>Department for Communities and Local Government. 2014. [House of Commons: Written Statement \(HCWS50\)](#)

<sup>76</sup>MHCLG. 2019. [Open data: planning applications decisions – all developments, England, district by speed of decision: a cube data spreadsheet](#). The London average is a simple average across London local authorities rather than calculated using the raw aggregates for London as a whole.

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housing contributions from three main categories of development which contain social housing get-out clauses.

### 1. Permitted development rights for the delivery of new housing

Permitted developments are classes of development that do not need to gain full, local planning permission in order to go ahead. This means that they do not need to comply with local affordable housing policy and local authorities cannot place section 106 obligations on them—the obligations that require social and affordable housing to be delivered. Since 2013, permitted development rights have covered forms of new housing delivery and now include conversions of offices, agricultural buildings, and hot food takeaways into housing without contributing towards social housing. They also allow the two-storey extension of existing blocks of flats to deliver new housing without planning permission. As a result of this system, London local authorities have lost out on over 4,250 potential affordable homes, including social rent homes, between 2015-16 and 2017-18.<sup>77</sup>

Permitted development rights are not needed to enhance housing supply from the types of development currently covered by it. In Glasgow, where permitted development rights for office-to-residential conversions do not apply, the number of full planning applications for office-to-residential conversions nearly doubled from 40 between 2009 and 2013 to 77 between 2013 and 2017.<sup>78</sup> This challenges the idea that the planning system limits housing supply. In fact, without planning standards get lowered and the provision of the social housing we need gets stifled.<sup>79</sup> Government must abolish the use of permitted development rights so that London's local authorities have an enhanced capacity to secure more of the social rent homes needed across London.

### 2. Vacant Building Credit

In 2014, government introduced new planning rules outlining that Vacant Building Credit would apply to vacant buildings that are brought back into use or that are demolished and replaced by a new building. For this type of development, a developer receives a financial 'credit' that is equivalent to the existing gross floorspace of the vacant building meaning that affordable housing contributions are only applicable on parts of the development that represent new floorspace. This policy is unduly limiting social and affordable housing contributions that local authorities can secure. Indeed, Westminster City Council has reported that the Vacant Building Credit policy could be taking more than £1 billion away from being spent on affordable housing.<sup>80</sup>

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<sup>77</sup>Shelter analysis of local authority planning documents and [live tables on housing supply: net additional dwellings, Table 123](#), Housing supply; net additional dwellings, components flows of, by local authority district

<sup>78</sup>B. Clifford, J. Ferm, N. Livingstone & P. Canelas. 2018 [Assessing the impacts of extending permitted development rights to office-to-residential change of use in England](#)

<sup>79</sup>C. Sagoe. 2019. [We must call time on permitted development rights for new housing](#)

<sup>80</sup>London Assembly. 2015. [Could councils lose millions on vacant building credit?](#)

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In response to such concerns, the GLA has tried to introduce a policy which encouraged London local authorities to disregard Vacant Building Credit. But, the Planning Inspectorate, in their assessment of the *Draft New London Plan*, rejected the Mayor's efforts. So, this policy will continue to apply in London despite it being a policy tool that will hinder local authorities securing the homes London needs from developers. Government should get rid of Vacant Building Credit so that London's local authorities can fund more social rent housing delivery from vacant buildings that are brought back into use or redeveloped.

### 3. Exemptions for small sites

In 2014, the government announced that housing schemes providing 10 homes or less, which do not exceed 1000 square metres in floorspace, would not need to provide section 106 affordable housing contributions.<sup>81</sup> The rationale informing this decision was that affordable housing contributions constituted a cost so big to developers of small sites that they were hindering their ability to build any homes at all.<sup>82</sup> But, even if in some very specific contexts the economics of directly delivering social housing on small sites is impractical, contributions can be provided through other means, for example financial contributions. In this regard, the Planning Inspectorate has clarified that this national policy can be overridden if local authorities are able to produce extremely strong evidence that supports the establishment of a lower threshold for securing social and affordable housing contributions, direct delivery or otherwise.<sup>83</sup> This clarification provides a challenge to the logic that it is not possible to secure social and affordable housing contributions from small sites. Despite this clarification, many local authorities have simply followed government's original policy guidance. This unnecessary guidance is steering many London local authorities away from using their affordable housing policy to full effect.

The GLA has recognised, and tried to address, this problem through the process informing the development of the *New London Plan*. In the emerging plan the GLA has encouraged local authorities to require social and affordable housing contributions from small sites. It will take time to see how this emerging London-level policy framework will impact on London local authorities' approach to minor sites. But, experience from the Planning Inspectorate's intervention, outlined above, suggests that the GLA's guidance needs the support of a national policy framework that requires social and affordable housing contributions from minor sites. Together, this will create a strong policy framework to secure social housing contributions from sites that are, according to the Mayor, "a significant source of housing supply" in London.<sup>84</sup>

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<sup>81</sup>MHCLG & B. Lewis. 2014. [Written statement to Parliament: Small-scale developers](#)

<sup>82</sup>DCLG. 2014. [House of Commons: Written Statement \(HCWS50\)](#)

<sup>83</sup>T. Edwards. 2017. [Planning Inspectorate clarifies approach to small sites affordable housing exemption](#)

<sup>84</sup>Mayor of London. 2019. [The London Plan – Intend to publish \(clean version\): Spatial development strategy for Greater London, p. 183](#)

**Recommendation 4: Central government should introduce planning reforms that will enhance opportunities to secure social rent housing from all types of housing development.** Ahead of the publication of the Planning White Paper, the next Mayor must use all channels at their disposal to evidence to government that removing social housing get-out clauses from the national planning system—e.g. permitted development rights, Vacant Building Credit and small site exemptions—is necessary if London is to seriously tackle its housing emergency.

### **2.2.5 Local Housing Allowance must be increased to cover at least the 30<sup>th</sup> percentile of rents**

Government action is not just needed on social housing supply. The start of this chapter discussed how solving London's housing emergency also requires immediate action on LHA. Until a new generation of social homes can provide a genuinely affordable housing option for struggling private renters, investing in LHA is the only policy tool currently available to government to ensure that struggling renters can afford their housing costs in the capital, and therefore to tackle the rising tide of homelessness.

Government's stated intention is that LHA should cover the 30<sup>th</sup> percentile of rents in all areas (BRMAs) in England. Research outlined in section 1.1 shows that LHA does not cover the 30<sup>th</sup> percentile of rents anywhere in London. It does not even cover the 10<sup>th</sup> percentile of rents in 69% of London BRMAs. As a consequence, LHA recipients are cutting back on food, taking on further debt and forcing themselves into overcrowded living conditions. More and more are ending up homeless. LHA recipients should not be having to make such sacrifices, all just to afford somewhere to rent within the private rented sector.

Government ensuring that LHA operates in a way which satisfies stated policy ambition would begin to address these problems that LHA recipients face. With the LHA freeze due to end in April 2020, government had the chance to ensure that LHA was fit for purpose. However, at the start of 2020, government announced that from April 2020 LHA rates will only be raised in line with CPI. This currently stands at 1.7%. In no way will this compensate for the sizeable damage that has been done by the LHA freeze and previous cuts outlined in section 1.1.

This pitiful increase leaves LHA rates way behind the 30<sup>th</sup> percentile of rents that rates are supposed to cover. And government's announcement has not included a mechanism for ensuring that LHA rates rise in line with rents in the future. Both issues must be addressed if private renters on low incomes are able to cover the cost of renting in the future.

**Recommendation 5: Government must bring LHA rates up to at least the 30<sup>th</sup> percentile of local rents in perpetuity.** This should be a key national policy change that the next Mayor lobbies for over the course of the next Mayoral term.

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## 2.3 All levels of government must do more

The GLA, London's local authorities and central government must all do better to address London's housing emergency. If they worked together to make these changes, national and local policies and funding would support one another to ensure that renters and homeless people struggling under London's housing emergency have access to genuinely affordable housing options.

The blame games must end. Serious, co-ordinated work to end London's housing emergency is too important. The next chapter briefly outlines the future we can look forward to if the Mayor (through the GLA), London's local authorities and central government all take the required steps.

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# CHAPTER 3: HOPE FOR A BRIGHTER HOUSING FUTURE IN LONDON

**Under London's spiralling housing emergency, many workers and families on low incomes are struggling to keep a roof over their head. Urgent, collective action from government at all levels is required to remedy this growing emergency. Collective action to reboot social rent housing delivery and ensure that housing benefit covers at least the bottom 30 percent of private rents will have huge impacts that will be keenly felt by communities across London and across the country.**

## 3.1 Benefits of ending the housing emergency for London

Proactive action to tackle London's housing emergency will have benefits that will be felt across the capital. There will be life-changing impacts for currently struggling households who will be able to have a genuinely affordable place to call home. They will not have to cut back on food or plunge themselves into debt just to put a roof over their heads. Eye-watering levels of homelessness will begin to come down.

Struggling workers, families and older people will have genuinely affordable housing options that will provide them with a foundation to rebuild their lives and thrive in this city. London will be able to house those who want and need to call this city their home. This includes the diverse range of households on low incomes that the city relies on, and who have made London what it is today.

Labour market mobility will be supported, and London's economy will be boosted as companies and public services will be able to hire the workers they need because a broader pool of workers will be able to afford to call this city home.

## 3.2 Ripple effects across the country

Taking action to solve London's housing emergency will not just benefit London. Locations that are feeling the effects of London's emergency will also experience the positive impacts. If there are genuinely affordable housing options for people living in London with low incomes, then they will not need to move further afield to afford cheaper rents. Additionally, homeless households in London will not need be placed out of area as there will be a sufficient supply of genuinely affordable social rent homes for them to move into within London.

This will reduce the squeeze being felt by other areas that are also having to deal with their own housing pressures. Without Londoners moving out to find cheaper rents, more private rentals will be available to provide an affordable option for renters in their local area. Additionally, areas that are being asked to house London's homeless will instead be able to use their own temporary accommodation and social rented stock to help manage and solve homelessness and housing pressures in their area.

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Furthermore, investing in social housing delivery now will produce long-term savings for the government's budgets. The national housing benefit bill will be reduced as the number of households requiring housing benefit will reduce due to the affordability that social rent housing brings. Where support is still required, the value of payments will be reduced. As well as housing benefit savings, the construction of homes boosts the local and national economy and increases tax revenues. Shelter research has shown that a 20-year national programme of social housebuilding would pay for itself after 39 years.<sup>85</sup>

Investing in tackling London's housing emergency will reap benefits for Londoners and London, allowing millions the opportunity to get on in their lives and take advantage of opportunities. It will produce ripple effects that will help address the housing emergency across the country and bring broader benefits to the national economy. This is not just a London problem, it is a national emergency, and it needs a national effort if it is to be solved.

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<sup>85</sup>Shelter. 2019. [Building for our future: a vision for social housing](#).



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