

## Shelter Briefing: Opposition Day Debate on Homelessness

Shelter is the UK's largest housing and homelessness charity. Last year we gave information, support and advice to millions of people experiencing bad housing and homelessness.

At the heart of the national housing emergency is a decades long failure to build enough homes, particularly enough social homes. The impacts of this failure are seen by Shelter every day in our services and in the harrowing statistics on housing and homelessness that are increasingly all too familiar. The Government, through both legislation and investment, can take steps to address this. In this regard, the spending priorities of both MHCLG and DWP could be used to make a material impact on housing and homelessness in England.

To do this, the government must:

1. Restore Local Housing Allowance (LHA) rates to, at least, the 30th percentile of local market rents at the next Budget. This will enable more homeless people to find a secure home that they can afford in the private rented sector, as well as preventing further homelessness moving forward;
2. Ensure social housebuilding receives the levels of investment necessary to provide a secure, low-cost home to all who need one.

### Context

In England, we are facing a national housing emergency driven by a long-term failure to build enough homes, particularly enough social homes. The impacts of this housing emergency are stark:

- **281,000 people were homeless in 2019.** This includes **135,000 children without a home** or living in temporary accommodation;
- 237,000 people are estimated to be living in temporary accommodation. The amount Councils spend on temporary accommodation for homeless households has increased exponentially in the last five years, costing more than £609m in 2013/14 and £1.1bn in 2018/19;
- In 2018, the average home in England cost eight times more to buy than the average pay packet. On top of this, the average share of income that young families spend on housing has trebled over the last fifty years;
- Private renters spend an average of 40% of their household income on housing costs, which is more than any other tenure (i.e. homeowners or social tenants).

Every day, Shelter Services see the human impact of the national housing emergency across the country. Last year, our services helped tens of thousands of people improve their housing conditions. This included halting the evictions of 8,700 households, helping more than 5,300 people secure somewhere new to live, and supporting more than 33,000 households in securing positive change in their housing situation.

We know that there is a solution to this emergency – **significantly increasing the delivery of social rented housing and restoring Local Housing Allowance (LHA) rates to the 30<sup>th</sup> percentile of local market rents.**

Yet, in recent years, the delivery of social housing has plummeted to historic lows. In 2018/19, only 6,287 new social homes were built. Moreover, if we include the amount of social rent homes that were sold last year, we are actually looking at **a net loss of 17,453 social rent homes across 2018/19** (once all social housing sales and demolitions are accounted for).

Investment in social housing is only one part of the solution to solving our national housing emergency. On top of this, the Government must take immediate action to address the Local

Housing Allowance (LHA), which is currently insufficient for enabling people on low incomes to secure a place to live in the private rental sector. In this regard, Shelter research shows that, in 97% of areas in England, the amount available through LHA will not cover the cost of renting a two-bedroom home at the 30<sup>th</sup> percentile. In other words, LHA no longer covers the cheapest third of rents in the private rental sector – the level Government policy states LHA should be covering.

LHA is the way that housing benefit (or the housing element of Universal Credit) is calculated for people who are privately renting. Since 2011, LHA rates have been subject to a range of cuts and changes. At present, despite the Government raising LHA rates in line with the Consumer Price Index (CPI) in April 2020, LHA still fails to meet the cost of renting privately at the 30<sup>th</sup> percentile. This means that more and more families are falling into homelessness, while those that are housed in temporary/emergency accommodation are finding it increasingly difficult to find long-term accommodation in the private sector. While any rise in LHA is welcome, the Government's recent 1.7% increase does not go near close enough to restoring rates to the bottom 30<sup>th</sup> percentile of local market rents.

In the longer term, it is important to note that investment in social housing will lower the housing benefit bill at the national level, while also reducing temporary accommodation costs at local authority level (currently at £1.1bn). However, within the immediate context of historically low social housing supply, it is important to acknowledge that the private sector will continue to play a crucial role in reducing and preventing homelessness. Within this context, we cannot reduce homelessness without urgent investment in LHA.

### **Investing in housing benefit: essential immediate spending to reduce homelessness**

Since 2011, LHA rates have been subject to a range of cuts and changes, including a four-year freeze that will end in April 2020.

The result has been private rents outpacing LHA rates for a number of years, leaving the LHA rates significantly below the actual costs of renting, creating huge shortfalls for renters. Consequently, people are being increasingly pushed into rent arrears, debt, and homelessness. At Shelter, our services see more and more people **forced into homelessness by debt accrued while claiming LHA**. This is further evidenced by research carried out by a number of organisations:

- The Government's Housing White Paper (2017) acknowledged that 'high and increasing costs in the private rented sector can impact upon tenants who struggle to pay, and these households are more likely to be at risk of becoming homeless'.
- The National Audit Office stated that 'changes to LHA are likely to have contributed to the affordability of tenancies for those on benefits and are an element of the increase in homelessness'.
- The Manchester Metropolitan University, on behalf of the Residential Landlords' Association, also found that the LHA freeze is driving the increase in homelessness from the private rental sector.
- A survey of local authorities undertaken by Crisis in 2018 found that just over 9 in 10 local authorities (91%) stated that the four-year freeze on LHA rates had increased homelessness in their area with 6 in 10 local authorities (59%) stated that this increase was "significant".

Now that the Government have ended the LHA freeze, rates must be restored to at least the 30<sup>th</sup> percentile of local market rents, if we intend to reduce and prevent homelessness moving forward. The Government have estimated that this would cost £800m for 2020/21. The result of this investment would be a significant reduction in homelessness and huge savings on the costs of temporary accommodation at the local level, which are now at £1.1bn.

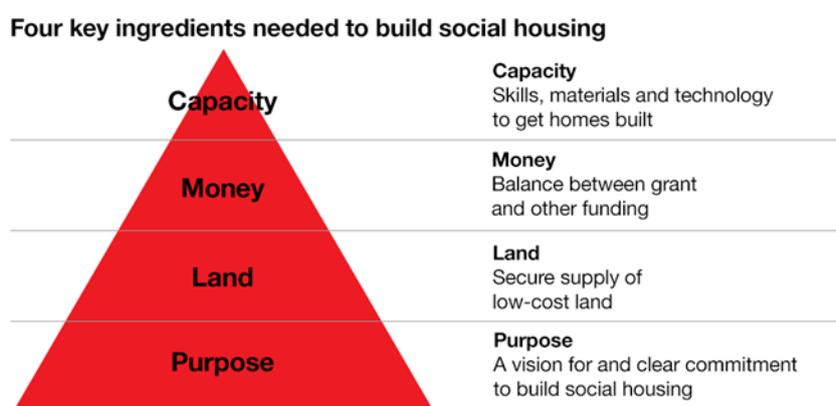
### **Investing in social housing: the long-term solution**

At the heart of the national housing emergency is a failure by successive Governments to ensure the delivery of the social homes that we need.

In the three and half decades after the Second World War, Councils and housing associations built 4.4 million homes, at a rate of more than 125,000 per year. However, last year, across the whole of England, only 6,287 new social homes were built. If we further consider the homes that were sold, it is a **net loss of 17,453 social rent homes across 2018/19** (once all social housing sales and demolitions are accounted for).

Social rent housing is the only form of housing that is affordable to everyone, everywhere, because it is linked to local incomes. It provides genuine affordability and stability that families need to secure their future and it has to be at the heart of the solution to the national housing emergency.

While there are barriers to building the social homes we need, this parliament has the opportunity to deliver the national changes needed to deliver them.



To deliver more social homes, we must:

1. Rediscover the purpose of social housing and change the definition of affordable housing to link to what people can afford.
2. Increase the available funding for social rent housing, with an annual investment of £12.8bn, at the next review of the Affordable Homes Programme.
3. Reform our broken land market, where the high cost of land is a block on good design and affordability, by legislating to change the 1961 Land Compensation Act.
4. Use social housing to drive innovation in the housebuilding system by supporting SMEs and Modern Methods of Construction.

### **Key recommendations**

1. Restore Local Housing Allowance (LHA) rates to, at least, the 30th percentile of local market rents at the next Budget.
2. Ensure social housebuilding receives the levels of investment necessary to provide a secure, low-cost home to all who need one.

**If you have any questions, or would like data specific to your constituency, please contact [Shaan\\_Bhangal@shelter.org.uk](mailto:Shaan_Bhangal@shelter.org.uk) or call 01302 221239.**