

# Local Government Association briefing

## Adjournment debate on social homes for rent

### House of Commons

Wednesday 6 December 2017



#### Key messages

- The national housing shortage is one of the most pressing issues we face. Councils are working with communities to ensure more homes are built, but only an increase of all types of housing – including those for affordable or social rent – will solve the housing crisis. A genuine renaissance in council housebuilding would increase overall supply and reduce homelessness.
- The Government's latest provisional figures on affordable housing show that the number of homes built for social rent has fallen by over 50 per cent in three years, with only 5,380 completed in 2016-17.<sup>i</sup>
- The Autumn Budget has taken a step forward by lifting the housing borrowing cap for some councils in 'areas of high affordability pressure', enabling them to bid for up to £1 billion in funding by 2021-22. This is an important recognition of the vital role that councils must play to provide desperately-needed homes, but does not go far enough.<sup>ii</sup>
- The shortage of housing supply is contributing to an affordability crisis. The LGA has found that one in seven private renters spends over half their income on rent. A new wave of affordable housing must now be built, linked to a new definition of affordable housing as costing 30 per cent of household income or less.<sup>iii</sup>
- Councils welcomed the Government's decision to listen to our call for the Local Housing Allowance (LHA) rate not to apply to social housing. This is hugely positive, and will provide some crucial certainty for councils and their partners to provide housing for some of the most vulnerable people in our society.
- In October 2017 the Government confirmed the rent settlement for social landlords. Increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1 per cent for 5 years from 2020. Councils need the long term stability over rent levels in order to plan for investment in new and existing housing stock.

# Briefing

## **Background information**

### ***The national housing shortage***

The national housing shortage is one of the most pressing issues we face. The last time this country built more than 250,000 homes a year, councils built more than 40 per cent of them. In order to build 300,000 homes a year, the Government needs to ensure all councils are given greater freedom to borrow to build new homes of all types and tenures, including social homes for rent.

Councils are working with communities to approve nine in 10 planning applications, but it is clear that only an increase of all types of housing – including those for affordable or social rent – will solve the housing crisis.

The Housing Revenue Account (HRA) borrowing cap prevents councils from borrowing to invest in building new homes. The Autumn Budget has taken a step forward by lifting the housing borrowing cap for some councils in ‘areas of high affordability pressure’, enabling them to bid for up to £1 billion in funding by 2021-22. Councils are currently borrowing around £25.5 billion of a total £29 billion on their HRAs.

This is an important recognition of our argument about the vital role that councils must play to provide desperately-needed homes, but this does not go far enough. The HRA cap should be lifted for all councils and HRA borrowing removed entirely from contributing to the national public debt, to free councils from restrictions on borrowing to build homes.

It is positive to see Government investment in building new homes announced in the Budget. The doubling of the Housing Infrastructure Fund is particularly welcome, as is investment in the Affordable Homes Programme. All councils must have a leading role in shaping this investment to ensure that new housing and infrastructure meets the needs of their local communities.

The Government has accepted our argument that councils must be part of the solution to our chronic housing shortage. As our Housing Commission<sup>iv</sup> has highlighted, investment in housing has significant wider benefits for communities and the right homes in the right places can boost employment, improve wellbeing and support an ageing population.

### ***The unaffordability of housing***

In most areas the rise in house prices above earnings has made housing less affordable for a large and growing proportion of the population. For many households, high housing costs means cutting back on other outgoings, squeezing into smaller properties, or moving out of the area where they have built lives for themselves and their families.

For Government, it means greater pressure on housing benefit spending which is now well over £20 billion a year, accounting for 80 per cent of all public investment in housing.<sup>v</sup> Last year the country built around 30,000 new affordable homes, the lowest number in 24 years, with many being priced at levels not affordable for many families.<sup>vi</sup>

Only an increase of all types of housing – including those for affordable or social rent – will solve our housing shortage and help to make housing affordable for future generations. This is the best way to reduce waiting lists and housing benefit, keep rents

low and help more people get on the housing ladder. To help achieve this, councils want the Government to commit to building a new wave of different affordable housing options linked to a new definition of affordable housing as being of a cost that is 30 per cent of household income or less.

### ***The housing association reclassification***

In November 2017, the Office for National Statistics reclassified housing associations as private sector organisations, which lifts their £70 billion of debt off the public sector debt book. Housing associations were temporarily classified by the ONS as public bodies in 2010, and both the Government and housing associations will be pleased with this reversal of that outcome. This re-classification involves removing public sector influence over housing association practice, including removing councillors from being mandatory members of housing association boards. It is important that housing associations work with councils to house the most vulnerable in the society.

### ***Changes to the Local Housing Allowance***

The Local Housing Allowance (LHA) is paid to low-income families in the private rented sector to help them cope with high housing costs. The rate is currently frozen despite private rented sector rents in England having risen by nearly 11 per cent in the last five years.

Councils welcomed the Government's decision to listen to our call for the LHA rate not to apply to social housing. This is hugely positive. The move will provide some certainty for councils and their partners to provide housing for some of the most vulnerable people in our society, and to invest in improving and building more affordable homes.

We are now calling on the Government to lift the LHA freeze in the private rented sector and connect it with real rent levels, so that councils can prevent homelessness happening, and work with landlords to provide suitable housing for those that need it.

A recent survey of councils by the LGA reveals 96 per cent of responding councils are concerned that "homelessness would increase", and 94 per cent said it would be "more difficult to meet the requirements" of the new Homelessness Reduction Act, if the freeze on the LHA were not lifted up until 2020.<sup>vii</sup>

Councils are currently housing more than 77,000 homeless families in temporary accommodation, including more than 120,000 children. The unaffordability of private rented housing is the current leading cause of homelessness, and without action to lift the freeze for private renters, homelessness will continue to increase.

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<sup>ii</sup> Department for Communities and Local Government, live tables on affordable housing supply, November 2017 (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>)

<sup>iii</sup> HM Treasury, Autumn Budget 2017 (<https://www.gov.uk/government/topical-events/autumn-budget-2017>)

<sup>iii</sup> Local Government Association, submission to the Autumn Budget 2017 (<https://www.local.gov.uk/parliament/briefings-and-responses/lga-autumn-budget-submission-2017>)

<sup>iv</sup> 'Building our homes, communities and future: preliminary findings from the LGA Housing Commission', June 2016

<sup>v</sup> UK Housing Review, Chartered Institute of Housing, 2016

<sup>vi</sup> Department for Communities and Local Government, live tables on affordable housing supply, November 2017 (<https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>)

<sup>vii</sup> Local Government Association, Local Housing Allowance Survey: Final Report (<https://www.local.gov.uk/local-housing-allowance-survey-final-report-august-2017>)