

Local Government Association Briefing

Debate on the availability and affordability of housing

House of Lords

Thursday 12 October 2017



Key messages

- The nation is facing a housing crisis. Dealing with the crisis is vital if we are to ensure that all residents are able to benefit from economic growth. Everyone needs a home that is affordable, good quality and is well-supported by local services and infrastructure. Councils must be part of the solution to providing more homes in the right places.
- The country needs to build 250,000 homes a year to keep up with demand. The last time housebuilding reached this level, in the 1970s, local government built around 40 per cent of them. Bold new action is needed to solve our housing crisis and a renaissance in house building by councils must be at the heart of this.
- Ahead of the Autumn Budget we are calling on the Government to re-establish self-financing from 2020, lift the housing borrowing cap, and to provide a sustainable long term financial framework for councils to invest in new homes, of all tenures, through Housing Revenue Accounts (HRA).
- In most areas the rise in rents and house prices above earnings makes housing less affordable for a large and growing proportion of the population. The LGA has found that one in seven private renters spends over half their income on rent.
- Councils are working with communities to approve nine in ten planning applications. 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.
- The Government must act now to end rising homelessness by lifting the Local Housing Allowance (LHA) freeze and exempting temporary accommodation from the overall benefit cap.

Briefing

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Background information

Availability of housing

The housing crisis is having a significant impact on our communities and economies. It affects everyone from the young families unable to get on the property ladder, to the older people who want to downsize but can't find the specialist housing they need, to the people who find themselves on the streets or in temporary accommodation.

Local government shares the collective national ambition to increase housing supply but housebuilding is currently well below the levels required for a fully functioning housing market. Last year housing supply increased by 190,000 new homes, but we need to be building 300,000 homes before they become affordable.¹ The last time the country built more than 250,000 homes in a year, in the 1970s, local government built around 40 per cent of them. Local authorities are approving nine out of ten planning applications, and are using all the tools currently at their disposal to build more homes, alongside the vital infrastructure and services that sustain communities.

It is good that the Government has accepted our argument that councils must be part of the solution to our chronic housing shortage, and we were pleased to see additional funding for affordable homes announced by the Prime Minister. Bold new action is needed to solve our housing crisis and councils are well placed to bridge the gap between housing need and building rates. As our Housing Commission² 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.

Councils need financial flexibilities and a sustainable long term financial framework to invest in new homes, of all tenures, through Housing Revenue Accounts and other ventures. The Government should work to remove housing for borrowing investment from contributing to public sector debt, and allow the Housing Revenue Account (HRA) borrowing cap to be lifted. Councils also need the ability to retain 100 per cent of Right to Buy receipts to rapidly build new affordable homes.

We are calling on the Government to commit to no further increases in the new homes bonus (NHB) threshold for any council. The potential for future unexpected increases in the threshold is a concern for councils. A commitment to no further increases for any council would provide much-needed certainty. In the longer term, the overall level of resourcing for council investment in housing and infrastructure, including the new homes bonus, should be reviewed to ensure an appropriate balance of funding and incentive in all areas.

Affordability 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,

¹ National Audit Office report, [Housing in England: overview](#), January 2017

² ['Building our homes, communities and future: preliminary findings from the LGA Housing Commission'](#), June 2016

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.³ 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.⁴

Rising rents make it increasingly difficult to buy a first home. Analysis from the LGA has revealed that one in seven private renters (14%) now spend more than half of their total income on rent.⁵ For house buyers, interest rates on mortgages have rarely been lower, but escalating house prices mean average deposits for first time buyers are now costing 71 per cent of annual income. Young people today are half as likely to be on the housing ladder as 20 years ago.⁶ Their chances of ownership are increasingly determined by how fortunate their parents were in previous housing booms.

Only an increase of all types of housing – including those for affordable or social rent – will solve our housing shortage and a renaissance in house building by councils is ultimately needed if we are 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.

Homelessness

Homelessness is increasing. Loss of tenancy now triggers a third of all new homelessness cases, as rents rise and reduced welfare assistance limits landlords' capacity to provide for low-income households. The last six years have seen a 44 per cent increase in the number of homeless households and a 102 per cent increase in rough sleeping. Councils are currently housing 75,740 families including 118,960 children in temporary accommodation, at a net cost that has tripled in the last three years.⁷

Despite overall growing rates of homelessness, local government is increasingly successful in preventing it. In 2015/16 more than 90 per cent of households helped by councils had their homelessness prevented.⁸ However councils cannot tackle rising homelessness on their own, particularly as people most vulnerable to

³ UK Housing Review, Chartered Institute of Housing, 2016

⁴ Live tables on affordable housing supply, DCLG, 2017

⁵ LGA analysis published July 2017, based on the Labour Force Survey, the Valuations Office Agency Private Rental Market statistics and the English Housing Survey.

⁶ Building our homes, communities and future, LGA, 2016

⁷ Live tables on homelessness, DCLG, 2017

⁸ Live tables on homelessness, DCLG, 2017

homelessness often need access to other services to overcome challenges, such as mental health or addiction issues.

To help end homelessness we call for the Government to make cheaper finance available to councils seeking to acquire homes for the use of homeless households at scale. Alongside this Government should lift the Local Housing Allowance (LHA) freeze, link the allowance to the change in rent levels, and reconsider plans to apply the LHA rate to social housing from 2019. Councils also want to see temporary accommodation exempted from the overall benefit cap.

Planning

Councils want to use the planning system to work positively with developers to build prosperous places. However planning departments are severely under-resourced, while local taxpayers are subsidising planning services by 30 per cent because nationally set planning fees do not cover the full costs.

The Government should work towards an efficient and proactive role for planning services to deliver homes by allowing councils to set fees locally and exploring how other services can support planning services. Key to this is rapidly progressing the commitment to allow councils to increase planning fees by 20 per cent⁹ and committing to allow every council the flexibility to increase them up to 40 per cent while testing a fair and transparent scheme of local fee setting.

⁹ Housing White Paper, DCLG, 2017