

The long-term commitment to increased provision of social housing to help to reduce housing costs, homelessness and housing benefit expenditure

House of Lords debate
31 January 2019



Key messages

- The housing shortage is one of the most pressing issues we face. Councils have a key role in delivering more affordable housing and helping to build 300,000 new homes a year. The last time this country built at least 250,000 homes a year, councils delivered more than 40 per cent of them.ⁱ
- The social housing green paper is a positive step from the Government. However, we would like to see a firmer commitment to building more social homes. Recent estimates show that investment in a new generation of social housing could return £320 billion to the nation over 50 years.ⁱⁱ
- It is fantastic that the Government has accepted our long-standing call to scrap the housing borrowing cap. The Government has estimated this will lead up to 9,000 new homes a year. This is a significant contribution to the estimated 100,000 social homes a year needed.
- Councils want to encourage home ownership, without a corresponding decline in the number of social rented homes. As a result of the sale of homes through Right to Buy, local authorities have lost enough homes to house the population of Oxford in the last five years.
- It is essential that the Government enables councils to keep 100 per cent of receipts from Right to Buy (RTB) sales to invest in new affordable housing.
- Homelessness is a tragedy for all those it affects and is one of the most visible signs of the nation's housing crisis. Councils are providing temporary housing for over 82,000 households, including over 123,000 children.ⁱⁱⁱ
- The Local Housing Allowance (LHA) is paid to low-income families in the private rented sector to help with high housing costs. To prevent homelessness, we are calling for the LHA freeze to be lifted entirely, and for the Government to provide more affordable social housing.^{iv}
- Councils face an overall funding gap of £3.1 billion in 2019/20, which we estimate will rise to £8 billion by 2024/25. It is vital that the Government uses the 2019 Spending Review to deliver truly sustainable funding for local government.

Briefing

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Further information

Increasing social housing

According to Government statistics, new housing completions in 2017/18 reached 163,250 - a 16 per cent increase from the previous year.^v This is positive news. However, councils are responsible for a small proportion of the total completed. The figures show that whilst private developers built 134,110 and housing associations 27,410 only 1,730 houses were completed by local authorities.

The lifting of the Housing Revenue Account (HRA) borrowing cap was a welcome and necessary step, which councils and the LGA had long called for. The Government has estimated this will lead up to 9,000 new homes a year. This is a significant contribution to the estimated 100,000 social homes a year needed. Councils will need to build the capacity in their housing teams, and we will be working to ensure the sector is well equipped to build houses at scale.

Local authority housing borrowing should be removed entirely from contributing to the public debt. Local authorities with no HRA should be able to access borrowing to develop housing if that would help meet local housing need. In addition, the flexible use of other capital receipts for revenue projects should be extended beyond 2020.

Despite substantial constraints in recent years, councils have been working hard to build new homes. We recently looked in-depth at innovation in house-building via HRAs. Our research demonstrated how councils are building some of the best quality housing, on some of the most difficult sites, and meeting the needs of people not being catered for by other developers.^{vi}

The social housing green paper

The Government published its social housing green paper in August 2018, setting out its proposals to reform the relationship between tenants and landlords.^{vii} The paper is designed around five principles, one of which is building the social homes we need. We welcome the green paper, and the positive intent it signals towards delivering more affordable housing.^{viii}

The green paper is only a small step towards plugging the gap in housing supply, compared with the immediate need for more genuinely affordable homes. There is an emphasis on treating social housing as a 'springboard' into other tenures. This fails to recognise the substantial benefits that a genuine expansion of social housing would bring about, helping people into sustainable, affordable homes.

It is good that the Government has listened to our concerns and dropped plans to force the sale of council homes. We have worked hard to demonstrate the need to change this policy, which would have forced councils to sell off large numbers of the homes desperately needed by low-income families.

As we outlined in our response to the green paper, social housing – and its tenants - should be treated as a valuable national asset. The Government could support this by allowing councils to borrow to invest in new and existing stock, which would reinforce its status as an asset that returns value on investment.

Councils and the Government should develop social housing, private rented housing and home ownership as equally desirable options for different people at different periods in their lives. Reforming Right to Buy (RtB) so that the policy is sustainable for both those seeking a social rented home, and those wanting to buy their own home, would be a welcome start.

Right to Buy

Councils want to encourage home ownership, without a corresponding decline in the number of social rented homes. It is therefore essential that the Government enables councils to keep 100 per cent of receipts from RtB sales to invest in new housing. Under current arrangements councils are only able to retain a third of receipts from the sale of homes. Local authorities have lost enough homes to house the population of Oxford in the last five years.^{ix}

Recent LGA analysis reveals almost £3.5 billion in RtB discounts have been handed out to council tenants over the past six years, at an average of £60,000 in 2016/17.^x This has led to a quadrupling in the number of RtB sales, which councils have been unable to keep up with and replace. This loss of social rented housing risks pushing more families into the private rented sector, driving up housing benefit spending, and exacerbating our homelessness crisis.^{xi}

Homelessness

Our latest analysis demonstrates that homelessness support (including temporary accommodation) faces a funding gap of £110 million in 2019/20, and £421 million in 2024/25.

According to the latest official figures there are 82,310 homeless households, in need of temporary accommodation and other forms of support from local authorities. This number includes over 123,000 children, which represents the highest number of children without a permanent home since 2007.^{xii} The rising number of people across the country needing support to secure temporary accommodation, or to remain in their homes, is putting a strain on council homelessness budgets which are already facing substantial financial pressures.

The leading cause of statutory homelessness is now the termination of assured shorthold tenancies in the private rented sector. Short-term and uncertain tenancies are resulting in more people turning to local authorities for support. This accounted for 27 per cent of the total number of statutory homelessness in 2017/18.^{xiii}

The private rented sector has more than doubled in size since 2002, with more young people, families and lone parent families renting privately than before. While there are many reasons for this rise, it is accepted that renting privately is less secure and more expensive than social rented homes. Those in privately rented accommodation spend on average 34 per cent of their income on rent, compared to 28 per cent on average by those in social housing.

The decline in available social housing is likely to have added to the number of homeless households. This is because more secure, affordable housing would have left some households better able to deal with welfare reforms, and prevented them from becoming homeless in the first place. Social landlords can play a key role in providing tenants with support to improve financial inclusion, and by helping households that are struggling with problem debt.^{xiv}

Housing costs and welfare

Reforms to housing welfare in recent years have made private rented housing both unaffordable and unattainable for many people. The failure to deliver enough social homes, which are truly affordable for people in all communities, has exacerbated the negative consequences of these welfare changes.

It is vital that the Government continues work with councils and their partners to understand whether the reforms are achieving overarching policy intentions. For example, the National Audit Office has recommended that the Department for Work and Pensions should do more to understand the interaction between homelessness and reductions in support for housing costs.

There has been a 65 per cent increase in the number of children in temporary accommodation since the first quarter of 2010. This is likely to be at least partly as a result of housing benefit reforms, including the freeze to the Local Housing Allowance (LHA) rate. The 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 five years to 2017.

We are pleased that the Government has responded to our calls to extend the LHA rate cap through increases in the Targeted Affordability Fund (TAF). The Government has lifted the cap by 3 per cent from April 2018, and also pledged that the rates themselves will increase in a number of Broad Rental Market Areas.

Despite this positive measure, there are still many parts of the country where the number of people entitled to full housing benefit is far greater than the supply of affordable rented accommodation. Recent reforms to welfare benefits have not driven down rents. Instead there appears to have been a growth in rental arrears and homelessness.^{xv} This is why we are calling on the Government to lift the LHA freeze in the private rented sector entirely. To ensure vulnerable people are protected against rising rents, the LHA rate should be linked to rent levels.

ⁱ LGA Media release, March 2018 (<https://www.local.gov.uk/about/news/lga-responds-latest-government-house-building-figures>)

ⁱⁱ Capital Economics, [Building new social rent homes: an updated economic appraisal](#), 2018

ⁱⁱⁱ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764357/TA_Tables.xlsx

^{iv} <https://www.local.gov.uk/cumulative-impacts-welfare-reform-national-picture>

^v MHCLG, House building; new build dwellings, England: December Quarter 2017

^{vi} <https://www.local.gov.uk/topics/housing-and-planning/innovation-council-housebuilding>

^{vii} MHCLG, Social housing green paper: a 'new deal' for social housing, August 2018

(<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>)

^{viii} LGA response, social housing green paper, August 2018

(<https://www.local.gov.uk/parliament/briefings-and-responses/social-housing-green-paper-briefing-15-august-2018>)

^{ix} <https://www.local.gov.uk/about/news/lga-responds-latest-government-right-buy-sales-stats>

^x MHCLG, Right to Buy statistics by local authority area

^{xi} LGA media release, March 2018 (<https://www.local.gov.uk/about/news/lga-responds-new-planning-laws-councils>)

^{xii} LGA media release, March 2018 (<https://www.local.gov.uk/about/news/barn-conversion-developments-heap-more-pressure-rural-schools-roads-and-affordability>)

^{xiii} https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764357/TA_Tables.xlsx

^{xiiii} <http://researchbriefings.files.parliament.uk/documents/SN06856/SN06856.pdf>

^{xv} <https://www.nao.org.uk/report/tackling-problem-debt/>

^{xvi} <https://research.rfa.org.uk/press-release/universal-credit-rent-arrears-rocket-says-new-research/>