

CIH's representation to HM Treasury Autumn Budget 2018



Chartered
Institute of
Housing

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world.

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Summary

The level of housing need is increasing; emerging research indicates 340,000 homes need to be built a year in England. Many households are facing huge challenges to access affordable, decent homes, as evidenced by the rising numbers who are homeless and rough sleeping. Our [research](#) and that by Joseph Rowntree Foundation (JRF) highlights how much people's housing is costing them, even when they receive help with those costs.

To address this, CIH is calling on government to:

- Increase the supply of new homes that are genuinely affordable
- Enable local authorities to build more homes
- Invest in better standards in existing homes
- Increase tenant and resident involvement
- Improve standards in the private rented sector
- Provide effective help with housing costs for people on low incomes
- Prevent and tackle homelessness and rough sleeping, through increased supply and adequate help with housing costs.

Introduction

Government has made a number of welcome announcements on housing recently, including the strategy to tackle rough sleeping, and on funding for supported housing. The social housing green paper, a *New Deal for Social Housing*, has been long anticipated and includes many welcome proposals, which echo key findings in our project [Rethinking social housing](#), including: strengthening the role of the regulator on consumer standards; options to increase tenants' influence over the homes and services they receive, and on the national policy framework within which their

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landlords operate; and tackling the stigma and misconceptions of the social housing sector and the people living in it. In this submission, we call on government to provide the necessary resources to implement its proposals including implementing the recommendations on wider involvement and engagement with residents that were made in the *Independent review of building regulations and fire safety*.

However, although the green paper recognises the importance of new supply, CIH is concerned that the plans currently set out are not ambitious enough and more is required to deliver these much needed affordable homes.

Our proposals to address some of the critical housing issues facing our country are set out below. We would be happy to discuss any of these measures, and the underpinning research, in greater detail if required.

1. Increase the supply of new homes that are genuinely affordable

Emerging [research](#) indicates that the housing crisis in England is even more stark than previously recognised, requiring almost 100,000 more new homes a year than the 250,000 previously identified (the estimate is now 340,000 new homes needed).

The number of social rented homes needed in England has increased from 78,000 to 85,000 - 90,000 a year, reflecting increased affordability pressures from high house prices for many households on low incomes; JRF have previously [highlighted](#) that 47 per cent of working age households on low incomes spend over one-third of their incomes on rent (including housing benefit).

Amongst other factors these numbers reflect the previous lack of supply and unaffordability suppressing the formation of younger households, often on moderate to low incomes (discussed in more detail in forthcoming UK Housing Review briefing, due autumn 2018). This is also reflected in the demand for other lower cost housing options - 25,000 for shared ownership and 30,000 for intermediate rent in England.

However, in 2016/17 we delivered only 217,000 homes, of which only 2.5 per cent were the most affordable social rented homes.

CIH is calling on government to increase the numbers of new genuinely affordable homes by:

- **Rebalancing existing investment to increase the number of affordable homes to rent**

CIH analysis shows that, of the £53bn government investment in housing over the period to 2020/21, only 21 per cent is for affordable housing. Rebalancing a greater proportion of that investment from support to stimulate demand towards direct investment in the provision of affordable housing, raising the affordable housing programme to around £14 billion (a further £1.5 billion per year from 2019/20 to 2020/21) could provide a further 28,000 homes at social rent a year.

2. Enable local authorities to build more homes

To deliver the numbers of homes required, we need all parties to increase development, particularly of new homes for social rent. Historically, councils have been major contributors to new housebuilding, and the self-financing agreement of 2012 offered the opportunity for them to do so again. However, a number of significant changes to the pillars of the agreement, which followed very soon afterwards (see CIH/ CIPFA, [Investing in council housing](#)), have meant that last year less than 2,000 new council homes were completed in England.

To enable local authorities to play a full role in housebuilding CIH is calling on government to restore the capacity of councils to deliver more homes by:

- **Lifting the housing revenue account (HRA) cap to the level councils can repay from rental levels (the prudential borrowing limit)**

CIH [believes](#) that the borrowing caps are an unnecessary brake on councils' capacity to develop new homes, which should now be reviewed and removed. In the meantime the recently announced £1 billion fund should be opened to all councils, to maximise the existing headroom available.

- **Suspending the Right to Buy to prevent further loss of social rented homes**

In total since its introduction nearly two million homes have been sold under the Right to Buy and preserved Right to Buy. Since discounts were substantially increased in 2012, despite a government commitment to ensure replacement on a one-for-one basis, 67,000 homes have sold with only 18,000 replacements being started.

Our [research](#) shows that we already have 150,000 fewer homes available for social rent, compared to 2012 levels. At a time when we desperately need to increase the supply of genuinely affordable homes quickly, we believe that alternative ways to support people into home ownership, including ongoing investment in shared ownership, are more appropriate.

- **Enable councils to retain receipts from Right to Buy sales to date**

It is essential that existing receipts from recent sales are used to full effect to build the maximum number of homes possible. We support government's recent proposals to reform the way in which Right to Buy receipts might be treated, notably to:

- extend the deadline within which councils have to spend their existing receipts from three to five years
- allow receipts to be shared with an ALMO or a housing company.

However we still consider that the proposals do not go far enough to ensure that all homes sold in recent years can be replaced. Our [previous research](#),

carried out with the National Federation of ALMOs and the Local Government Association, clearly shows the barriers to one-for-one replacement. We would encourage government to:

- remove the requirement that Right to Buy receipts can only be used to fund 30 per cent of the cost of a replacement house entirely, rather than merely raising to 50 per cent in certain circumstances
- allow councils to retain all of the receipts from these sales. Previous research by Inside Housing magazine showed that £920 million worth of receipts have been returned to the Treasury since 2012, instead of being reinvested in new homes.

3. Invest in existing homes

Alongside the need to increase the supply of new homes, we must look after and invest in the homes that we already have. The Grenfell Tower fire has put the spotlight squarely on the quality and standard of homes and the way they are managed with a focus on ensuring residents are safe. The social housing Green Paper demonstrates government's commitment to ensuring that everyone has access to a home that is safe and of good quality. CIH supports this measure and below we propose measures that we believe will help to take forward that agenda.

CIH calls on government to:

- **Provide a one-off fund to ensure that the remaining 525,000 homes in the social housing sector meet the existing standard**

Until recently, the government maintained a fund to subsidise programmes to attain the Decent Homes Standard (DHS) where a social landlord could not finance works from their own resources. We believe that there is a case for a one-off fund to enable landlords to 'catch up' with the DHS, to be available where they can show how their business plans will enable them to maintain the standard from then onwards.

- **Commit to funding any revised Decent Homes Standard**

CIH welcomes the government's proposal in the green paper to review and potentially update the Decent Homes Standard (DHS). We strongly support measures that will increase the safety of homes; improve energy efficiency helping to achieve our carbon reduction obligations; ensure that homes are more affordable to run and heat; and tackle the impact of cold and damp homes on people's health and costs to the NHS (estimated at £863m a year by [BRE](#)).

Should a revised DHS be made mandatory across social housing stock, this would require additional investment from government, to ensure that landlords can maintain existing stock as well as invest in substantial new development.

- **Maintain the current level of investment (as a minimum) in the disabled facilities grant, to adapt existing homes to ensure the safety and wellbeing of disabled and older people**

Currently only 7 per cent of our housing stock has the minimum accessibility standards but we have 13.3 million disabled people in Great Britain ([EHRC, Housing and disabled people](#)). Falls are second only to cold and damp in terms of the impact on the NHS, costing an estimated £419 million a year. Government has significantly increased the level of investment in disabled facilities grants to help people to make necessary adjustment to their homes.

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With an ageing population and more people living with long term conditions, this should be maintained at existing levels as a minimum, to enable people to live safely and manage daily living tasks, reducing the demand for additional care or health interventions.

4. Improving standards in the private rented sector

The private rented sector now accommodates 20 per cent of the population. It is the leading tenure for younger households, with 46 per cent of 25-34 year olds living in it. However, an increasing proportion of households with dependent children also rent privately (36 per cent) including 11 per cent of lone parents.

The affordability, security and standards within the sector have a significant impact on people's wellbeing and quality of life. However, around 28 per cent of homes in the sector are non-decent ([ONS, July 2017](#)) and 800,000 private rented homes have at least one Category One hazard ([Housing, Communities and Local Government select committee report](#)). The loss of a private tenancy remains the biggest single cause of homelessness, and accounts for 78 per cent of the rise in homelessness since 2011 ([Shelter, 2017](#)).

CIH is calling on government to:

- **Develop a fund for local authorities to roll out selective licensing**
CIH strongly supports government's recent measures to crack down on rogue landlords in the private rented sector, including giving local authorities new powers to issue banning orders and civil penalties and the creation of a rogue landlord database.

In particular we welcome the introduction of civil penalties for a number of housing offences, including licensing offences. Our latest research on selective licensing, carried out with the Chartered Institute of Environmental Health (due for publication shortly) suggests that most licensing schemes are not entirely self-financing, with income from licensing fees having to be supplemented with resources that are drawn from the council's general fund.

Civil penalties present a real opportunity to address this problem, providing opportunities to ensure that financial penalties are always set at a meaningful level and to provide adequate funding in the long term to sustain local schemes and housing enforcement teams. However to achieve this local authorities will still have to invest up-front in recruiting and training new staff.

Government could further support councils to make full use of their new tools and powers by providing additional time limited funding. We recommend creating a £15 million fund which local authorities could use to fund new posts in housing enforcement for one year. This 'seed money' would enable local authorities to establish teams and to get them on to a sustainable footing.

5. Provide effective help with housing costs for people on low incomes

CIH is concerned that the direction of travel and impacts of welfare policy and cuts are having a negative impact, both on benefit recipients directly and on their ability to sustain tenancies, therefore undermining measures to prevent and tackle homelessness (see also 7 below).

An increasing number of households are paying over a third of their income in rent, including 47 per cent of people in the poorest fifth of the population. 37 per cent of private renters and 30 per cent of people in social rent spent over a third of their income on rent in 2017 ([JRF Housing costs](#) November 2017).

CIH is calling on government to address the problems for households most affected, including:

- **Shortening the initial assessment period to 15 days for nil income claims under Universal Credit**

We welcome the measures announced in the previous budget to shorten the period between the date of claim and the first payment of Universal Credit (UC) from six weeks to four weeks. Transitional Housing Benefit (HB) payments help to reduce this further but only for claimants transferring from legacy benefits to UC and therefore are a once-only measure. Anyone who makes a new claim subsequently will still face a four week wait. But claimants who are entitled to both UC and new-style jobseeker's allowance (JSA) are entitled to payment of JSA after just two weeks and so are much less likely to get into debt. However, claimants who are not entitled to JSA will still have to wait over one month. There is a strong case to shorten the first assessment period for claimants with no other income to 15 days. Our estimate is that it would cost about £125 million annually.

- **Fully restoring CPI indexing of local housing allowance (LHA)**

Our report *Missing the target* (August 2018) established that, as a result of the four year freeze and three previous years without a full uprating, LHA rates are now seriously out of line with actual housing costs. It also demonstrated that targeted affordability funding (TAF) on its own is completely inadequate to address this problem.

We therefore call for restoration of full CPI indexing of LHA rates. We estimate that this would cost an additional £240 million for the year 2019/20 (being the same as the total set aside for TAF and based on an estimate for inflation of 2.3 per cent).

In addition we call for the full indexing of the shared room rate for young people under 25 at the 30th percentile. The low basic benefit rate of less than £60 per week means that this group have no spare income from which to

make up any shortfall in their rent. We estimate that this measure would cost around £15 million annually (in addition to any TAF).

- **Restoring Universal Credit work allowances for lone parents**

Our [modelling](#) for the Scottish Parliament Social Security Committee Inquiry into in-work poverty shows that the reductions in work allowances announced in the 2015 Summer Budget have had a particularly detrimental effect on lone parents. Lone parents working 30 hours per week at the minimum wage paying a social rent of around £75.00 a week are now worse off than they would be if they received legacy benefits (and also face a higher marginal rate of tax). For lone parents universal credit is now failing in its primary objective of making work pay. We call for the work allowance for lone parents to be restored to its original value (£271 instead of £198) - this would restore parity with legacy benefits. We estimate the cost of this measure to be around £600 million annually.

- **Removing the reduced benefit cap**

CIH's [research](#) has demonstrated the severity of the reduced benefit cap, which affects nearly 65,000 households across the country. Our report, [Feeling the pinch](#), revealed the significant hardship, increased stress and negative impacts on children, and demonstrated that it is not achieving the policy's stated aims as, for many affected households, work was not providing a route out of this poverty because of the high costs of child care, changes to benefits and other costs associated with working.

- **Making better use of discretionary housing payment (DHP) funding**

Our analysis of DHP spending figures for all English local authorities shows that from 2013/14 to 2017/18, £42,405,176 of the total allocated was not spent and was therefore returned to Treasury. Over the same period many councils used their own resources to top up their DHP allocation, amounting to £26,664,741 in total. Government should review how DHP is allocated to ensure this vital, additional help with housing costs is the most effective way to prevent housing poverty and homelessness.

DHPs are expected to help mitigate some of the effects of cuts to welfare spending since 2010 but our [research](#) has already highlighted the severity of the impact on families caused by the reduced benefit cap, the reduction in universal credit work allowances and the freeze on LHA rates. This suggests that DHP is either insufficient in its current form or it is not effectively providing additional help with housing costs during our current housing and homelessness crises.

We call on government to establish a bidding programme so that unspent DHP funding is made available to other local authorities based on evidenced levels of need and the proactive action they are taking to address housing poverty

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and homelessness. (Our research to review the current DHP scheme and its impact is continuing and we would be happy to discuss our work with the relevant government team).

6. Tackle homelessness and rough sleeping

Government has recently taken many welcome steps to address our homelessness crisis, including implementing the Homelessness Reduction Act 2017: establishing a cross-government taskforce and rough sleeping advisory panel; publishing the rough sleeping strategy; establishing a team of specialist advisers on homelessness; investing £1.2 billion in various programmes to support councils to tackle homelessness.

However, we believe these positive steps will be undermined unless more is done to: tackle the undersupply of genuinely affordable homes and address the impacts of significant cuts to welfare entitlement. Our submission above sets out a series of 'asks' that we believe will significantly support government's stated ambitions to tackle homelessness.

In addition, we call on government to:

- **Increase funding to local authorities to meet the new burdens of the Homelessness Reduction Act 2017**

This year's Homelessness Monitor: England highlights that the structural factors outlined above are the most significant barriers local authorities face in their efforts to tackle homelessness. It also highlights that many local authorities think that the level of funding received to cover the new burdens is insufficient for effective implementation of the Homelessness Reduction Act 2017. The level of new burdens funding for councils up to 2020 should be doubled, amounting to a total of £95.4 million for 2018/19 and 2019/20.

7. Accelerate professionalism across the housing sector

The social housing green paper identified the need to ensure greater professionalism across the sector. As the professional body for housing CIH supports this ambition and we are already increasing our work with individuals and landlords to promote professional standards and provide professionals with the knowledge and support they need to deliver high quality homes and services to people across the country. CIH would welcome the opportunity to discuss with government how our work to promote professionalism and professional standards could be accelerated by government support, enabling us to gear up more quickly than would otherwise be the case. There are a number of approaches that would enable this to happen. A current example is the up front funding that Government has made in the London Housing Academy. CIH's participation in this will result in 140 people going through our level 3 qualification in supporting homeless people in approximately 15 months. This model has enabled a robust and swift response to the challenge of equipping people with the appropriate skills to meet the new challenges of the Homelessness Reduction Act at a scale that would not have been possible without government support. We would be happy to discuss this further with government.