Submission to the Chancellor's March 2020 Budget Statement

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.

Further information is available at: www.cih.org

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Summary of our key points

The level of housing need is increasing, and many households are facing huge challenges in accessing affordable, decent homes. This is evidenced by a 48 per cent increase in homelessness acceptances since 2010, a 58 per cent rise in the number of households in temporary accommodation and 165 per cent more people sleeping rough. Government's decision to continue to meet the housing costs element of supported housing via the welfare system was most welcome, but we still need to develop a robust approach to financing the associated support that must sit alongside it to provide people who need it with good quality, well run places to live.

To address this, CIH is calling on government to:

1. Increase grant levels to provide the number of homes at social rents we need each year.
2. Provide enough help with housing costs so that people can find an affordable, decent place to call home.
3. Invest in existing and new supported housing to meet a range of support needs.

We would also urge the Chancellor to use the opportunity of the Budget statement to outline details of how the Prime Minister's commitment to fund all EU Structural Funding programmes through the Shared Prosperity Fund will be met.

Our detailed 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 grant levels to provide the number of homes at social rents we need each year**

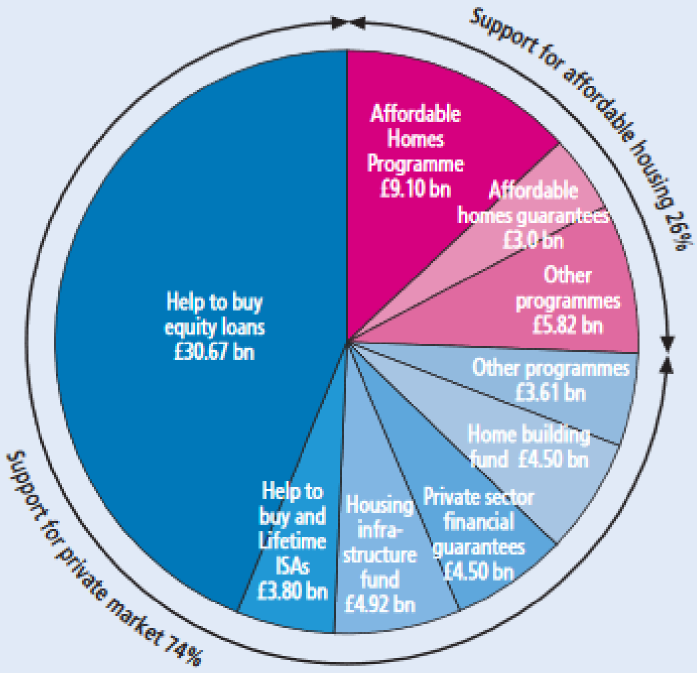
   CIH has joined with the NHF, Shelter, Crisis and Campaign for the Protection of Rural England in making this call for increased grant levels to build the number of new homes at social rent levels that the most recent evidence shows are needed. Research commissioned by the National Housing Federation and Crisis and carried out by Heriot Watt University in 2018 highlighted a need for 145,000 affordable homes per annum over the ten years 2021-31, of which 90,000 are for social rent and the remainder for low-cost homeownership or intermediate renting. The projections show that any programme has to be heavily skewed towards southern England (including London), which accounts for the majority of new need.

   The total build cost for a programme of this size is an average of £46.2bn per year. The majority of this would be met from a combination of private borrowing, cross subsidy from sales, the implied cross subsidy from s.106 contributions by private developers, and discounted land values. The remainder (£14.6bn per year on average, or £12.8bn in today's prices) must be met via capital grant from the government.

   Because of the locational requirement of building in areas with high costs, average grant will need to be 44 per cent, with an average grant per unit of £183,000 for a social rent, £99,000 for affordable rent and £32,000 for shared ownership. These grant levels are considerably higher than current ones, which are £60-100,000 per unit in London and about £34,000 on average elsewhere. As well as the strong switch in the programme's emphasis towards social rent, the reasons for the higher grant levels are the regional emphasis of the programme, an expected increase in building costs, and other factors.

   CIH has previously shown that there is a massive imbalance in government investment in housing, with almost three-quarters going towards supporting the private market or homeownership and just 26 per cent supporting affordable housing. The pie chart below (up-to-date at October 2019, based on the UK Housing Review 2019) shows this split in general terms, looking at the period up to 2023. It includes spending in the form of loans and guarantees as well as grant or direct investment.

Distribution of government support for housing capital investment in England, 2018/19-2022/23



Source: *UK Housing Review 2019* and official sources.

The chart shows that, although a demand of £12.8bn annually in funding for new supply is considerable, it is not out of kilter with other government investment in the context of spending on Help to Buy, ISAs, the Home Building Fund, the Housing Infrastructure Fund and the other measures being used to support the private market. CIH believes that a fundamental restructuring of government incentives and programmes is required, to retarget them on those most needing support in the housing market and enable the required level of new investment to take place.

However, investment is not enough on its own. Any programme must be backed by a strategy that takes account of wider factors such as controlling the loss of existing affordable stock, setting rents at genuinely affordable levels, ensuring that changes brought about through welfare reform do not undermine housing objectives, addressing the challenges faced by low-income households in the private rented sector, and protecting (and indeed increasing) investment in the existing social housing stock so as to meet standards higher than the now outdated Decent Homes Standard and address fire safety requirements.

The scale of investment required, taken together with the wider challenges that must now be faced, call for a comprehensive reappraisal of policy not just a new spending programme or one-off initiatives.

2. Provide enough help with housing costs so that people can find an affordable, decent place to call home

We are concerned that a succession of different welfare policies and cuts introduced since 2010 have undermined many low-income households' ability to access a decent, affordable place they can call home. We believe that this is an obstacle which could prevent government from achieving many of its wider policy aims, including reducing homelessness and improving work incentives for low earners.

We would encourage government to carry out a complete review of the relationship between housing and welfare policy, to properly consider the cumulative effect of these cuts. However, more immediately, government should use the Budget statement to consider the following specific changes:

- **Restore local housing allowance (LHA) rates to the 30th percentile and return to annual uprating** – LHA rates have been frozen since 2016 and had failed to keep pace with local rents in the three years before that. Our research shows that, as a result, where LHA rates would previously allow a household receiving housing benefit (HB) or universal credit (UC) to afford any property in the bottom 30 per cent of their local market, this is now only the case in around five percent of local markets. In one third of local markets in England less than ten per cent of properties are now affordable for tenants in receipt of LHA. And the end of the targeted affordability fund means that those areas where demand is greatest will now fall further behind at an increasingly faster rate.

  As a result, a growing number of low-income households are facing an often unaffordable shortfall between their benefit entitlement and their rent. We urge government to restore LHA rates back to a level where they cover 30 per cent of local rents and to ensure that these keep pace with rent increases in the future. The estimated cost of this change is £1.2 billion in the first year, rising to £1,248 million and £1,273 million in subsequent years with further uprating. In our view, this is the single most important change that could be implemented.

- **Shortening the initial assessment period to 15 days for nil income claims under Universal Credit**
  We welcome the measures previously announced 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 five 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.

- **Abolish the 'bedroom tax'** – we consider that the 'bedroom tax' has not met its stated objectives. Savings to the public purse have been smaller than government's original estimates, and are insignificant in the context of a £22 billion overall housing benefit bill, while a 2015 evaluation of the policy showed that 55 per cent of those affected were in rent arrears. Anecdotal feedback from our members suggests that, in most cases, smaller properties are simply not available for those affected to move to and that in some areas the policy has led to family-sized accommodation becoming hard-to-let.

  We consider that the policy is not working as intended, is pushing many households into hardship and rent arrears and should be abolished. We estimate the annual cost of this to be approximately £300 million.

- **Abolish the £20,000 (£23,000 in London) benefit cap** – although the overall benefit cap affects a relatively small number of households (66,000 in February 2019), we are concerned that many of these face extremely large losses. Government statistics show that 42 per cent are losing more than £50 per week, an amount which is very likely to jeopardise their ability to sustain a tenancy. In the worst cases, households who have their HB entitlement reduced all the way down to a notional 50p per week have no viable housing options at all, anywhere in the country. In practice they are likely to be completely dependent on discretionary housing payments to avoid homelessness.

  Although the stated aim of the cap is to encourage more households to move into work, government's own statistics clearly show that it mostly affects those who are unlikely to be able to work, due to either health problems or childcare commitments. Only 19 per cent of capped households are currently receiving job seekers allowance, with a majority receiving either income support or employment support allowance – households which, even under existing government policy, are not regarded as able to work.

  We consider that this policy is also not achieving its objectives, is placing many households at risk of homelessness and should be abolished. We estimate the annual cost of this to be approximately £200 million.

3. Invest in existing and new supported housing to meet a range of needs

Supported housing for working age and older people who have additional support needs is an important resource to ensure that people can live well and safely in communities and also prevent or reduce reliance upon more costly public services, especially social care and health. Research by Frontier Economics in 2010 demonstrated the value of investing in supported housing with £639 million savings delivered each year across other areas of public spend (such as health, care and crime), or £938 per person per year.

The value of supported housing was recognised by government in 2018 when, after extensive consultation with the sector, it confirmed that funding for eligible residents would remain within the welfare system. This provided a necessary level of certainty both for the people living in these schemes and for the housing providers.

However, there is still a lack of funding available for the support services that are an integral part of these housing models. Funding for this has been cut drastically or removed entirely where local authorities, facing significant cuts to their budgets, have had to focus solely on statutory services. The National Audit Office identified cuts of 69 per cent to housing related support budgets (2010/11-2016/17).This has led to the loss of many vital supported housing services including provision for people fleeing domestic abuse.

The lack of funding for a core element of supported housing causes real difficulties for landlords and service providers and does not create an environment in which organisations are able or willing to invest in new supported housing. CIH therefore calls on government to provide a national, ringfenced funding stream for housing related support to address this deficit and to support the sustainability of existing and new supported housing schemes. This should be at least be equivalent to the last such investment programme of £1.4 billion (although we note that figures of £1.58 billion for England and £2.05 billion for Great Britain were estimated in the most recent evidence review for government in 2016).

4. **Fund all EU structural funding programmes, at current levels, through the Shared Prosperity Fund**

As a joint signatory to the June 2016 official leave campaign letter, the Prime Minister committed to fund all EU structural funding and has reaffirmed that commitment on several occasions since.

According to the National Audit Office, between 2014-2020, the UK would have received more than £10 billion in Structural Funding from the EU. Broken down into the nations, and based on the current exchange rate, that would be:

- England - £6.5billion (€7.1billion)
- Wales - £2.2billion (€2.413billion)
- Scotland - £871.29million (€941million)
- Northern Ireland – £475million (€513million)
- Gibraltar - £10.18million (€11million)

We also join with the calls from the Devolved Nation administrations in Wales and Scotland, as well as the Mayors within the Northern Powerhouse Region, that any current or future monies available through the Shared Prosperity Fund should be devolved in its entirety, along with complete control over how it is spent. That would both respect the will of the people, as expressed in the devolution referendums of 1997, and the democratic accountability of the English regional Mayors. It would also respect the spirit of the original methodology behind the distribution of structural funding – that is, that democratically elected administrations on the ground in those nations and regions are best placed to make the strategic decisions about where the money would be best spent in order to boost economic growth.