

Submission to the CLG Select Committee Inquiry into Homelessness



1. ARCH represents councils of all parties in England and Wales which have chosen to retain ownership of council housing. 162 English councils (exactly half the total number of housing authorities) own 1.6 million dwellings which are home to over 4 million people. 11 Welsh councils own a further 88,000 homes. Our submission to the Committee focuses on the future capacity of councils to prevent and respond to homelessness.

Key points

2. Over the last five years homelessness has been increasing while over the same period local authorities have been less able to respond effectively. Over the next five years both trends are set to continue, causing considerable difficulties for local authorities and a very poor outlook for many of those applying for help because they are homeless.
3. ARCH recognizes that the Government was elected on a manifesto commitment to extend the Right to Buy to housing association tenants, but this should not be funded from the sale of council assets. Councils and council tenants have already borne the financial impact of right to buy for council tenants; it is unfair that they should now be expected to pay for the extension of the policy to housing association tenants. If, nonetheless, the changes in the Housing and Planning Bill go ahead, including the forced sale of council homes, we argue that:
 - homes sold should be replaced on at least a one-for-one basis, and that homes for social rent should take priority in the replacement programme, so that there is no long-term overall loss of social rented accommodation;
 - housing associations should continue to be expected to assist councils in the discharge of their duties towards the homeless by ensuring a supply of social rented accommodation to which local authorities have nomination rights, and for councils to have a real say in the location and mix of the new homes that housing associations choose to build;
 - there should be a renewed focus on developing measures through which local authorities can more effectively prevent homelessness, particularly that arising in the private rented sector and where withdrawal or reduction of benefits is a prime cause.

Homelessness is increasing while local authorities are less able to respond

4. Homelessness acceptances by local authorities in England were 4% higher in 2014/15 than in 2013/14, and 36% higher than in 2009/10. Underlying this national picture there is wide regional variation, with acceptances in the North of England 10% lower in 2014/15 than 2009/10, while in London they were 85% higher. Homeless placements in temporary accommodation have also risen sharply over the last 4 years, with an increase of 12% in 2014/15 compared to 2013/14 and 40% compared with 2010/11. Placements in Bed and Breakfast have risen sharply, as have placements “out of district”. Again, there is wide regional variation, with increases highest in London.
5. The main reason for this increase is that the numbers made homeless from privately rented accommodation have increased more than threefold over the last five years, from 4,600 to 16,000, and from 11% to 29% of statutory homeless acceptances. This is partly attributable to the growth of the private rented sector and the increase in low-income households accommodated there, but welfare reforms that have reduced the ability of such households to keep up rent payments have also contributed. These include the cap on Local Housing Allowance rates, the overall cap on benefit entitlement, the restriction of the Shared Accommodation rate to 25-34 year-olds and benefit sanctions.

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6. Over the same period the capacity of local authorities to respond has been hampered by a drastic fall in the supply of new social housing provided by local authorities and housing associations, including a collapse in the number of new homes funded through s106 agreements since the financial crisis of 2008. Annual vacancies in the existing local authority stock have also fallen. The ability of councils to secure accommodation for homeless households in the private rented sector has also been restricted by the same causes that have led to the increase in homelessness from loss of private rented accommodation. Councils, particularly in London, are increasingly forced to look, not just outside their district, but much further afield, to find accommodation within Local Housing Allowance rates or affordable within the benefit cap.

Prospects are bleak

7. Prospects for the next five years hold little hope that matters will improve. Further planned welfare reforms are unlikely to help stem the numbers becoming homeless from privately rented accommodation, while the combined impact of social rent cuts and forced sale of high value housing on the supply of local authority lettings, coupled with the impact of reforms to the housing association sector, and the refocusing of planning gain on the provision of discounted homes for sale which are both likely to significantly reduce the number of housing association nominations available to local authorities. Even if the receipts from sale of high-value council homes are used to finance construction of new local authority and housing association homes, there is likely to be a significant time lag of up to three years before such new homes are available. The prospect of a further increase in the numbers in temporary accommodation is extremely disturbing at a time when local authority General Fund expenditure is subject to further reduction.
8. Welfare reforms announced in the Summer Budget included freezing benefit rates, including Local Housing Allowance rates, for four years from April 2016, removal of housing support from most single people under 22, and a reduction in the overall benefit cap. Tax credit reductions announced in the Summer Budget were withdrawn in the Autumn Statement following rejection by the House of Lords, but equivalent changes to Universal Credit, principally the restriction of support to a maximum of two children, remain, and are likely to have a significant impact as Universal Credit is rolled out. The roll-out of Universal Credit itself is a cause for concern, particularly the presumption that benefit intended to meet housing costs will be paid direct to tenants. All these changes are likely to impact on the ability of low income households to sustain tenancies, whether in the private or social housing sector.
9. The supply of new social housing for rent has been at historically low levels over the last five years and is likely to fall still further in the next five. Using the freedoms granted under the self-financing regime introduced in 2012, councils were planning to build around 20,000 new homes over the next five years, and had the financial capacity to build more, especially if borrowing restrictions were relaxed. The rent cuts imposed by the Welfare Reform and Work Bill have forced councils to drastically curtail these plans. The impact of the proposals in the Housing and Planning Bill to force councils to sell high value voids cannot yet be quantified, as the relevant details of the policy will be set out in secondary legislation, on which the Government has as yet given no firm information. However, sales of vacant properties are certain to eat into the supply of new lettings available for homeless households, and any additional new homes funded from the sales receipts will not become available for some time – possibly as much as three years – and a high proportion are likely to be in a different local authority area, possibly some distance away. Nor is there any guarantee that any of the additional homes will be made available at rents that homeless households are able to afford.

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10. There is already evidence of some housing associations becoming more reluctant to house nominees from local authorities, particularly those likely to be reliant on benefits, and, with concerns about the impact of the roll-out of Universal Credit, this reluctance is likely to grow. New housing association development, including homes funded from the discounts paid – ultimately by local authorities – to finance right to buy sales, is likely to be more focused on the provision of homes for shared ownership or sale at a discount, rather than homes for affordable or social rent. Local authorities will be obliged to give priority in planning requirements to the provision of starter homes for sale over homes for social rent, closing off a further source of supply of new social housing which would be available to homeless applicants.
11. In the absence of access to an adequate supply of council or housing association homes for rent, local authorities will be even more dependent in future on securing accommodation for statutorily homeless people in the private rented sector. However, their capacity to achieve this is constrained by the same factors that have led to the sharp increase in homeless arising from loss of private rented accommodation, and risk driving further increases in the next few years as the new round of welfare reforms takes effect. The outcome is likely to be a further increase in attempts to house homeless people far from the area where they became homeless and, often, far from family support networks and employment opportunities. The even more unsatisfactory alternative is a further increase in the numbers in temporary accommodation, with a growing proportion of out-of-district placements and unsustainable pressures on local authority General Funds.

What should be done?

12. ARCH recognizes that the Government was elected on a manifesto commitment to extend the Right to Buy to housing association tenants, but this should not be funded from the sale of council assets. Councils and council tenants have already borne the financial impact of right to buy for council tenants; it is unfair that they should now be expected to pay for the extension of the policy to housing association tenants. If, nonetheless, the changes in the Housing and Planning Bill go ahead, including the forced sale of council homes, we argue that:
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