



Crisis response to affordable housing supply review September 2018

About Crisis

Crisis is the national charity for homeless people. We work in England, Scotland and Wales, providing support for homeless people and campaigning for change. Our team in South Wales provides education, training and support for homeless people. We carry out research to understand homelessness in Wales and campaign for the changes needed to end it for good.

Summary

- More homes are needed at social rent levels to provide permanent housing for people affected by homelessness and for people on low incomes. Wales needs to build 6,500 affordable houses (4,000 at social rent, 1,500 at intermediate rent) and 1,000 for shared ownership each year for the next 15 years to meet the backlog of housing need for people at risk of or experiencing homelessness and for people on lower incomes.¹
- In addition to increasing the supply of new homes at social rent levels the Welsh Government should ensure that social rents remain affordable to those earning the National Minimum Wage, and that social housing is affordable for households in receipt of housing benefit.
- Wider measures are also needed to ensure that people moving on from homelessness have access to tailored packages of support, and that social housing providers commit to best practice on supporting homeless people to access and sustain social housing, with person-centred approaches to housing allocations and the use of pre-tenancy assessments.

1) Why Crisis is responding

- Everyone has the right to – and with the right support is ready for – permanent housing. Homelessness has a devastating impact on people's lives, and on our society, but with the right solutions it can be prevented and ended.
- Latest available figures (2013-14) show the proportion of social lettings to homeless households fell to around 18% despite being around 25% during the eight previous years.² This trend is not in isolation from the wider housing market trends, issues on affordability, and welfare reform but the

¹ Bramley, G. (forthcoming) *Housing supply requirements across Great Britain for low income households and homeless people*. London: National Housing Federation and Crisis

² Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B. & Wood, J. (2017) *The Homelessness Monitor: Wales 2017*. London: Crisis

affordable housing supply review offers the welcome chance to address relevant questions for homelessness across Wales.

2) Understanding housing need

Addressing housing need as part of efforts to end homelessness

- *Everybody In: how to end homelessness in Great Britain*³ offers the Welsh Government (and those in Scotland and Westminster) a plan for how to end homelessness. It has a particular focus on the need to maximise prevention and provide for the overall conditions and support services that make homelessness a brief and non-recurring experience for those who homelessness cannot be prevented.
- The lack of affordable housing across Wales, Scotland and England was identified as *the biggest barrier* to relieving homelessness in the consultation Crisis undertook to inform the *Everybody In* plan to end homelessness.⁴ Crisis research found homelessness is set to worsen across Wales (and in each nation and for Britain as a whole) over the coming decades without action to address it.⁵
- A key part of the plan – but not the only part – is to address housing need for homeless people. This includes people in a range of situations, including rough sleepers, people in unsuitable temporary accommodation (such as hostels and bed and breakfasts), people who are ‘sofa surfing’ or in refuges, or those in overcrowded accommodation. Increasing the supply of housing at social rent levels is a much-needed solution.

Housing need figures for Wales

- Crisis and the National Housing Federation commissioned Heriot-Watt University⁶ to look at the supply of housing needed in each nation of Britain and for Britain as a whole. One of the aims of the research was to place homeless households in the context of wider housing requirements, and to identify the scale of housebuilding required to prevent and reduce homelessness. Heriot-Watt’s study looked at the scale and nature of the backlog of housing need across Britain (Table 1) and used this and other considerations to offer 15-year housebuilding targets by tenure in each nation (Table 2).
- Professor Glen Bramley, the paper’s author, is available to meet members of the review to offer more detail on the picture in Wales and the different scenarios for housing supply.

³ Downie, M., Gousy, H., Basran, J., Jacob, R., Rowe, S., Hancock, C., Albanese, F., Pritchard, R., Nightingale, K. and Davies, T. (2018) *Everybody In: How to end homelessness in Great Britain*. London: Crisis.

⁴ Hughes, N. (2018) *Have your say policy consultation: summary report*. London: Crisis

⁵ Bramley, G. (2017) *Homelessness projections: Core homelessness in Great Britain*, London: Crisis.

⁶ Bramley, G. (forthcoming) *Housing supply requirements across Great Britain for low income households and homeless people*. London: National Housing Federation and Crisis

Comparisons between Heriot-Watt study and the Holmans figures

- We note the review's call for evidence comment that the Holmans (2015) estimates in *Future Need and Demand for Housing in Wales* are "now out of date" and "new projections will be available as soon as possible".⁷ Unlike the Holmans model, which has household projection figures at its core, the Heriot-Watt model outlined below focuses on housing outcomes we wish to achieve across Britain that are outlined in Table 1.
- One of the reasons for the adoption of an outcomes-based approach is that household projections are based on existing trends, and may therefore be artificially suppressed by under-supply of new housing. Relying on government projections raises the very real possibility that the effects of historic under-supply of new housing will be perpetuated.
- While the Crisis/NHF commissioned analysis by Heriot-Watt still uses household projections, the model allows for behavioural feedback effects, forecasting the direct and indirect effects of supply on needs, affordability and additional household formation. The model puts forward the desirable outcomes in terms of housing need, affordability, poverty levels etc. and what level and mix of housing supply would best achieve those outcomes.⁸

⁷ Affordable Housing Supply Independent Review, *Call for evidence* (July 2018), p.6

⁸ The centrepiece for this approach is an existing Sub-Regional Housing Market Model (SHRMM). Further details and insight into the model can be found in Appendix A of Bramley et al. (2016) *What Would Make a Difference? Modelling policy scenarios for tackling poverty in the UK*. Edinburgh: Heriot-Watt University, which identifies the key economic functions in the model, what drives them, and the evidence base upon which these functions are based

Table 1: Backlog of housing need in Great Britain

Housing needs or requirements	Number of GB households (million)
<p><u>Housing need including:</u></p> <ul style="list-style-type: none"> • Concealed family or concealed single (including nondependent children) wanting to move • Overcrowding (bedroom standard) • Serious affordability problems based on combination of ratio measures and subjective payment difficulties • Serious self-reported physical condition problems • Accommodation unsuitable for families (e.g. high-rise, no garden/yard). 	3.66
<p>'Core' and 'wider' homelessness:</p> <p><u>Core</u></p> <ul style="list-style-type: none"> • Rough sleeping • Sleeping in tents, cars, public transport • Squatting (unlicensed, insecure) • Unsuitable non-residential accommodation e.g. 'beds in sheds' • Hostel residents • Users of night/winter shelters • Domestic abuse victim/survivor in refuge • Unsuitable temporary accommodation (which includes bed and breakfast accommodation, hostels etc) • 'Sofa Surfing' – staying with others (not close family), on short term/insecure basis/wanting to move, in crowded conditions (this does not include students) <p><u>Wider</u></p> <ul style="list-style-type: none"> • Staying with friends/relatives because unable to find own accommodation (longer term) • Eviction/under notice to quit (and unable to afford rent/deposit) • Asked to leave by parents/relatives • Intermediate accommodation and receiving support • In other temporary accommodation (e.g. conventional social housing, private sector leasing) • Discharge from prison, hospital and other state institution without permanent housing 	0.33
Older households with suitability needs	0.25
Households whose housing costs are unaffordable	0.51
TOTAL	4.75

Source: Bramley, G. (forthcoming) *Housing supply requirements across Great Britain for low income households and homeless people.*

The figures in Table 2 show target house-building numbers by tenure and nation, factoring in the needs outlined in Table 1, considerations of affordability and access to the housing, and a balanced assessment of the outcomes forecast in the model. They address existing and expected future house-building needs across Britain over 15 years, a timescale which would allow sufficient time and resources to meet the backlog. The variety of tenures reflects a need to offer people a mixed economy of housing types that is shaped by specific conditions across each nation.

The housebuilding target figures in Table 2 are at GB and individual nation level. When published later in 2018, the study will include evidence on requirements at a more regional/local level, and we can make further evidence available to the review panel when the report is finalised.

Table 2: Target house-building numbers by tenure and nation, 2016-2031

Nation	Total dwellings	Private sector	Social rent	Shared ownership	Intermediate rent	All affordable
Wales	14,000	7,500	4,000	1,000	1,500	6,500
Scotland	26,000	16,000	5,500	2,500	2,000	10,000
England	343,000	194,178	91,000	27,300	29,902	148,202
GB total	383,000	218,298	100,500	30,800	33,402	164,702

Source: Bramley, G. (forthcoming) *Housing supply requirements across Great Britain for low income households and homeless people*.

Drawing on the evidence of the Heriot-Watt analysis presented above, Crisis would like the review to recommend Welsh Government and its partners to set a target for the delivery of 4,000 homes a year, and to continue to grow investment in social rent housing to achieve this over a 15-year period. The Heriot-Watt analysis projects that the delivery of new homes at this level will improve the ratio of social lettings relative to the flow of homeless households, and allow more homeless people to be rehoused in the social housing sector while meeting the needs of other households in need at the same time.

3) Rent policy

The call for evidence seeks views on whether the Welsh Government should continue to have a rent policy or whether social landlords should be responsible for setting their own rents and determining inflationary uplifts. It also asks whether rent policy should consider affordability for tenants, and how Welsh Government can maximise affordability for tenants.

Affordability and access issues

The consultation process Crisis conducted to inform the development of *Everybody In: how to end homelessness in Great Britain* identified concerns that some people moving on from homelessness are encountering difficulties accessing social housing because their incomes are too low to satisfy housing providers' affordability requirements.

This supported previously expressed views by respondents to the *Homelessness Monitor Wales* (2017) about 'affordability' checks.⁹ They also echoed the concern of the Welsh Public Accounts Committee (2015) that financial assessments used by social landlords to ensure prospective tenants can afford their rents may have the unintended consequence of excluding people from social housing because they are "too poor".¹⁰ Subsequent research by Shelter Cymru found examples of applicants being unable to take up tenancies because of their inability to meet requirements for payment of the first month's rent or other tests of affordability.¹¹

Welfare and affordability

These 'affordability' problems are in part driven by the effects of restricted housing benefit entitlement and problems with Universal Credit implementation, a non-devolved policy area, as well the interaction with rent setting (addressed later in this submission). They also reflect the way housing providers choose to respond to the challenges created by welfare reform. As the above-mentioned Shelter Cymru report made clear, many landlords are 'rising to the challenge' of welfare reform and are using pre-tenancy affordability assessments as an enabling tool to ensure appropriate support is put in place for homeless and other low income applicants who would struggle to meet their rent. But it is a matter of concern that such practice is not universal, and that some households may be turned away from social housing on affordability grounds (or other proxies for this, such as, for example, a history of rent arrears).

The PAC report noted the alternative housing options available to households turned away from social housing on the grounds of unaffordability are unclear.

⁹ Fitzpatrick, S., Pawson, H., Bramley, G., Wilcox, S., Watts, B. & Wood, J. (2017) *The Homelessness Monitor: Wales 2017*. London: Crisis, p.14

¹⁰ National Assembly for Wales Public Accounts Committee (2015) *Responding to Welfare Reform in Wales*. Cardiff: National Assembly for Wales.

¹¹ Campbell, J., Golten, A., Jackson, R., & Evans, R. (2016) *Accessing and sustaining social tenancies: exploring barriers to homelessness prevention*. Shelter Cymru. Wales: Shelter Cymru.

Wider evidence suggests the outcome is likely to include prolonged stays in supported housing or temporary accommodation, at significant cost to the Welsh budget.

To address these problems Crisis encourages the review to adopt a recommendation to Welsh Government to:

- Take steps to ensure all social housing providers fulfil their responsibilities to cooperate with local authorities in meeting their homelessness duties, and adopt best practice in supporting homeless people into social housing, including through the provision of income maximisations advice and employment support, and enabling them succeed in their tenancies. To help achieve this, social housing providers should be encouraged to sign up to commitments, such as those devised through consultation with the Homes for Cathy group.¹²
- Protects the ringfence for Supporting People and related housing funding which provides much needed resources to enable social landlords to support people moving on from homelessness to sustain social housing tenancies, particularly those with more complex needs.

Social sector rent and access/affordability

In addition to tackling barriers to social housing access, it is important to consider the role that social sector rent setting plays in shaping affordability. Across the UK as a whole, more than half of social housing tenants in the lowest fifth of the income distribution spend over a third of their income on housing.¹³ Research by Sheffield Hallam for the Joseph Rowntree Foundation, focused on the south Wales valleys, found that social rents for 2 bedroom homes were unaffordable for 46% of tenants using the same affordability measure (that housing costs should not exceed a third of net income).¹⁴ There are already severe problems with housing affordability in the social housing sector, even before considering the potential impact of sustained inflationary rent increases.

The same Sheffield Hallam study also notes that the effects of social rent unaffordability have historically been mitigated by paying housing benefit directly to landlords. However, as more tenants transfer to Universal Credit, and an expectation that they will assume direct responsibility for rental payments, competing priorities within poverty level household budgets leaves people more vulnerable to arrears. For those who require housing benefit to meet the full cost

¹² <https://homesforcathy.org.uk/our-commitments/>

¹³ <https://www.jrf.org.uk/mpse-2015/housing-costs>

¹⁴ Archer, T., Green, S. and Wilson, I. (2018) *Effective housing for people on low incomes in the Welsh Valleys*. York: Joseph Rowntree Foundation

of their rent, it is a given that housing will be unaffordable by the standard measures.¹⁵

There is also evidence that rent levels impact on work incentives, and that lower rents provide a clearer financial incentive than higher rents to enter work and increase earnings for those on low incomes.¹⁶ It has been argued that there is a strong case for setting social sector rents at a level that means typical households with one person working full time on the national minimum wage could be clear of reliance on housing benefit to meet the cost of rent.¹⁷

Given this Crisis recommended in *Everybody In: how to end homelessness in Great Britain* that the **rent setting framework for social housing must deliver rents that are affordable to people on low earnings and in receipt of housing benefit.**¹⁸

Balancing need for investment with affordability

While above-inflationary rent increases provide scope to increase investment in the delivery of more housing aimed at social rent levels, it is essential that rent setting policy retains a connection to the wages of those at the lowest end of the earnings distribution.

While Crisis recognises the importance of continuing to grow investment in new housing supply – indeed this must be an essential part of the long-term strategy to end homelessness - it is also essential that the Welsh Government and its partners seeks to strike an appropriate balance between investment needs and tenancy sustainability. That is not to suggest that rent setting policy alone can resolve the affordability problem. The answers lie also in wider programmes to tackle low pay and insecure employment, as well as wider strategies for reducing land costs and increasing prudent public investment in social housing.

As noted above, there is also an important role for investment by housing providers in providing income maximisation advice, employment support, and tailored package of support for people with more complex needs. However, a balanced approach to rent setting is also critical.

¹⁵ The Heriot Watt housing requirements study uses the following affordability assumptions for rental housing: a housing cost to gross income ratio of 27.5% or less (equivalent to roughly 33% net), and a secondary criterion that residual income after tax and housing costs should exceed the UK relative low income poverty definition (60% of median net equivalised income after housing costs).

¹⁶ Gibb, K., Stephens, M., Reuschke, D., Wright, S., Besemer, K. and Sosenko, F. (2016) *How does housing affect work incentives for people in poverty?* York: Joseph Rowntree Foundation

¹⁷ Bramley, G. (forthcoming) Housing supply requirements across Great Britain for low income households and homeless people. London: Crisis and the National Housing Federation – supporting the argument advocated by Steve Wilcox in his 1999 paper “The Vexed Question of Affordability”.

¹⁸ *Everybody In: How to end homelessness in Great Britain*, p.446

Crisis therefore recommends that the Welsh Government retains a role in setting social housing rent policy, and that this addresses the affordability of social rents for tenants. In response to the specific questions posed by the review, Crisis recommends the following:

- Question a: Welsh Government should continue to provide oversight of the framework for social sector rent setting by retaining a national rent policy that balances investment requirements with the needs of low income households. This should be developed in collaboration with social housing providers, drawing on evidence of what works in achieving tenancy sustainment, income maximisation and earnings progression for social sector tenants;
- Question b: Welsh Government should address the affordability of social sector rents for tenants as part of national rent policy. Specifically, this should include the development a framework that ensures:
 - rents remain affordable to those earning the National Minimum Wage
 - the use of affordability thresholds or other measures by social landlords do not result in the exclusion of homeless and other low income households from social housing on affordability or other related grounds.