The Autumn Statement: challenges and opportunities for housing

How can housing providers best respond to the opportunities arising from the Autumn Statement, and what challenges does the future hold?

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The Big Housing Debates
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1. Introduction

The year 2016 left us with no shortage of surprises. The formation of a new government after the results of the EU referendum has especially kept the housing sector on its toes. A new housing minister and a prime minister who wants to provide greater support for ‘just about managing families’ has presented social housing providers with an excellent opportunity to ensure their voices are heard.

The early signs from Whitehall have been that this government is more supportive of the sector than David Cameron's ever was. However the Autumn Statement, delivered by chancellor Philip Hammond, was the first real opportunity for the sector to gauge Theresa May’s level of commitment to delivering more affordable homes across the UK.

The headline figures were positive: £1.4bn extra cash to build 40,000 affordable homes, with restrictions on grant funding relaxed; and a £2.3bn Housing Infrastructure Fund to pave the way for up to 100,000 new homes in areas of high demand. In the capital, £3.15bn of the Affordable Homes Programme has been earmarked to deliver 90,000 new homes in London.

Clearly, the new government has reopened the door to affordable rent and ultimately more flexibility of tenure types. But this isn't a complete change of heart. The homeownership agenda still exists, and tenants are increasingly under pressure thanks to welfare reform and the cost of living. Evidently the housing sector will be held to account, not just on supply, but also value for money. Also, it will be up to the sector to grapple with the major issue of affordability.

One big ask before the Autumn Statement was that housing be treated more as infrastructure and it appears as though the sector has got somewhere with this, whether that is in relation to the Housing Infrastructure Fund or housing projects appearing in the National Infrastructure Pipeline for the first time.

However, it is only when we press further into the detail that we can sufficiently measure whether the Autumn Statement will have a significant impact on social and affordable housing provision in the UK.

Does the investment talked about for housing, and particularly for housing as infrastructure, signal that this government is not only serious about delivering affordable homes, but also about regenerating communities? Or is the sector just a little more grateful about anything we can get after a period of being cast out into the political wilderness?

In the days following the Autumn Statement, these issues provided the focus for a recent series of Big Housing Debates in Manchester, Birmingham and London, hosted by Inside Housing, Social Housing and the Chartered Institute of Housing.

The following pages sum up the ideas that emerged during those sessions.
2. Challenges

2.1 Homelessness
The growing issue of homelessness is difficult for the housing sector to ignore. This was especially the case for delegates who attended The Big Housing Debates.

In Manchester's Chinatown, a few minutes' walk from the Friends Meeting House where the first of the seminars was held, police tape marked out the spot where two homeless men had died just over a week earlier.

Then in Birmingham on the following day, delegates on foot from New Street Station in the morning had to pick their way past the city centre's growing rough sleeper population.

One said she had been “really shocked at the escalation of street homelessness” in the city, where the issue had risen to the top of the agenda following the freezing to death of a homeless man in the city centre during the previous weekend.

For Philippa Jones, chief executive of Bromford Housing Association, the growth in people sleeping rough in her home city had been “terrifying”.

Andy Hood, development manager at Birmingham Council, admitted at the event that “homelessness is a substantial issue in Birmingham and it is on the rise”.

And at the London leg of the three-part event, a local government officer from Southend-on-Sea Council described how the coastal resort's homeless hostels had been half empty when he arrived at the Essex seaside town a few years ago.

That picture was dramatically different now of course, he explained: “In a relatively short period, no single property in the private rented sector is available to anyone on housing benefit levels. Rents in the private rented sector have gone up by 10% and the Local Housing Allowance (LHA) is frozen.

“We have 9,000 households living in properties they can't afford. If all those landlords decide to charge market rents we would have 20,000 people potentially homeless. A massive programme of shared ownership is not going to help a single homeless person.”

2.2 Supply
Terrie Alafat, chief executive of the Chartered Institute of Housing (CIH), told the Manchester seminar that “the latest figures on supply don't look good. We know we are not building anything like enough [homes]”.

The statistics showing that affordable housing was 52% down on the previous year had been particularly disappointing, she said.

Paul Beardmore, director of housing at Manchester Council, had arrived hotfoot at the same event from a meeting of the city's residential growth board where he had been happy to report an increase in starts from just over 2,000 in 2015 to an expected 5,000 by the end of this year.

“Foreign investors see the UK and Manchester in particular as a really good place to put their money and get a really good rate of return,” he said.

But the picture was not as bright for affordable housing provision, he cautioned.

“We've seen a steady decline in completions in the last year by registered providers and we don't expect to see that righting in the current year.”

Figures furnished at the London event by Brendan Sarsfield, chief executive of Family Mosaic, demonstrated the pressures that limited associations' room for manoeuvre for developing affordable housing.

“For every social home we build, there is a loss of £150,000 per unit, which is a huge shortfall,” he said.
2.3 Supported housing
Housing practitioners know of course that rough sleeping, even though deeply distressing, is often just the most visible manifestation of wider housing problems.

As Mr Hood pointed out, the increase in homelessness is the result not only of a lack of accommodation but cutbacks in support services for vulnerable groups like alcohol and drug addicts. “For some people, it’s a lifestyle choice but that’s because they have other issues,” he said. “We need to have services that help people deal with those issues so they can have safe places to sleep in the evening.

“Those services have taken a kicking in recent years and there is no doubt that some of those difficult choices have led to this. We desperately need supportive accommodation of the type that has been withdrawn in recent years due to a lack of funding.”

Ms Jones refused to blame Birmingham Council for cutting back on supported housing. “They have been faced with a completely impossible sets of choices. Obviously, they will focus on things that they have statutory responsibility for,” she said.

2.4 Welfare reform
Increased homelessness had to be viewed in the context of wider cuts resulting from the government’s welfare reforms, she added: “Some of the welfare measures coming through are making our homes inaccessible to a significant proportion of families and individuals.”

For evidence of this, the London seminar heard the results of a study carried out into the impact of the next round of welfare cuts by Family Mosaic and 10 of its nominating boroughs.

Mr Sarsfield said: “Out of the last 60 nominations, 35% will not be able to afford a social housing rent using the government's assumptions about disposable income. Welfare reform is at the heart of the problems we are talking about.”

From a national perspective, Ms Alafat pointed to CIH research, which found that the recently implemented reduction of the benefit cap would hit more than 100,000 families containing approximately 300,000 children, 60% of whom are living in rented housing. “The impact spreads across the country and affects families with two or three children, not just London and large families: it has a much bigger impact,” she said.

And while November’s Autumn Statement may have slightly eased the Universal Credit taper and made a commitment to no further welfare reforms, much of the welfare programme has yet to bite, warned Ms Jones: “We’ve barely begun to see the impact of the cuts that are around the corner.”

An example she pointed to was the extension of the LHA cap to social housing, which while deferred until 2019, has been applied retrospectively to all Universal Credit claims.

Like the bedroom tax, Ms Jones pointed out that these cuts “will penalise people for housing choices made at a time when they didn’t realise what the implications of those choices would be and have no real choice in the matter”.

The hardest hit group will be the under-35s, she warned: “For housing associations with large numbers of one-bedroom flats, that will be a very thorny issue.”

At the other end of the age spectrum, Matthew Gardiner, chief executive of Trafford Housing Trust (THT), described social care as a “desperate omission” from the Autumn Statement. At the Birmingham event, Ms Jones was equally scathing about what she called the “astonishing absence from the Autumn Statement of the social care crisis”.

She urged delegates to resist proposals to reform the existing supported housing arrangements, which are being consulted on until mid-February by the government. The proposed changes would give associations less confidence to develop projects like the two major retirement living and six supported living schemes for people with learning disabilities, which Bromford is currently building without capital grants.

“The evidence shows those preventive services hold the key to getting us out of the health and social care crisis. It is every bit as pressing as the housing crisis and is inextricably linked to it.”
3. Opportunities

Even though problems are likely to intensify in the immediate future, the sector needs to look at the medium to longer term, Ms Alafat from the CIH warned: “It would be very easy to focus on the crisis at hand but we should not forget where we are heading as organisations. We need to be willing to change what we do.”

“We know that housing need is not going away. There are some opportunities, which we must make the best use of because it’s not going to get any easier.”

And amid the wider macro-economic gloom, outlined by economist and business consultant Vicky Pryce in her opening presentation, housing was one of the few sectors to enjoy a spending increase in the Autumn Statement.

Ms Pryce, recalling her time as chief economist at the Department of Business, Innovation & Skills, said it had been hard to make the case with the Treasury for housing investment, even though such spending largely remains circulating within local or regional economies.

Mr Gardiner called for housing to be transferred to the increasingly influential Department for Business, Energy & Industrial Strategy.

Mr Sarsfield emphasised how the landscape has changed: “The last government wasn’t interested in us but the new team are.”

“It’s not often that we get half of what we want so that’s a success,” he said, referring to the extra £1.4bn allocated to housing and the government’s move to allow greater flexibility on tenure.

Ms Jones agreed that the sector had cause to celebrate. “It seems that the efforts the National Housing Federation has been making to build a very different relationship with government and the changed mood from the Voluntary Right to Buy deal has had some impact. It’s exactly what the sector asked for so now we have to deliver it.”

3.1 Flexibility

For Luke Murphy, senior research fellow at the IPPR thinktank, the government’s decision to allow registered providers to use grant for rented housing was perhaps even “more important” than the extra investment. “It points towards a more holistic approach to housing policy,” he said.

This greater flexibility on tenure was “particularly welcome”, said Ms Alafat: “If you are in central government and try to dictate the type of housing for local areas it just doesn’t work.”

Mr Beardmore explained how the previous reliance on shared ownership had made it hard to structure development programmes, pointing to the “massive risks” involved “when you are selling the entire estate as shared ownership”.

Ms Alafat also flagged up the importance of the government’s decision to include housing in its National Productivity Investment Fund. “The fact that they are thinking of an infrastructure fund with local authorities in the driving seat is good. It’s good that housing is seen as part of infrastructure and contributes to growth.”

3.2 Devolution

Turning to the devolution agenda, Charley Gibbons, director for strategy and communication at Orbit, welcomed the Autumn Statement’s reference to the ‘Midlands Engine’ and the scale of its commitment to the local enterprise partnerships. But he worried that the lack of detail on regional investment plans means there is still a lack of clarity about Theresa May’s commitment to hand power down to the sub-regional level.
Nevertheless, Greater Manchester is pushing ahead with its devolution plans. With approximately half a billion pounds worth of development funds at his disposal, Mr Beardmore said the conurbation's mayor would be in a “powerful position” to “crank up” supply when they are elected next May.

### 3.3 Green belt

The draft spatial framework for Manchester has identified land for 11,500 homes per annum, potentially doubling output across the city region. He said that a further fillip had been the government’s recent support for the release of green belt land for housing in Birmingham Council's Local Plan. The decision, Mr Beardmore said, showed that ministers were prepared to be open-minded on the green belt if they were provided with evidence by local authorities.

He said that the Greater Manchester Land Commission, which housing minister Gavin Barwell has agreed to sit on, will also examine the scope for making better use of the land on the city's relatively lower-density housing estates.

Together with registered providers, he said Manchester is examining whether the profile of the region's existing housing stock is fit for purpose.

“It's almost certainly not in the right places or the right type for our future needs going forward. We need to understand who it's for and who most needs it. The devolution agenda allows us to have that conversation and explore those ideas.”

As part of this, he said Manchester would be conducting detailed work on affordability levels in new schemes.

And while Pay to Stay had been a clumsy mechanism for ensuring that social housing was allocated to those in greatest need, Mr Beardmore said there were legitimate questions to ask about how scarce housing subsidies should be targeted: “We should be focusing social housing on those who are in the most need.”

That included facilitating people to move out of social housing when their circumstances altered, he added: “People who have an aspiration to move on in life should be given that ability and free up the asset or at least pay for it so that we can use that money.”

Mr Gardiner said that the fact that homeless people were dying in Manchester showed that the housing sector was not meeting its mission to house those in the greatest need.

### 3.4 Local authority role

In the evolving housing landscape, councils are examining how they can play a more direct role in housing provision. Mr Hood outlined how the city council is leading the way through its Birmingham Municipal Housing Trust.

As well as reducing the city council's Housing Revenue Account debt, he said the initiative was creating much needed new accommodation, including homes for private sale and rent. As a spin-off benefit, Mr Hood added, the trust could raise the standard of private rented sector accommodation in the city. “The traditional private rented sector offer in the city has been dominated by low quality buy-to-lets. We want to provide better quality.”

And he rebutted criticisms that the council's initiative would crowd out private sector housebuilding in the city.

“They make great profits so it doesn't make sense to put that at risk by increasing their overall delivery, which they ultimately don't want to do because it will impact on their profit levels.

“When the country has achieved its housebuilding targets, local authorities have been actively involved in housing. Local authorities have a key role to play if we are to meet the housing needs of the country.”