

Until there's a home for everyone

Bricks or benefits?

Kate Webb, Policy Officer

Shelter

Outline aims

- Examines balance of spending between investment in supply and demand-side subsidies
- Outlines rationale for spending decisions to date
- Explores impact of HB on individual's work incentives
- Attempt to start debate about means of shifting balance of subsidy spending

Policy context

- Chancellor - £10b more in social security cuts
- HB likely to be continued target due to sheer size
- PM prepared for further v. radical cuts
- Public support for benefit cuts
- = HB is vulnerable
- Need to shift debate from narrow welfare reform to wider housing policy

The need for subsidy

- Will always be a group of people who are unable to meet own housing needs via the market
- Not a homogenous group and needs will vary
- Short-term financial safety nets may be best approach for some groups
- But how to reconcile long-term discrepancy between incomes and housing costs?

The balance of spending

- Since 1970s balance of spending tipped consistently in favour of demand-side subsidies
- Not a novel analysis
- Lead to shift towards use of PRS for low income households and increased costs in both sectors

Why the shift occurred

- Clear policy choice
 - No longer a “crude shortage” of supply
 - HB more efficient means of targeting those in need
 - Belief market would provide
- DEL/AME split
 - HB inflates as need and costs increase

Impact of policy choices

- 1.8 million households on waiting list
- Increasing proportion of HB spent in PRS – value for money?
- Increased overall cost
- BSHF analysis 2008-2010 alone:
 - 53% of HB £ increase caused by increased PRS caseload
 - 13% of HB £ increased caused by PRS rent rise

‘Fundamental dilemma’ of the PRS

- Prices necessary to attract landlords are not affordable for low income households
- Shelter: 55% of local authorities unaffordable to families on average incomes
- Cannot rely on bearing down on landlords to absorb cuts

Is work the solution?

- IPPR found poor relationship between HB spending and unemployment levels
- Increasing need for in-work HB:
 - Number of working claimants doubled since 2008
 - Proportion now 18% up from 10%
- High rents + low wages = continued need for HB
- Additional context of in-work conditionality

HB – the efficient choice?

- Increased understanding of the impact of HB on work incentives
- “Real life” picture is mixed but high rents and steep tapers detrimental
- Universal Credit/LHA cuts only partial solution
- Low rents = “leap the ditch of poverty in one bound”

After 40 years...

- Supply is insufficient across both private and social rented sectors
- Rents increasingly out of reach for low and middle income households
- Lose of political and public support for HB
- Households reliant on HB increasingly at risk

Making the case for supply

Vision:

- Reduced reliance on PRS for those who cannot independently afford market rents
- Reduced HB spend for those who need continued support
- Improved work incentives via lower rents

But huge political and economic barriers

- Affordable housing spend cut by > 60% in last spending review
- Long-term returns from reduced rents versus up-front costs of new investment
- Talking point: How to attract alternative forms of investment in supply