

Only 5% of new homes funded by Homes England grant are 'social rent'

“Affordable rent is a new funding model, which involves three main changes: housing providers can charge higher rents for affordable housing than previously (up to 80 per cent of market rates), both for new homes and for some new tenancies of existing homes; housing providers finance a greater proportion of the cost of new homes themselves, through increased borrowing; and the Department pays less grant for each new home provided.” (National Audit Office)

The coalition government's Affordable Homes Programme 2011-15 introduced a new rent for council and housing association homes. 'Affordable Rent' (AR) could be charged up to 80% of market rents in each locality. Councils applying for grant for building new homes did so on the understanding that they would have to charge AR in new build properties rather than 'social rent' (SR), and convert some existing homes from SR to AR. The rationale for AR was to “maximise delivery of new affordable housing supply”. In fact it was part and parcel of the government's austerity programme. Grant towards new build was cut by two thirds (as compared to New Labour's National Affordable Homes Programme) to around £20,000 per property.

This was supposedly a £12 billion programme for new homes. However, only £1.8 billion was government grant. The rest was provided by the higher tenant rents on the new properties (estimated to be around £6 billion by the NAO) and funding of £4 billion from other sources (including commercial borrowing, converting social housing properties to AR and property sales).

Ironically, considering the government's attempt to drive down the housing benefit bill, one of the consequences of “affordable rent” is a significant increase in that bill on what is a fairly small programme. The NAO estimated that this programme alone would increase housing benefit payments by around £1.4 billion over 30 years.

As the House of Commons Committee on Public Accounts pointed out, cutting subsidy whilst introducing “affordable rents”, and hence increasing housing benefit, was simply shifting the cost from one department to another.

The second phase of the government's Affordable Housing Programme for 2016-21, did not offer grant for social housing, save for a miniscule 8,000 of supported housing units. This changed in 2017 when Teresa May announced that grant *would* be available for new SR properties, though there was no indication as to the amount of funding which would be available.

We now have some idea of the scale of support for SR. Homes England has just released a summary of the government's Affordable Homes Programme 2016-21 which records the numbers of homes funded up to September 2019. There are in England 166 councils that have a Housing Revenue Account (HRA). They are required to have one if they own 200 or more council homes. At the end of the financial year 2018-19 there were 1,583,858 council owned properties. Most of these are SR. Of these councils 122 have introduced AR whilst 44 have not. The number of AR homes is relatively small; 21,878, just 1.38% of the stock¹. That probably reflects the low level of new build but also the opposition of some councils to introducing higher AR which is unaffordable for many people. The average SR in England was £85.55 a week at the end of the 2018-19 financial year. AR is on average 34% higher at £115.14². This may not seem a lot of difference to

¹ The AR programme for Housing Associations is much larger. Since 2012 277,000 AR lettings have taken place. CORE data summary table 2018-19.

² The rent averages are on a 52 week basis. Some council tenants pay their rent on a 48 or 50 week basis so the actual

some people but to those who are in low paid or precarious work it's a big difference. Obviously the more bedrooms the higher the rent. The average three bedroom AR rent is £127.04. Moreover as you can see from Table 3 below, which shows detail of all councils with 100 or more AR properties, there is a significant variation which results from the linking of council rents with market rents. The lowest AR is less than 12% higher than the local 'social rent'. However, in areas where market prices are much higher, AR can be up to double the local SR. Ironically in Tower Hamlets, one of the poorest boroughs in the country AR is more than double SR.

Of 57,543 homes funded by grant³ from Homes England only 5.16%, that is 2,972 were SR. Including 611 built without grant, the SR number climbs to 3,583. This is just 4% of all schemes agreed by Homes England. Of more than £2 billion grant handed out by them a *puny £163 million was devoted to SR*. £971 million grant went to 'affordable home ownership' for 29,604 homes. £939 million was funding for 24,967 AR homes. 22,080 AR homes were built with nil grant. Usually these will be part funded by Right to Buy receipts and/or Section 106 monies (payments by developers associated with the cost of infrastructure). These are the ones which could be affected by the government policy for First Homes⁴ which would use Section 106 monies for ownership rather than for social housing.

Although AR has not so far replaced SR homes to the extent we feared, so long as AR continues to be funded then there will be less money available for SR. Every project funded by Homes England includes conversion of existing homes to AR. The level of funding of SR is so negligible that SR numbers will continue to decline unless the policy is changed. The number of SR council homes has fallen by 118,000 since 2012.

AR should be abandoned and all council properties should be charged SR. So long as there is so little grant for councils to build new council homes and Right to Buy remains in place, the number of council homes will continue to decline as they have done [in every year since 1979](#). Introducing AR has failed to deliver more homes. Since 2010 there has been a fall in the number of council homes in England of 194,000.

Finally, because of the low grant level for new building schemes councils not only have to fund projects by charging AR, but they also have to take on extra borrowing. The cost of servicing the extra debt⁵ has to come from tenant rent which means that there is less money available for the maintenance and renewal of existing council housing stock. Servicing debt already takes up 16% of HRA income nationally. Less than 10% of expenditure goes on capital works (renewal of housing components) annually, work which is essential to maintain the housing to a decent standard.

(See tables below)

rent they pay is a little higher. On an actual basis the SR average is £87.91 and AR is £119.22.

3 32,780 received nil grant.

4 This will offer for first time buyers homes at 30% of the market price but there will be no government funding for them. Section 106 money will be used.

5 See the case for cancelling council housing 'debt' <https://council-housing-debt-campaign.org/>

Table 1a: SOAHP 2016-2021 funding and homes by Homes England Operating Area (end of September 2019)

Homes England Operating Area	Funding (£)	Affordable Home Ownership		Affordable Rent		Social Rent		Total homes	
		Grant funded	Nil Grant	Grant funded	Nil Grant	Grant funded	Nil Grant	Grant funded	Nil Grant
Midlands	428,431,869	5,122	738	6,327	2,213	531	26	11,980	2,977
North East, Y & H	394,140,886	4,950	520	6,049	1,723	81	11	11,080	2,254
North West	551,118,980	7,040	477	7,546	1,183	789	148	15,375	1,808
South East	392,960,603	7,410	6,998	2,650	10,928	823	60	10,883	17,986
South West	307,618,142	5,082	1,356	2,395	6,033	748	366	8,225	7,755
TOTAL	2,074,270,480	29,604	10,089	24,967	22,080	2,972	611	57,543	32,780

Table 2: Average SOAHP 2016 to 2021 funding per home by Homes England Operating Area (end of September 2019), excluding nil grant homes

Homes England Operating Area	Affordable Home Ownership	Affordable Rent	Social Rent	Total homes
Midlands	31,661	38,148	46,895	35,762
North East, Y & H	33,838	36,973	36,901	35,572
North West	31,495	38,204	52,097	35,845
South East	32,992	36,735	62,141	36,108
South West	34,512	37,262	57,469	37,400
TOTAL	32,808	37,646	54,887	36,047

Note

If the average grant per SR property is £54,887 the 2,972 homes would add up to £163,124,165. So only 7.8% of funding has supported SR homes.

£993,907,682 has funded 24,967 AR homes, comprising 45.3% of funding.

£971,248,032 has funded “affordable ownership” comprising 46.8% of funding.

Table 3

	Number of council properties	Social Rent	Affordable Rent	% AR	SR	AR	% higher
England 2018-19	1,583,858	1,560,765	21,878	1.38%	£85.55	£115.14	34.60%
Darlington	5,334	3,882	1,432	26.80%	£71.15	£81.68	14.80%
Hartlepool	274	0	274	100.00%		£87.69	
Newcastle upon Tyne	25,261	24,888	373	1.48%	£75.26	£101.56	34.94%
Blackpool	4,801	4,315	486	10.10%	£67.65	£88.83	31.30%
Cheshire West & Chester	5,469	5,318	131	2.40%	£79.43	£104.50	31.50%
Stockport	11,193	10,869	324	2.90%	£73.43	£102.64	39.80%
Wigan	21,736	21,079	657	3.00%	£75.16	£97.01	29.00%
Doncaster	20,125	19,775	349	1.70%	£69.77	93.04	33.35%
East Riding of Yorkshire	11,314	9,941	1,363	12.00%	£78.91	£90.60	14.80%
Kingston upon Hull	23,890	23,516	374	1.60%	£72.52	£87.32	20.40%
Leeds	55,292	55,156	136	0.25%	£71.93	£102.70	42.80%
Sheffield	39,260	38,928	332	0.85%	£71.33	£93.14	30.60%
Bolsover	5,100	4,954	146	2.90%	£77.98	£95.53	22.50%
Corby	4,681	4,446	235	5.00%	£75.34	£104.11	38.20%
Derby	12,868	12,543	265	2.05%	£77.83	£86.74	11.45%
Leicester	20,398	20,111	287	1.40%	£69.67	£101.61	45.80%
Lincoln	7,785	7,597	188	2.40%	£68.07	£105.70	55.30%
Mansfield	6,498	6,314	184	2.80%	£72.40	£86.06	18.90%
Newark & Sherwood	5,495	5,298	197	3.60%	£75.76	£94.22	24.40%
North Kesteven	3,830	3,688	142	3.70%	£74.99	£87.66	16.90%
Nottingham	25,535	25,070	465	1.80%	£72.50	£94.53	30.40%
Birmingham	60,838	58,916	1,920	3.15%	£79.98	£100.54	25.70%
Cannock Chase	5,145	5,022	123	2.40%	£72.20	£86.53	19.80%
Dudley	21,734	21,524	210	0.95%	£77.23	£92.33	19.55%
Sandwell	28,607	28,319	288	1.00%	£79.42	£97.14	22.30%
Shropshire	4,076	3,742	317	7.80%	£80.62	£98.33	21.95%
Solihull	9,968	8,854	114	1.10%	£79.82	£104.12	30.40%
Wolverhampton	21,982	21,858	124	0.60%	£77.97	£99.91	28.10%
Cambridge	7,193	6,860	333	4.60%	£98.88	£145.50	47.15%
Central Bedfordshire	5,176	5,060	116	2.20%	£99.00	£159.61	61.20%
Mid Suffolk	3,253	3,125	128	3.90%	£81.81	£115.06	40.60%
Uttlesford	3,053	2,738	314	10.30%	£98.97	£151.17	52.70%
Waveney	4,446	3,138	1,308	29.40%	£78.67	£90.24	14.70%
Barking & Dagenham	17,077	16,428	649	3.80%	£92.83	£146.98	58.30%
Enfield	10,160	10,042	118	1.20%	£99.95	£195.98	96.10%
Islington	25,291	24,872	419	1.85%	£116.46	£167.05	43.40%
Newham	15,953	15,215	738	4.60%	£96.48	£154.55	60.20%
Redbridge	4,457	4,323	134	3.00%	£102.48	£194.94	90.20%
Tower Hamlets	11,476	11,293	183	1.60%	£108.02	£229.62	112.60%
Wandsworth	16,909	16,643	266	1.60%	£125.03	£208.09	66.40%
Ashford	4,982	4,421	561	11.30%	£89.05	£138.66	55.70%
Brighton & Hove	11,552	11,355	196	1.70%	£83.87	£165.39	97.20%
Crawley	7,898	7,750	148	1.90%	£105.66	£169.20	60.10%
Fareham	2,428	2,300	128	5.30%	£89.48	£114.60	28.10%
Portsmouth	14,836	14,662	174	1.20%	£84.06	£134.03	59.45%
Wealden	2,943	2,812	131	4.45%	£85.32	£139.74	63.80%
Winchester	5,059	4,906	153	3.00%	£100.03	£147.08	47.03%
Bournemouth	5,110	4,940	169	3.30%	£82.66	£148.98	80.20%
Stroud	5,083	4,966	117	2.30%	£80.96	£116.03	43.30%
Swindon	10,300	9,898	402	3.90%	£79.42	£109.15	37.40%
Wiltshire	5,318	5,137	181	3.40%	£87.69	£117.86	45.80%