

## Shelter briefing: Long-term commitment to increased provision of social housing to help to reduce housing costs, homelessness and housing benefit expenditure

Shelter is the UK's largest housing and homelessness charity. Last year we gave information, support and advice to millions of people experiencing bad housing and homelessness.

For generations, social housing played a vital role in meeting the housing needs of ordinary people, giving millions the quality and dignity of life that insecure and unaffordable private renting could not. A steep decline in social housebuilding has contributed to a **huge increase in private renting as more and more cannot afford to buy a home**, and **increases in homelessness**. Government is currently spending billions of pounds a year on housing benefit, much of which goes to private landlords, and councils are spending hundreds of millions on temporary accommodation to house homeless households.

There is a clear economic case for investing this money in to social housebuilding and Shelter is calling on the government to **make an ambitious, long-term commitment to increase provision of social housing**. This would not only be a more efficient use of public funds, but would provide many with the affordable, secure housing they currently have no chance of accessing.

### The need for social housing: housing affordability crisis

Successive governments have failed to build enough homes, which has resulted in the current housing crisis facing the country. The need to build more homes is now widely acknowledged and agreed upon by politicians across the political spectrum.

These days, the prospect of saving for a deposit for a home isn't just a far-off dream; for many it is nigh on impossible. Not only are house prices prohibitive but soaring private rents can make it difficult to sustain a tenancy.

- Homeownership in England is now at its **lowest level for 30 years**. The percentage of homes that are owned has fallen from 71% a decade ago to 63% now.
- The average home in England in 2017 cost **almost eight times more** to buy than the average annual pay packet.
- The average share of income that young families spend on housing **has trebled over the last 50 years**.

The steep decline in social housing and a fall in home ownership has led to a heavy reliance on the private rented sector, and the rationing of who gets to live in the social homes we do have. The number of people living in the private rented sector has **doubled over the past 20 years**. The cost of housing, which has risen faster than incomes, has put immense financial pressure on many people:

The Shelter logo consists of the word "Shelter" in a white, sans-serif font, centered within a solid red rectangular background.

- Private renters **on average spend 41%** of their household income on rent
- The majority (**57%**) of private renters **say they struggle** to cover housing costs
- **1 in 3 low-earning renters** are having to borrow money to pay their rent. **800,000 people** who are renting can't even afford to save **just £10 a month**

The explosion in the numbers renting privately, unable to buy or access social housing had led to huge rises in **welfare costs** to government, driven by more people renting privately at higher costs. In much of the country, it's simply impossible for households on low incomes to afford a market rent without the help of housing benefit.

- **27%** of private renters receive housing benefit or the housing element of Universal Credit; approximately **1,279,868 households**
- The government **currently spends £21 billion annually on housing benefit**

Shelter has brought together a group of 16 independent commissioners from across the two main parties and from diverse backgrounds, to ensure that a national conversation about the future of social housing took place. The commissioners have spent a year listening to the views of social tenants, 31,000 members of the public and a range of housing experts. The results of this commission recommend a decisive and generational shift in housing policy, providing millions of households an affordable and stable home.

### **The decline in social housebuilding**

Yet despite this context, recent years have seen record low levels of social housing delivery. **Only 6,463 more social homes were delivered last year** (note that this does not include the government's 'affordable housing' which our commission agreed is unaffordable for people who need social housing). This stands in stark comparison with the three and a half decades after the end of the Second World War, when local authorities and housing associations built **4.4 million** social homes at an average rate of more than **126,000 a year**.

Serious social housebuilding was curtailed after 1980, as local authorities' ability to build and manage social housing was restricted. In 1980, **94,140** social homes were built. By 1983, supply **halved to 44,240** new social homes.

Recent governments have pursued policies to transfer existing social homes into private tenures, seeing social housing as only for those in the highest need. The combined effect of the loss of stock and failure to replace it has been a significant reduction in the absolute number of social homes. There are around **1.5 million fewer social homes today** than there were in 1980.

### **Consequences: Rising homelessness and spend on temporary accommodation**

Despite various government initiatives, homelessness is rising. Without enough social housing, the number of households living in temporary accommodation and the number of people sleeping rough on any given night has risen for the last five years.

Rough sleeper counts show that **over 4,000** people sleep rough on a given night. Since 2010, the number of people sleeping rough has **almost trebled**.

Homelessness is broader than rough sleeping. Overall, **277,000 people are homeless in England** on a given night. Most people who are homeless are not on the street but sofa surfing or accommodated in emergency or temporary accommodation.

- The number of people who are homeless in temporary accommodation **has risen by two-thirds** since 2011
- The amount councils spend on TA for homeless households has **increased by 71%** in the last five years and cost them more than **£996 million in 2017/18**

### **Solutions: the business case for investing in social housing**

For generations, social housing played a vital role in meeting the housing needs of ordinary people, giving millions the quality and dignity of life that insecure and unaffordable private renting could not. Shelter's independent commission on the future of social housing recently reported and called on the government to **invest in a major 20-year social housebuilding programme**.

The Commissioners are calling on all political parties to rediscover publicly built housing as a key pillar of our national infrastructure. They are recommending that we build **3.1 million new social homes** over the next 20 years; an average of around **150,000** a year. Importantly, there is a precedent for such a figure: in the mid-1960s, we delivered 150,000 social homes a year. It's been done before, and it can be done again – if it is the major focus of government efforts.

Building at such a scale would allow us to **recapture the original purpose of social housing** that is aspirational and provides opportunity to a wide range of people currently priced out of the private market – including young families and elderly renters, as well as those hit by homelessness.

Analysis from **Capital Economics** makes a compelling case for the economic benefits of such an investment, finding that most of the initial cost to government **is recouped through savings to housing benefit** and increased tax revenues.

While the programme would require an average yearly investment of **£10.7 billion** in grant funding during the 20-year construction phase, Capital Economics estimate that up to two-thirds of this would be recouped through housing benefit savings and increased tax revenue. On this basis the true net additional cost to the

government, if the benefits were fully realised, would be just **£3.8 billion on average per year**. And after 39 years these returns mean the investment will have paid for itself.

### **How to deliver the homes: land and planning reform**

The cost of land now represents a major barrier to social housing delivery, which did not exist in the heyday of social housebuilding. Countries that build large amounts of social housing successfully can share the proceeds of the increase in land value that comes from planning and development between the land owner and the public.

In England the **Land Compensation Act 1961** has played a role in **inflating land values** by giving landowners an entitlement to 'hope value'. The levels of direct investment which would be needed to purchase land at today's market prices and then use it to build social homes at affordable prices would be considerable. If government increased grant for social housing without also reforming the land market, this additional demand for land would be factored into its cost – **making it even more expensive**. Because of this, the problems of financing social housing are bound up with the problems of accessing the land on which to build it.

It is not enough to pour more money into a broken system. At the same time as we increase public investment in social housing, government must also act to reform the broken market for land. The prize of reform is great. Work from Civitas estimates that **such land reforms could slash 38% off the total development costs** of a new scaled-up programme of social housebuilding.

We are therefore calling on government to reform the Land Compensation Act 1961 so that landowners are paid a fair market price for their land, rather than the price it might achieve with planning permission that it does not actually have. This change has widespread support across the housing sector and from all sides of the political spectrum, including from Onward, IPPR, Campaign for the Protection of Rural England, Create Streets, NEF and the Local Government Association.

**If you would like more information, please contact [poppy\\_terry@shelter.org.uk](mailto:poppy_terry@shelter.org.uk) or 0344 515 2274.**