

## Shelter briefing: General debate on Housing

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. However, a steep decline in social housebuilding has contributed to a **huge increase in private renting** as more and more people cannot afford to buy a home, as well as **rising homelessness**. Government is currently spending billions of pounds a year on housing benefit, much of which goes to private landlords, while councils are spending hundreds of millions on temporary accommodation for homeless households.

Shelter is calling on the government to **make an ambitious, long-term commitment to building 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. This would be supported with **greater land reform** to combat the inflation of the cost of land, which slows developments.

### The need for homes at lower rents: 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 nearly 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 2018 cost **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. 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:

- 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 **1.2 million households**
- The government **currently spends £20 billion annually on housing benefit in England**

### **The decline in social housebuilding for those on lower incomes**

Despite this context, recent years have seen record low levels of social housing delivery, along with an under-supply of private housebuilding. **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 contrast 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 a given night has risen over 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 in England has **almost trebled**.

However, 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 households who are homeless in temporary accommodation **has risen by more than two-thirds (70%)** 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: 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.**

Shelter 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 results of this commission recommend a decisive and generational shift in housing policy, providing millions of people an affordable and stable home.

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.

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 more homes: land and planning reform**

The cost of land now represents a major barrier to social housing delivery. 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 that are needed to purchase land at today's market prices and

then use it to build social homes at affordable prices are 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 will ensure that the government can effectively deliver the amount of social homes that are needed to address the housing crisis.

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