

## Appendix 2

### History of Social Housing

#### Introduction

In 1919 the Addison Act introduced the notion of housing as a national responsibility and launched the first major wave of social housing in this country. By 1981, the number of social homes peaked at almost 5 and a half million. Today England has just over 4 million social homes, despite demand for affordable housing increasing.

#### Overview

By 1939, 1.1 million homes had been built by local councils, and 10% of the population lived in social housing, up from 1% at the end of the war. The aftermath of the Second World War saw the government embarking on an ambitious social house building programme. The need to build new homes was one of the drivers behind the passing of the *Town and Country Planning Act 1947*. The 1947 Act introduced a requirement for planning permission to be granted for both constructing and changing the use of a building. It also enabled the state to compulsorily purchase land at levels close to existing land value, and, alongside powers provided within the *New Towns Act 1946*, enabled the establishment of the New Towns.

In the 1980s there was a significant shift in housing policy. After two decades of record housing delivery, supply was no longer considered a significant issue by many. The *Town and Country Planning Act 1959* and the *Land Compensation Act 1961* had introduced new compensation arrangements for landowners, which reduced the ability of the public sector to purchase land at low cost.

The *Housing Act 1980* introduced the Right to Buy policy which allowed occupiers of social homes to purchase them from the local authority and become homeowners. Restrictions on borrowing were introduced in the 1980s meaning that Local Authorities could only borrow money for capital expenditure to the limits imposed by central government. In comparison, housing associations were given access to public grant funding, which they could combine with private finance.

In 1988, to further reduce public sector borrowing, councils were asked to transfer much of their social housing stock to housing associations. This led to a long-term shift in the ownership of social housing. In 1980, housing associations provided 7 per cent of all social housing. By 2008, housing associations provided over half, and as of 2019 they provide 61%.

Following the 2007–08 global financial crisis the coalition government from 2011 reduced social housing grant by more than half, compared to the 2008–11 programme, as part of the overall austerity strategy to reduce government spending. To continue to meet social housing need, housing associations began to rely more on ‘cross-subsidy’ from selling houses on the market.

## Social Housing Today

Social housing stock peaked in England in 1981 at 5.49 million homes. As of 1 April 2019, the number stood at 4.13 million, some of which are rented out at a higher rent

The House of Commons Library noted that the decline in social housing can be attributed both to a decline in new supply and depletion of existing stock, including through Right to Buy. On the decline of social rent properties in particular, factors they list include: the lack of a requirement to replace Right to Buy sales on a like-for-like tenure basis; the switch of new-build output towards affordable rent; and the conversion of social rent to affordable rent when re-let.<sup>1</sup>

As the amount of social housing has declined, demand for affordable housing has increased.

## The National Picture

A report by the Housing, Communities and Local Government Committee to the House of Commons, Building More Social Housing<sup>2</sup> dated July 2020 identifies that England needs at least 90,000 net additional social rent homes a year and the Government needs to invest accordingly. The sector estimates that £10 billion in extra grant funding will be needed.

In 2019 less than 7,000 social rent homes were built, despite evidence that England needs around 90,000 more social rent homes a year for the next fifteen years. The report identifies that increased central government grant is necessary because the current funding model is not delivering what is needed.

It also identifies that a social house building programme should be top of the Government's agenda to rebuild the country from the impact of COVID-19.

"The crisis has exposed the broken housing system. Families in overcrowded homes have faced worse health outcomes. Private renters have struggled to meet housing costs. A large social house building programme will provide jobs, boost the economy, and help the Government meet its 300,000 homes a year target. It would also help to significantly reduce the number of people suffering from homelessness, reduce the number of families in overcrowded homes, help families reduce their housing costs, as well as reduce pressures elsewhere in the housing system."<sup>3</sup>

The report also recommends that Government can significantly reduce the extra public spending required by reforming land value capture, assembling and using public land for social housing, and redistributing from existing budgets. Recommending that Homes England takes a central role in co-ordinating public land to be used for social housing, by identifying sites and purchasing private

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<sup>1</sup> House of Commons Library, [What is affordable housing?](#), CBP 7747, 23 December 2019, 3.2

<sup>2</sup> <https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/173.pdf>

<sup>3</sup> <https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/173.pdf>

land. This coupled with reforms to the Land Compensation Act 1961, would ensure that land is easier to purchase and more affordable.

Lastly it recommends that local authorities should receive 100% of Right to Buy receipts and have longer to spend them.

Data from the Office for National Statistics found that land in the UK was valued at 51% of the country's net worth in 2016, compared to an average of 39% in other G7 countries. The Committee's report recognises that social housing providers identify the cost of land as one of the most significant barriers to delivering more social housing. A study by Civitas in 2018<sup>4</sup> identified that if land could be obtained at cheaper prices, the cost of the entire national house building programme could drop by almost 40%.

The Royal Town Planning Institute found that 90% of local authorities not engaging in housing delivery said it was due to lack of land, and that councils that were building primarily used their own sites.

The Committee's report concludes that the cross-subsidy model has reached its limit. "Without grant funding from central Government, providers will be vulnerable to the economic impact of COVID-19. Housing associations have commendably made up for reduced Government grant investment in the last decade by developing homes for sale and investing these proceeds, but the subsidy gap remains high for social rent. The Government believes housing associations can continue to financially innovate to build more homes, despite registered providers telling Ministers they have reached the limit of their flexibility. If the Government does not increase grant funding, social rent housebuilding will not increase and may drop even further."<sup>5</sup>

### **Recovery from COVID-19**

In June 2020, the OECD forecast that the UK would suffer the worst drop in GDP— 11.5%—of any country in the developed world, and would not return to early 2020 levels until at least 2022.

It is widely recognised that housing will be an important part of the national recovery from COVID-19. As the impact of the pandemic has worsened, it is those in the most acute housing need that are among the most vulnerable to infection. The Office for National Statistics (ONS) found that people living in more deprived areas had experienced COVID-19 mortality rates more than double those in less deprived areas.<sup>6</sup> Subsequent analysis of the ONS statistics

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<sup>4</sup> Civitas, [Reform of the land compensation rules: how much could it save on the cost of a public-sector housebuilding programme?](#), March 2018

<sup>5</sup> <https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/173.pdf>

<sup>6</sup> Office for National Statistics, [Deaths involving COVID-19 by local area and socioeconomic deprivation: deaths occurring between 1 March and 31 May 2020](#), 12 June 2020

by *Inside Housing*—which did not weight for underlying health conditions or concentrations of care homes—found that areas with more households in temporary accommodation and those with the most pronounced shortage of social housing experienced higher mortality rates.

The Committee's report recommends that a social house building programme should be top of the Government's agenda to rebuild the country from the impact of COVID—"The crisis has exposed our broken housing system. Families in overcrowded homes have faced worse health outcomes. Private renters have struggled to meet housing costs. A large social housebuilding programme will provide jobs, boost the economy, and help the Government meet its 300,000 homes a year target."<sup>7</sup>

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