

## Shelter briefing: General debate on housing

### Summary:

- Shelter helps millions of people every year struggling with bad housing or homelessness and we campaign to prevent it in the first place.
- At the heart of every problem that we see is the overall lack of affordable homes. Quite simply we aren't building enough homes – and haven't for a generation. In addition, the homes we are building are all too often unaffordable, unattractive and lacking in necessary community infrastructure.
- **We need to change this by closing loopholes in current planning legislation that give landowners and developers too much control over what gets built, and kick-start a new era of largescale public sector housebuilding.**

### Context

In England, we are facing an acute housing crisis, one driven by a long-term failure to build enough homes, and in particular enough affordable homes. The results of are stark:

- 300,000 families are now homeless in England, including 127,000 children;
- 78,000 households are living in temporary accommodation;
- Average house prices are 8 times income for ordinary working families;

To resolve these challenges, the core solution is dramatically increasing the delivery of genuinely affordable homes to rent and buy. This needs to be achieved by a combination of increasing the number provided by private developers as part of Section 106 planning obligations and by unleashing a new wave of public sector housebuilding comparable to the post-war years, one based on the principles found in the Shelter's [New Civic Housebuilding report](#).

### Current situation

Last year, in England, 183,570 new homes were built, of which just 41,350 were affordable were affordable<sup>1</sup>. While this is an increase on the previous year it remains well below the government's 300,000 homes per year target.

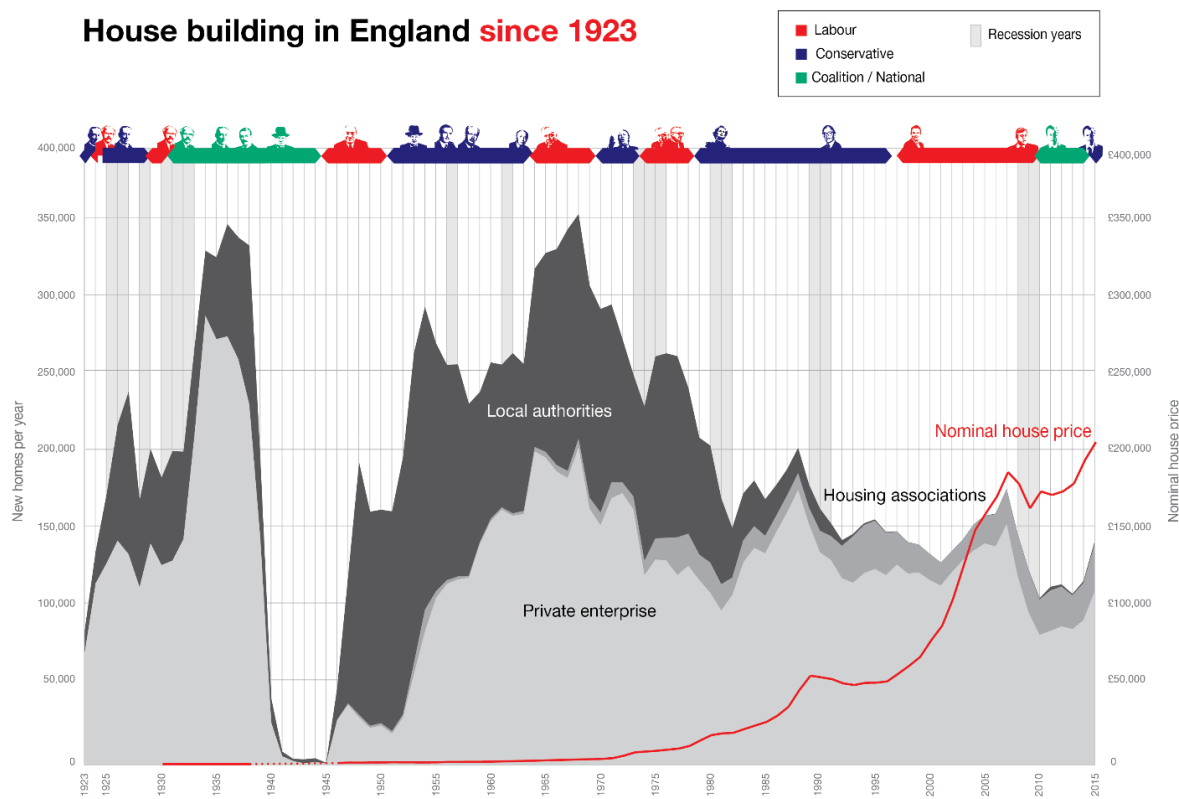
In particular, the government needs to prioritise the delivery of homes for social rent, which is the only tenure that will effectively reduce levels of homelessness and take the pressure off the housing benefit system. Despite this, numbers of new social rent homes have now fallen to historic lows, with just 5,380 constructed in 2016/17.

The majority of new homes being built are also completely unaffordable to those who need them. Shelter research in 2017 found that typical new homes built today are out of reach for **eight in ten**

<sup>1</sup> [DCLG live tables on affordable housing](#).

**(83%)** working private renting families across the country – even if they use the Government’s Help to Buy scheme.<sup>2</sup>

This is not a new problem: in fact, our failure to build enough homes, and particularly affordable homes, goes back through successive governments.



Sources: DCLG, Shelter analysis  
Images (1946-2015): A Right To Build, Architecture 00/, 2012<http://issuu.com/architecture00/docs/arighttobuild>

Addressing this trend has to be a priority for the government, and through steps such as the ‘Housing White Paper, National Planning Policy Framework update and Letwin Review into build-out, it appears that the intention to do this is there.

## The challenge of speculative housebuilding

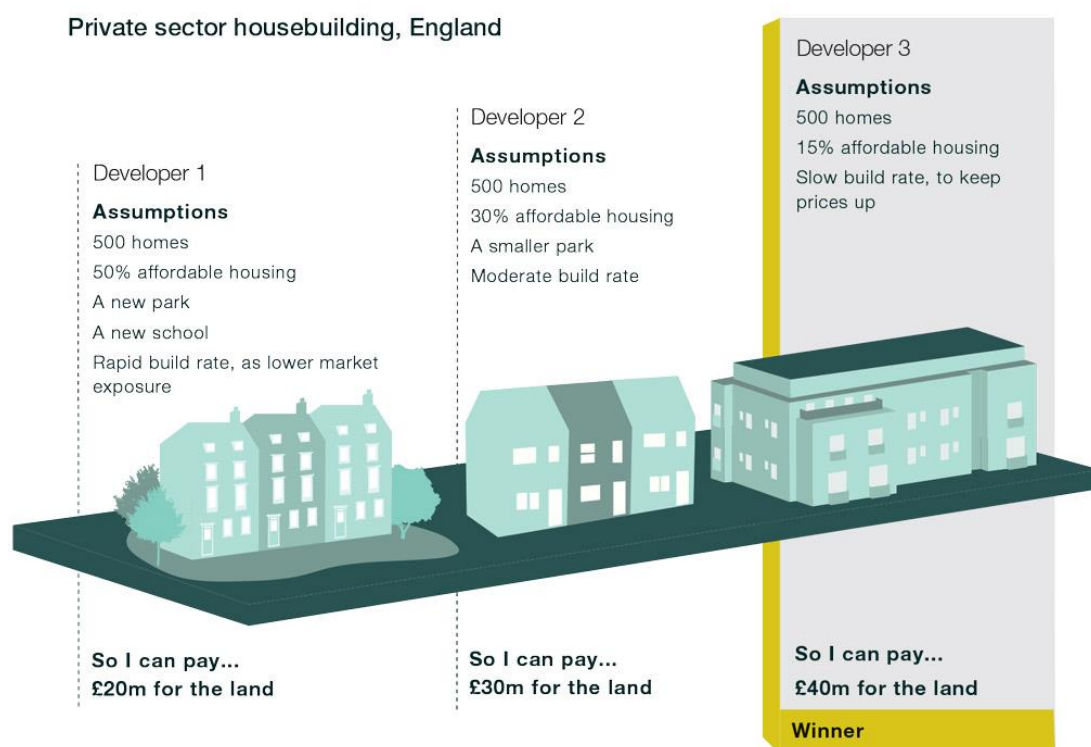
A major limitation to our ability to build enough genuinely affordable homes is the speculative development model we rely on to build the majority of our homes.

This means that they buy land and build homes without knowing who they will sell them to, or what price they will fetch. Under this system, developers compete against each other to pay the most for land, which ratchets land prices upwards. In fact, land prices in England have doubled in the past five years.

<sup>2</sup> Shelter calculations based on Office for National Statistics HPSSA median new build prices, average regional first-time buyer advances and loan-to-income ratios from Council of Mortgage Lenders data (CML) and gross household incomes (excluding income related benefits) from the Family Resources Survey.

Having taken on a large upfront risk, developers then need to recoup their investment and make profit, which means that they are strongly incentivised to squeeze down on costs by cutting corners where possible.

**The competitive nature of this model drives down affordable housing and infrastructure provision and results in slow build out rates.**



High land prices and the speculative building model make it difficult to resolve the underlying problems with house building. **Fundamentally what is needed is to get land into development at lower cost, and to diversify the range of suppliers and business models.** This would enable more of the value generated by development to support quality, affordable housing and infrastructure, as well as opening up the market to SMEs and new entrants to diversify supply options, increase overall output and drive improvement through competition.

## Solutions

We cannot expect the existing system alone to deliver the homes that we need to address the housing crisis. Instead, Shelter is calling for policy reforms and public investment to kick-start a new era of large scale housebuilding which prioritises public benefits and long term returns over short-run speculative gains. Civic models like this have been hugely successful in our past, and remain widespread in other countries that have done far better at providing decent homes than England has in recent decades.

### 1. Use the update to the NPPF to reform viability and ensure new developments are delivering the maximum levels of affordable housing possible

The update to the NPPF offers a real opportunity to close the loophole that Shelter research found is costing us thousands of affordable homes each year. Unfortunately, the current draft has not done this and risks making the problem worse. To ensure that the new NPPF delivers more, genuinely affordable homes:

- Councils must be allowed to set strong affordable housing policies across their housing markets, to send a clear signal to the market. To achieve this, the NPPF should require councils to ensure the viability of their development plan as a whole – not the viability of individual sites, or small groups of sites.
- Central government should set clear limits to landowner premiums under EUV+, to avoid replicating the distorted profit levels in the land market which have depressed affordable housing delivery in recent years.

Reviews of affordable housing levels on viability groups should not be the norm, but should be limited to exceptional circumstances that genuinely could not have been predicted when the developer purchased the land (e.g. abnormally high remediation costs that could not have been picked up in earlier surveys).

For full details of Shelter's view on the NPPF please see [our briefing](#).

## **2. Establish powerful new development corporations that are able to assemble and masterplan land**

A new wave of development corporations with powers to assemble land and act as master developers should be formed. These corporations would be responsible for raising finance, assembling sites (using Compulsory Purchase if necessary), master planning large scale developments, organising infrastructure investment, granting planning permission, and parcelling permissioned land out to developers – including SMEs, new entrants and public bodies.

## **3. Make reforms that will allow for land to come into development at lower values**

The value at which land currently comes into development means that there is little or no opportunity to provide affordable housing or community infrastructure. Bringing land into development at lower values is crucial to enabling this.

In [New Civic Housebuilding](#) we outline how this can be done by drawing on the lessons of our past. To enable this, we must also reform the outdated 1961 Land Compensation Act that currently has a distorting effect on the land market in England – leading to high land prices and subsequently fewer and fewer affordable homes.

## **4. Allow more public sector housebuilding to provide an additional route to the construction of genuinely affordable homes to rent and buy**

As the Treasury Select Committee said in its response to the Budget, significant amounts of public housebuilding will be needed if the government is to reach its target of constructing 300,000 homes a year. Lifting the cap on council borrowing, and restoring social housing grants, could finance a new wave of construction – and boost the supply of genuinely affordable homes. Councils and housing associations building homes for social rent are not constrained by the market absorption rates that limit the output of the speculative housebuilding model, so public housebuilding can happen at a much faster rate, raising the overall level of supply and increasing diversity and competition in the housebuilding sector.

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