

Spending Review 2025 Representation

Summary

Ending the housing emergency is a smart investment. It is holding our country back from economic growth, undermining employment prospects, making people sick and damaging children's education. There is a clear link between building 90,000 social rent homes and growing the economy. The government must commit to investing in mass scale building programme of social rent homes through a robust successor to the Affordable Homes Programme at the upcoming Spending Review. This must include a minimum of **a minimum of £30bn - £38.2bn for the first five years specifically earmarked for social rent delivery.**

In addition, it must also adequately provide funding to support homelessness advice services and back councils with funding to provide suitable and safe temporary accommodation for those in need and ensure local authorities have the resources and tools they need to enable effective enforcement in the private rental sector.

Introduction

Ending the housing emergency is a smart investment. With record homelessness including over 160,000 children¹, 1.3million households² on the social housing waitlist, and sky rocketing rents in the private sector, the government can't afford to ignore this in the upcoming Spending Review.

The government needs to invest in 90,000 social rent homes a year for 10 years to end the housing emergency, boost the economy and meet its goal of building 1.5million homes a year. The most direct lever to get this done is committing to a 10-year grant funding programme. The country needs robust successor to the Affordable Homes Programme that will ramp up to **90,000 social homes a year by year 5**. To do this it needs to earmark **a minimum of £30bn - £38.2bn for the first five years.**

Research commissioned by Shelter and the National Housing Federation shows that building 90,000 social homes can not only add to £51.2bn to the economy but also lead to a £5.2bn savings to the NHS and an additional savings to the educational system due to fewer disruptions to education.³

¹ MHCLG, Statutory homelessness live tables, Table TA1, [https:// www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness#statutory-homelessness-live-tables](https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness#statutory-homelessness-live-tables)

² MHCLG, Live tables on rents, lettings and tenancies, Table 600, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-rents-lettings-and-tenancies>

³CEBR, The economic impact of building social housing, February 2024, https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/economic_impact_social_housing

While families and individuals wait for real government action and the building of these social homes, the government must tackle other areas of the housing emergency that are keeping people from realising their full potential and that present barriers to local authorities from serving the housing needs of their local communities.

With record numbers of homeless households and too few social homes, local authorities are struggling with extremely constrained budgets and demands. Last year, councils spent an astronomical £2.3 billion on temporary accommodation (TA)⁴. However, the subsidy councils receive from government to cover the costs of TA has been frozen since 2011. The result has contributed to councils being unable to provide suitable and decent temporary accommodation within their boroughs. In short, the government must **eliminate the housing benefit subsidy cap to properly support councils and the people they serve.**

Additionally, local authorities are the bedrock to enforcement in the private rental sector. However, with previous cuts severely affecting housing departments, the existing shortage in staff with appropriate skills, and the rise of homelessness in many areas, councils are at capacity and cash strapped. To ease these pressures and already depleted resources and in preparation for the much-needed Renters Rights Bill, local authorities need significant new funding **to shore up their enforcement teams and upskill and recruit enforcement officers and establish enforcement schemes in the private rented sector.**

If the government wants to end homelessness while also boosting the economy, the answer is clear – bold action is needed, including the Treasury prioritising social homes and resources to end the housing emergency in the upcoming Spending Review this June.

People cannot realise their full potential if they're kept awake at night in terror of the eviction notice that could land on their doorstep at any time, or by their kids coughing because of the damp and mould on the walls. Workers can't perform at their best if they must travel hours and hours before they clock in, or if they don't have a home to go back to. Therefore, the government must **further support families by permanently linking LHA to at least the 30th percentile of rents to avoid repeating the recent cycle of growing homelessness and abolish the benefit cap.**

High housing costs are the biggest tax on peoples' potential and housing insecurity robs millions of people of their future. A social housebuilding programme and boosting

⁴ MHCLG, [Local authority revenue expenditure and financing England: 2023 to 2024 individual local authority data – outturn – GOV.UK](https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2023-to-2024-individual-local-authority-data-outturn). Accessed August 2024.
<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2023-to-2024-individual-local-authority-data-outturn>



council capacity would not just end homelessness, transform the lives of millions, and give people the stable, affordable, and decent home they need. It would have huge economic benefits, provide stability and lead to growth.

Recommendations

- **Announce a robust successor to the Affordable Homes Programme with secured funding for 10 years, including a minimum of £30bn - £38.2bn for the first five years specifically earmarked for social rent delivery.**
- **Eliminate the housing benefit subsidy cap to properly support councils placing households in decent and suitable temporary accommodation.**
- **The government must provide significant new funding sufficient to enable local authority enforcement teams to recruit enforcement officers and establish enforcement schemes in the private rented sector.**
- **LHA must be permanently linked Local Housing Allowance (LHA) to at least the 30th percentile of rents to avoid repeating the recent cycle of growing homelessness.**
- **Abolish the benefit cap.**

Social Housing Investment- A Robust Successor to the Affordable Homes Programme

A mass scale social housebuilding programme is a smart investment for the government. There is a clear link between building 90,000 social rent homes and growing the economy and with record levels of homelessness, it is the only way to end the housing emergency.

In February 2024, Shelter, in partnership with the National Housing Federation, commissioned research which showed that there would be significant economic benefits to building and managing 90,000 social rent homes. The total benefit is estimated to be £51.2 billion over 30 years.⁵ The economic benefits would not stop at the people who live in the social homes, but will drive economic growth, create jobs through the management and construction of these homes, promote green technology, create savings for local authorities, reduce the benefit bill, and generate revenue for the government. Additionally, unlike other infrastructure projects, social residents pay

⁵ CEBR, "The economic impact of building social housing". February 2024. https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/economic_impact_social_housing



rent – so there is a return on investment.

The most direct and effective lever the government can use is grant funding through the start of a new robust successor to the Affordable Homes Programme. To be effective, the programme must be a long-term commitment- 10 years. It must provide sustainable funding and have the delivery of social rent homes at its centre.

Shelter analysis shows that the first five years of a 10-year programme, must ramp up to 90,000 social homes a year, by year 5. To do this, the government must invest a **minimum of £30bn - £38.2bn for the first five years, specifically earmarked for social rent delivery.** The lower range of this level of funding would deliver 180k social rent homes, over a 5 period, and at £6bn a year. The higher grant levels estimated would deliver 188k and would cost an estimate of £7.6bn a year. ⁶ The range is also closely aligned to other modelling and representations throughout the sector of the levels of funding that are needed. This includes submissions from the National Housing Federation and the Chartered Institute for Housing.

The table below provides a summary of a low, middle and high limit of social rent delivery and associated average grant levels and costs per year:

Tenure	Grant funding	Average per year	Number of homes	Average grant rate
Social rent – lower limit	£30.1 billion	£6.0 billion	180k	£160k
Social rent – mid	£36.5 billion	£7.3 billion	180k	£202k
Social rent – upper limit	£38.2 billion	£7.6 billion	188k	£202k

For the government’s convenience, Shelter would like to direct the Treasury and the Ministry of Housing, Communities and Local Government’s attention to foundational and complimentary modelling that was done by Shelter in 2024. Shelter’s modelling in

⁶ Shelter analysis of grant levels in a new affordable homes programme. The estimates are based on differing assumptions around grant rates. The lower estimate assumes an average grant rate of £160k whilst the upper estimate assumes average rate of £202k.



our [Brick by Brick](#) report estimated the total grant required to deliver a ten-year programme of social rent homes, with a ramping up to 90,000 social homes by year 5.

The full methodology and assumptions for the trajectory are set out in the report's [methodology annex](#). Shelter's trajectory assumed that two-thirds of the 90,000 social rent homes would be grant funded.

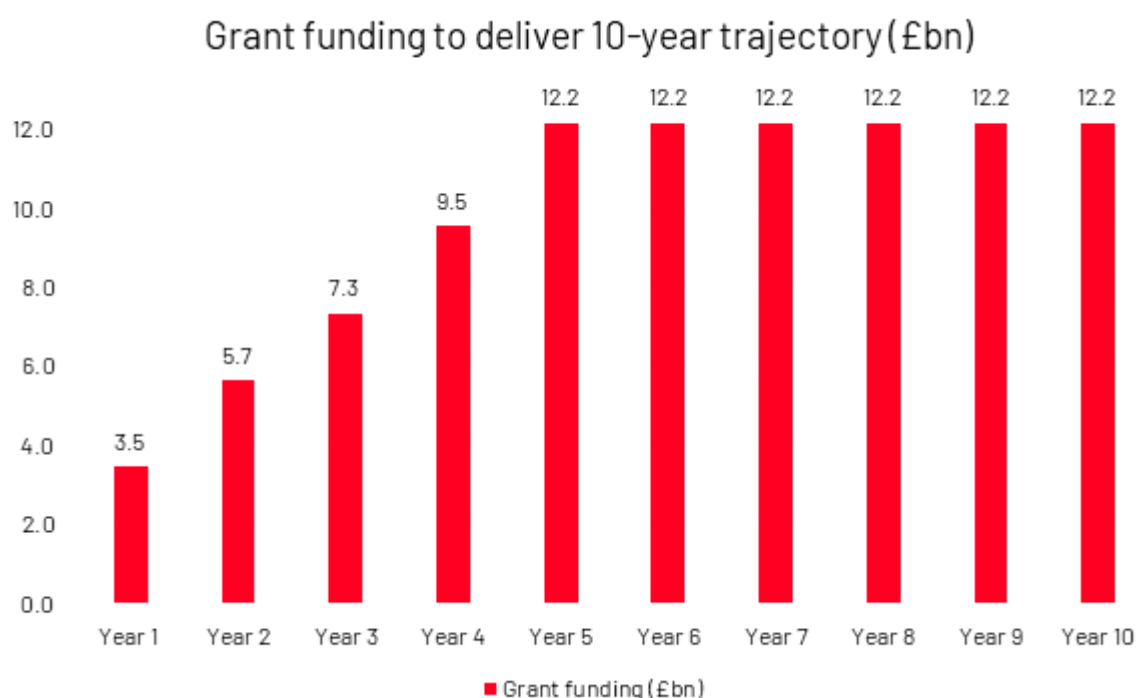


Figure 1 Grant funding required to deliver Shelter's ten-year trajectory ramping up to 90,000 social rent homes per year

Bold and ambitious action is needed if the government is to meet its 1.5million housing target, end homelessness and in turn boost the economy. The strategy for the short and long term must centre social rent at its heart and ramp up 90,000 social rent homes a year by year 5.

The turmoil of recent years and uncertainty of global politics shows how important it is to foster resilience by investing in the foundations of the country. Relying solely on the private market housebuilding is entirely pro-cyclical: outputs and supply drop off exactly when homes are required the most. When prices drop, speculative developers slow down building or mothball sites. By consequence, because demand is practically insatiable social housebuilding is countercyclical and recession busting, protecting jobs, boosting growth and providing a genuinely affordable secure home for people affected by economic uncertainty

Additionally, the government should be confident in its ability to invest and commit to ambitious but smart investments in their spending plans. As a country with monetary sovereignty, the UK government can never involuntarily default on its debt and has



significant scope to borrow large sums of money at a low cost.^{7 8}

Social housing is the epitome of this type of 'good' public debt. Crucially, it is therefore the type of government investment, rather than the size of government borrowing per se, that influences whether bond markets will lend to a sovereign government at a relatively cheap cost. Fiscal policy that may lead to inflation and rising interest rates can make gilts less attractive to investors.⁹ In contrast, investments in productive outputs that expand real economic activity help to grow the economy and tackle inflation.¹⁰

Government must not concede to misplaced criticism and embroidered outside pressure that could derail the country's long-term investment plans. As confirmed by Darren Jones, there remains strong demand in the primary market for gilts.¹¹ Further, the UK government has a wide range of tools at its disposal to stabilise markets and mitigate and prevent interest rate rises and reduce government borrowing costs.¹²

Instead of risking economic progress from cutbacks, the government must do everything in its power to buttress the public investment we desperately need. If the government was to cut back spending in reaction to high borrowing and bond market fluctuations, this would stymie growth, reduce the tax intake and therefore make it harder for the government to keep to its self-imposed fiscal rules and manifesto promises. Spending cuts may also be poorly received by financial markets.¹³ Instead, in times of stagnant growth, government spending is the most effective way to generate demand within the economy.¹⁴ And it is clear that a mass scale social housing building programme of 90,000 social rent homes a year, for 10 years, fits the bill.

Recommendation: Announce a robust successor to the Affordable Homes Programme with secured funding for 10 years, including a minimum of £30bn - £38.2bn for the first five years specifically earmarked for social rent delivery.

⁷ Mazzucato, M., Ryan-Collins, J., [IIPP written evidence submission on 'How sustainable is our national debt?'](#). UCL. February 2024.

⁸ Wren-Lewis, S. "[Detoxifying government debt part 2 Market myths](#)". Mainly Macro. February 2024.

⁹ New Economy Brief, [Bond villains?](#), Finance, February 2024.

¹⁰ Cebr. '[The Economic Impact of Social Housebuilding: A Cebr Report for Shelter and the National Housing Federation](#)', Shelter. February 2024.

¹¹ Jones, D. "[Public Finances: Borrowing Costs Volume 759](#)". Hansard, January 2025.

¹² Mazzucato, M., Ryan-Collins, J. [IIPP written evidence submission on 'How sustainable is our national debt?'](#), UCL. February 2024.

¹³ Portes, J., "The spiralling cost of borrowing spells trouble for Rachel Reeves – but she must hold her nerve". The Guardian. January 8, 2025.

¹⁴ Mazzucato, M., Ryan-Collins, J., [IIPP written evidence submission on 'How sustainable is our national debt?'](#). UCL. February 2024.



Adequately subsidise councils to provide suitable temporary accommodation

The lack of investment in social homes has resulted in a record number (over 123,000) of households stuck homeless in expensive and damaging temporary accommodation, unable to access or afford a suitable rented home. 64% (a record 78,420) are families with dependent children. 159,000 children are homeless with their families in damaging temporary accommodation provided under homelessness legislation.

Last year, councils spent an eye-watering £2.3 billion on temporary accommodation (TA). However, the subsidy councils receive from government to cover the costs of TA has been frozen since 2011. This has left them struggling to cover the costs of suitable TA, causing even more damage to households facing homelessness.

[Our research shows](#) the result is either slum-like conditions, out-of-area moves and/or high costs for households in temporary accommodation, who are expected to pay as much as they can bear. Three-quarters (75%) live in poor conditions, including one in five (21%) with a safety hazard, such as faulty wiring or fire risks. Conditions are so cramped, one in three children (35%) have to share beds. Three in ten (32%) households are accommodated outside their home area, sometimes in a different region of the country. This hugely disrupts children's schooling, affects their wellbeing and pushes parents away from jobs and the informal children support they rely on to work during school holidays or when children are unwell.

The high accommodation charges push families and children into poverty. Almost nine in ten (87%) struggle to keep up with the costs of their TA. One in four (26%) report falling behind and almost half (47%) have borrowed money to keep up. Three-quarters (75%) live in poor conditions, including one in five (21%) with a safety hazard, such as faulty wiring or fire risks.

Recommendation: The government must ensure local authorities are adequately resourced to accommodate the record number of homeless households. It must end the freeze to housing benefit subsidy to ensure councils have the funding to provide decent temporary accommodation within their own districts.

Invest in adequate financial support with rents to tackle both record and growing homelessness and child poverty: unfreeze local housing allowance and abolish the cruel household benefit cap

Local housing allowance

Households on long waiting lists for a social home must rely on the private rented sector to avoid homelessness. But affording market rents, especially for a family home, is impossible for many. So, around a third of private tenants rely on local housing allowance (LHA) to afford rents. It's a vital tool in preventing and relieving homelessness.



When first introduced in 2008, LHA covered average local rents: it was set in line with median (50th percentile) rents, as calculated by the Valuation Office Agency and subject to monthly variation in line with rents as determined by Rent Officers. However, as an 'austerity' measure in 2011, it was lowered to the 30th percentile and since April 2012 there has been no automatic link to the level of rents, although uprating has been treated as an annual decision. This austerity measure remains in place.

Since 2013, LHA has been subject to years of freezes or uprating in line with CPI rather than rents. As a result, the private rented sector has become increasingly unaffordable for low-income households.

This has led to record homelessness, with thousands of households (over 123,000), families (over 78,000) and children (over 159,000) trapped in statutory temporary accommodation.

The temporary ending (in 2024-25) of the four-year freeze to LHA had a significant impact in improving the affordability of private rents for low-income renters: the proportion of universal credit claimants with a shortfall between LHA and their rent fell from 67% in March 2024 to 44% in May 2024, preventing homelessness. But the government has decided to again freeze LHA from April 2025.

Recommendation: LHA must be permanently linked to at least the 30th percentile of rents to avoid repeating the recent cycle of growing homelessness.

Household benefit cap

Latest government data shows 123,000 households were caught by the household benefit cap across England, Wales and Scotland in May 2024. The vast majority – 71% – were lone parents with dependent children. The cap affects households who receive Universal Credit (UC) or housing benefit and earn less than the equivalent of 16 hours at the national living wage a week – currently £793 a month.

Capped households lose out on any uprating of UC, including local housing allowance, because the cap limits the total benefits the household can receive to £1,835 a month outside London or £2,110 inside London, with lower limits for single adults.

[Joint analysis](#) by Shelter, Child Poverty Action Group and Women's Aid (September 2024) shows how the cap traps women and children in temporary accommodation, domestic abuse and deep poverty.

This is because it blocks access to a suitable rented home. It's almost impossible for capped households to afford private rents: there were only enough affordable homes across the country to house one in six capped families. And, increasingly, even social rents (typically, 30% of market rents) are becoming unaffordable: in 78 local authority areas in England, average council and/or housing association rents are unaffordable for capped families.

Capped families face impossible choices between cutting back on essentials and keeping up with the cost of the rent. [Child Poverty Action Group analysis](#) (2023) found a



capped lone parent with three children living in some parts of London was required to live on £44 a week after paying their housing costs.

Surviving while capped, whether homeless in temporary accommodation and/or in deep poverty, damages mental and physical health and children's wellbeing and education. 66% of people homeless in temporary accommodation report it negatively impacts their physical or mental health and 47% report children have had to move school.

It pushes lone parents, mainly women, further from the job market. 27% of households in temporary accommodation had to reduce their working hours and 11% had to stop work completely, due to the impact of the accommodation.

Recommendation: The benefit cap must be scrapped. It traps lone parent families in domestic abuse, temporary accommodation and deep poverty. It's also a barrier to a sustainable rent settlement for social housing as it makes it impossible for many tenants to afford inflation-linked increases.

Commit to equipping local authorities with the powers and resources they need to deliver ambitious enforcement in the private rented sector.

The new Renters' Rights Bill is a watershed moment for England's 11 million renters. It can open a new chapter, bring fairness to renting and build the foundations for private renters to put down roots in their community. We welcome the government's commitment to enact the biggest reforms to private renting in almost four decades.

However, without increased funding for local authority enforcement staffing, provisions in the Bill risk being ineffective. Local authority 'spending power' fell by 17.5% between 2009/10 and 2019/20, largely due to a real-terms reduction of 40% in central government grants, which is their main source of income.¹⁵ Cuts have disproportionately affected housing departments: there has been a 48% reduction in spending on housing overall, with a third of councils dropping their housing spend by more than 50% (although many have needed to spend more on temporary accommodation as homelessness has increased).¹⁶ As well as having a detrimental impact on the kind of service local authorities can provide, lack of funding has a knock-on effect on staff training, recruitment and retention. As councils vie for an ever-shrinking pool of trained candidates, they are [forced to employ untrained professionals or appoint agency staff to plug the gaps](#).¹⁷

¹⁵ Atkins, G and S Hoddinott. "Local Government funding in England". Institute for Local Government. <https://www.instituteforgovernment.org.uk/explainer/local-government-funding-england>. March 2020

¹⁶ Calver, Tom and Daniel Wainwright. "[How cuts changed council spending, in seven charts](#)", BBC News. December 2018

¹⁷ Chartered Institute of Environmental Health. "Environmental health workforce survey report: local authorities in England". [cieh-workforce-survey-report-for-england.pdf](#). April 2021



Deterrents against poor practice will quickly fail to deter breaches if the threat of enforcement action is not credible – which means having sufficient numbers of enough well-trained enforcement officers to make thorough investigations. Unscrupulous landlords will continue to abuse loopholes in the system and tenants will continue to face poor conditions because of a lack of action and a lack of confidence to make complaints.

The government must commit to equipping local authorities with the resources they need to deliver ambitious enforcement of their existing obligations, and the new expectations bestowed by the Renters' Rights Bill. Many local authorities do not currently have the staff or infrastructure to enforce new duties in the Bill. As such, relying on self-funding mechanisms such as ring-fencing civil penalties, will not be effective as they rely heavily on staff and teams being in place to take on complex cases and collect (and often chase) fines.

Recommendation: The government must provide significant new funding sufficient to enable local authority enforcement teams to recruit enforcement officers and establish enforcement schemes.

If you have any questions about the contents of this representation, please contact Shelter's Public Affairs team: public_affairs@shelter.org.uk

