

# Highbury Group

## 7 September 2015

# About the partners in the research



All-volunteer campaign founded in 2014 to make the case for investment in genuinely affordable socially-rented homes and demonstrate the positive effects that social housing has on people and communities

**National Federation of ALMOs:** represents 41 ALMOs, which manage over 570,000 council homes across 44 local authorities, campaigning effectively on behalf of members and their tenants to central government ensuring an influential voice for the sector in the ongoing debate about social housing provision in England



**Capital Economics:** leading independent macro-economic research company, providing research on the US, Canada, Europe, Africa, Asia and Australasia, Latin America, the Middle East and the UK, as well as analysis of financial markets, commodities and the consumer and property sectors

# Why SHOUT and NFA commissioned the report

- Current economic policy context:
  - ✓ Pressures on public finances: to 2020 and over medium to long term
  - ✓ Ambitions for welfare reform
  - ✓ Consensus on need to accelerate housing development and limited impact of policy initiatives since 2010
- Independent, objective, analysis by experts with no vested interest in the social housing sector and insight into market attitudes

# Method

- Compare public expenditure costs and benefits of SHOUT/NFA proposition for long term programme of 100k new social units a year with counterfactual of current policy on investment in social housing
- Examine wider impacts of large scale social housing development

NB findings cautiously stated: savings to welfare vs cost of capital investment only, plus tax revenues from construction sector and interest payments on debt. Potential additional PX and economic benefits, eg health & wellbeing; potential to reduce cost of new units, eg through use of public land, reversing recent weakening of s106 policy

# In a nutshell

- Taxpayers' money is being wasted keeping families in the most costly tenures
- Future savings in welfare spending are more than adequate to remunerate construction of social rent homes
- Basic arithmetic dictates investment in new homes today
- It is fiscal myopia to do otherwise

# Findings (1)

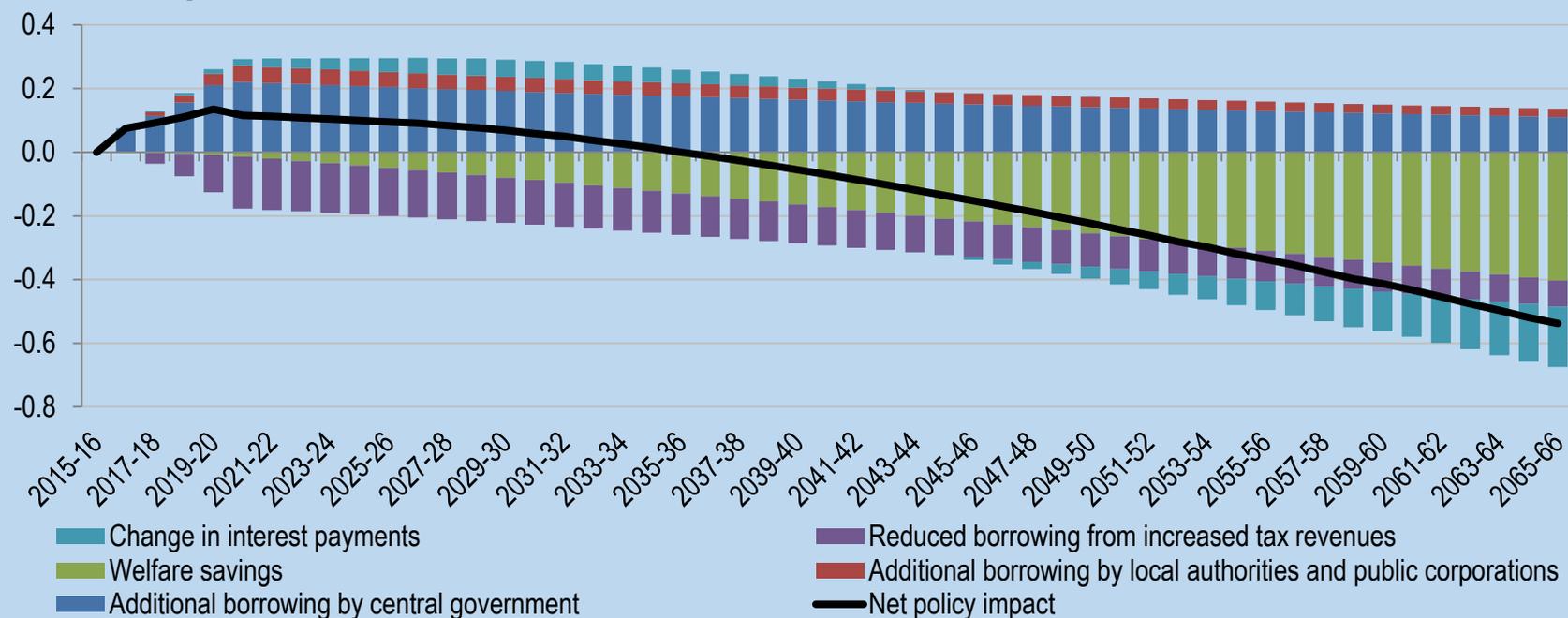
- Current policy – reducing, not even maintaining, stock of housing for social rent – adds to HB costs. Avg PRS HB is 24% more than avg social rent HB, and Affordable Rent often higher too
- Welfare spending on housing will therefore rise. Modelling suggests to nearly £200bn pa (nominal) by 2065-66
- In almost all parts of the country, building new social rent housing is viable economically and fiscally, taking into account savings to the welfare system – let alone wider fiscal and societal benefits

# Findings (2)

- Building new social rent homes is realistic and viable. It produces steadily increasing benefits to the PSBR. Peak cost to PSBR (2019-20) is 0.13% of GDP
- Market sentiment likely to be positive about modest additional borrowing which helps with long term fiscal sustainability and addressing known economic risk of lack of supply response in housing market
- There are also potential ways of financing new social rent housing which would not add to PSBR at all

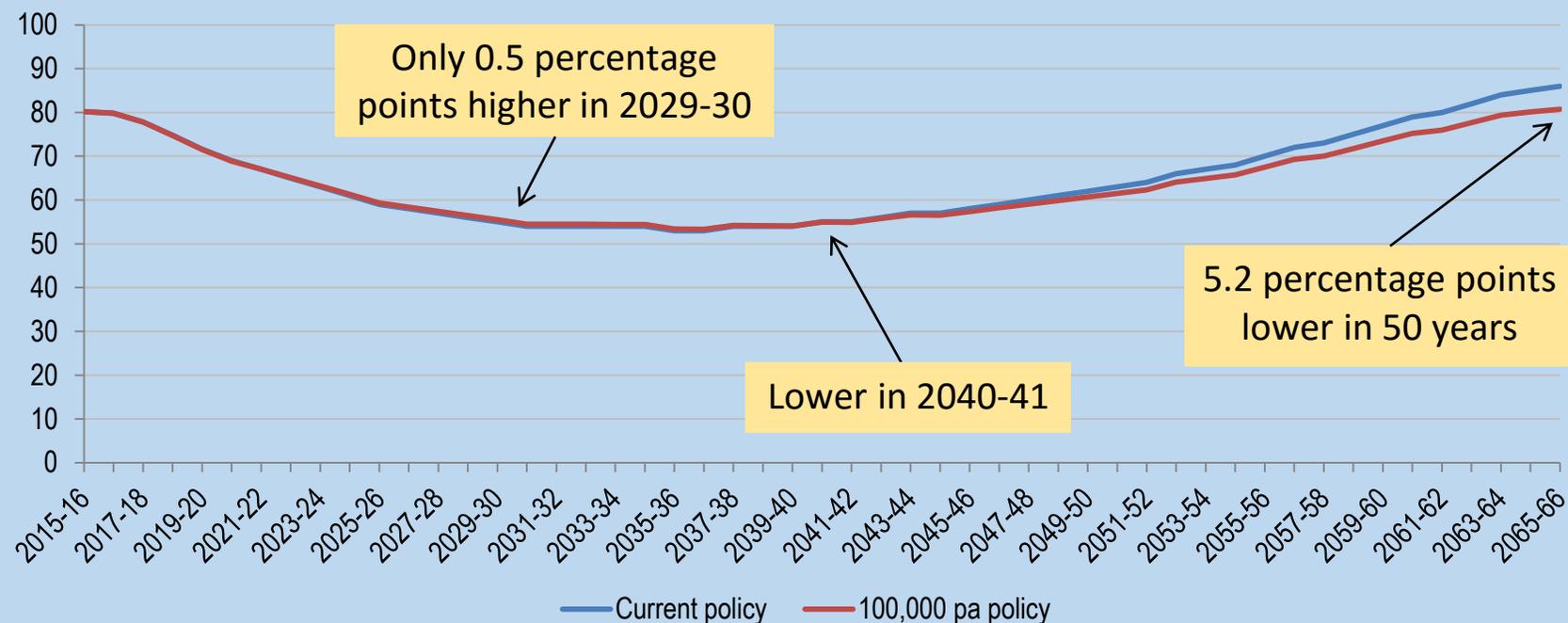
# Impact of SHOUT/NFA proposal on PSBR

Impact on annual public sector net borrowing as a percentage of nominal gross domestic product



# Impact of SHOUT/NFA proposal on PSND

Public sector net debt as a percentage of nominal gross domestic product



# Impact of July 2015 Budget

- Some welfare policy changes (freezing LHA rates and £20k benefit cap) reduce cost of current policy compared to assumptions in report. But main drivers of projected growth are increased proportion of low-income households in PRS and growth in private rents
- 1% annual cut in social rents reduces cost of modelled SHOUT/NFA policy but also seems likely to result in lower building by social landlords under current policy (mainly for “affordable rent”)
- In housing association (not council) sector “pay to stay” could modestly add to resources available to support new investment
- Even if 1 for 1 replacement commitment achieved, RTB will result in replacement of two social rent units with two affordable rent units, at higher HB cost if they are occupied by low-income households

# Follow-up

- Meetings with Treasury and CLG
- Spending Review submission
- Carry on making the case: success (or otherwise) of current policies and politics will create opportunities
- Potential SHOUT projects (subject to partnership and resourcing):
  - homes for hard-working families: impact of current housing policy mix on middle-low income working families
  - developing Housing Investment Bank Model
  - contribution of social housing residents to Big Society

# Downloads

Capital report: <http://4socialhousing.co.uk/research>

NFA/SHOUT/TPAS spending review submission:  
<http://tinyurl.com/pkxrt57>