

# Building the homes we need

The economic and social value of investing in a new generation of social housing

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**Policy briefing** | Alex Diner, Sam Tims, and Dr Rhiannon Williams | October 2024

## Introduction

Everybody needs an affordable, safe, secure home to build a foundation for themselves and their families. But our housing system is broken, failing to deliver these fundamentals and leading to rising housing insecurity, unaffordability,<sup>1</sup> record levels of homelessness,<sup>2</sup> and surging costs to local government providing temporary accommodation.<sup>3</sup> To resolve the housing crisis, we must dramatically increase the supply of new homes, across all tenures but particularly genuinely affordable homes for social rent, in the places we need them the most.

The new government has made decisive early steps in office, reintroducing mandatory housebuilding targets, announcing planning reforms, and declaring its “moral mission” to deliver the “biggest boost to social and affordable housing in a generation”.<sup>4</sup> To do that, ministers must urgently enable social landlords – who after years of rent cuts face significant challenges to deliver vital investment in existing homes – to operate on a more sustainable financial footing.

The government is expected to outline a package of investment in social housebuilding at its forthcoming fiscal event.<sup>5</sup> Our analysis shows this is vital if ministers are to deliver

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<sup>1</sup> Office for National Statistics. (2024, September 18). *Private rent and house prices, UK: September 2024*. <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/privaterentandhousepricesuk/september2024>

<sup>2</sup> Ministry of Housing, Communities and Local Government. (2024, October 3). *Statutory homelessness live tables*. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>3</sup> Spratt, V. (2024, July 1). More council bankruptcies feared as temporary housing costs soar to £1bn a year. *i*. <https://inews.co.uk/news/more-council-bankruptcies-fear-temporary-housing-costs-billion-3135919>

<sup>4</sup> Stacey, K. (2024, September 22). Angela Rayner hints at major social housing announcement. *The Guardian*. <https://www.theguardian.com/society/2024/sep/22/angela-rayner-hints-at-major-social-housing-announcement>. Ministry of Housing, Communities and Local Government (2024, July 30). *Deputy Prime Minister on changes to national planning policy*. <https://www.gov.uk/government/speeches/deputy-prime-minister-on-changes-to-national-planning-policy>.

<sup>5</sup> Stacey, K. (2024, September 22). Angela Rayner hints at major social housing announcement. *The Guardian*. <https://www.theguardian.com/society/2024/sep/22/angela-rayner-hints-at-major-social-housing-announcement>.

on their aspiration to build 1.5m new homes during this parliament.<sup>6</sup> Based on the upper threshold of what private developers are likely to build, England must build 90,000 social homes by as early as 2027/28 to meet the government's target. By the final year of this parliament, ministers will need to go beyond this and deliver 110,000 new social homes to ensure 1.5m homes are built. In total, at least 365,000 social rent homes will need to be built over the next five years to hit this target.

This paper contributes to the growing body of evidence that such investment in a new generation of social homes is not only essential to meet the government's housebuilding targets but also generates significant economic returns. Previous research commissioned by Shelter and the National Housing Federation has estimated the net economic benefit of building 90,000 social homes in a single year to be £51.2bn over 30 years.<sup>7</sup> Expanding on those findings, this analysis examines the cumulative economic impact of building a new generation of social homes at the quantity required to deliver on the government's overall target.

Further, this paper outlines an approach to accounting that, compared to the *Green Book* method traditionally adopted by the Treasury, better reflects the specific nature of this investment in social housing. Applying our approach, this construction programme would yield net economic and social benefits of around £225bn over 30 years. Every £1 of up-front public investment required to deliver this programme would generate almost £2.60 for the wider economy over three decades.

Crucially, while most of the initial economic benefit flows from construction, which occurs irrespective of the tenure of the home once built, a significant portion of the long-term economic benefit flows specifically from the home being for social rent. Our research shows that over three decades, 43% (£158bn) of the gross economic benefit of this housebuilding programme can be attributed to the fact that the homes built are for social rent. Because of the expected ceiling of what the market can deliver on its own, without these homes being built for social rent it is highly unlikely that they would be built at all.

A social housebuilding programme on this scale would therefore not only address the chronic undersupply of social housing by providing more affordable, safe, secure homes for tenants, but it would also act as a vehicle for economic growth that the government has identified as its principal mission. In doing so, investment in social housebuilding would generate a sound financial return on public money, while providing an essential

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<sup>6</sup> The Labour Party. (2023, October 11). *Just announced: Labour will build 1.5 million homes to save the dream of homeownership*. <https://labour.org.uk/updates/stories/just-announced-labour-will-build-1-5-million-homes-to-save-the-dream-of-homeownership/>.

<sup>7</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation*. [https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlIiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlIiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf)

cornerstone of the government's aspirations to tackle the housing emergency and deliver 1.5m homes over the next five years.

## Building more social housing to deliver 1.5m homes

The government's target to build 1.5m homes during this parliament is rightly ambitious, requiring a significant increase from the current position. In 2023/24, only 158,000 homes were built, around half the number needed to meet the annual target of 300,000.<sup>8</sup> Forecasts for 2024 suggest little improvement on this, with just 160,000 new homes expected to be built.<sup>9</sup> Research from Savills concludes that, even with a more supportive planning policy framework, private developers are unlikely to build more than 170,000 new homes per year by the end of the decade.<sup>10</sup> Further, they estimate that without additional government support, the number of homes built will fall between 40,000 and 90,000 homes short of the ministers' target.<sup>11</sup>

Upscaling social housing delivery offers a vital boost to private sector development and the speed with which homes will be built. With 1.3m households on council waiting lists and 117,000 in temporary accommodation, demand for social rent homes is extremely high.<sup>12,13</sup> This means building them is countercyclical, offering a vital opportunity to sustain housebuilding – including skills, jobs, and capacity in the construction sector – during periods, such as now, when private developers – by their speculative business model – are cutting back on delivery.<sup>14</sup> Further, the Letwin Review has demonstrated how mixed tenure developments, which include significant proportions of social and affordable housing, accelerate build-out rates because of the speed with which they can

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<sup>8</sup> Ministry of Housing, Communities and Local Government. (2024, September 27). *Live tables on housing supply: indicators of new supply*. Table 213, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>.

<sup>9</sup> Savills. (2024). *English housing supply update Q1 2024*. [https://www.savills.co.uk/research\\_articles/229130/362699-0](https://www.savills.co.uk/research_articles/229130/362699-0)

<sup>10</sup> Savills. (2024). *Housing completions forecast for England*. [https://www.savills.co.uk/research\\_articles/229130/359081-0](https://www.savills.co.uk/research_articles/229130/359081-0)

<sup>11</sup> Formston, D., Buckle, C., & Williams, E. (2024, October 11). *Delivering 300,000 homes per year in England*. Savills for the National Housing Federation. [https://www.savills.co.uk/research\\_articles/229130/366981-0](https://www.savills.co.uk/research_articles/229130/366981-0).

<sup>12</sup> Ministry of Housing, Communities & Local Government. (2024, March 6). *Social housing lettings in England, tenants: April 2022 to March 2023*. <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2022-to-march-2023/social-housing-lettings-in-england-tenants-april-2022-to-march-2023>

<sup>13</sup> Ministry of Housing, Communities and Local Government. (2024, October 3). *Statutory homelessness live tables*. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>14</sup> Lloyd, T., Grayston, R., & Hudson, N. (2024, February 29). *Why are rates of housebuilding falling?* Joseph Rowntree Foundation. <https://www.jrf.org.uk/housing/why-are-rates-of-housebuilding-falling>

be “absorbed” into local markets.<sup>15</sup> Increasing grant funding to build more social and affordable housing is therefore the most direct policy lever the government can pull to generate the demand required to hit their overarching housebuilding targets.<sup>16,17</sup>

This is reinforced by an analysis of recent historical precedents, which underlines both the scale of the challenge and the vital role that social housing must play if these targets are to be reached (Figure 1). The last time over 250,000 homes were built in one year was 1978. Since 1945, private enterprise has built an annual average of 130,000 homes, only ever building more than 200,000 on three occasions, each of which was in the 1960s. The only years in which England has consistently built more than 300,000 homes were between 1964 and 1971, during which councils and housing associations contributed an annual average of almost 150,000 of those homes.

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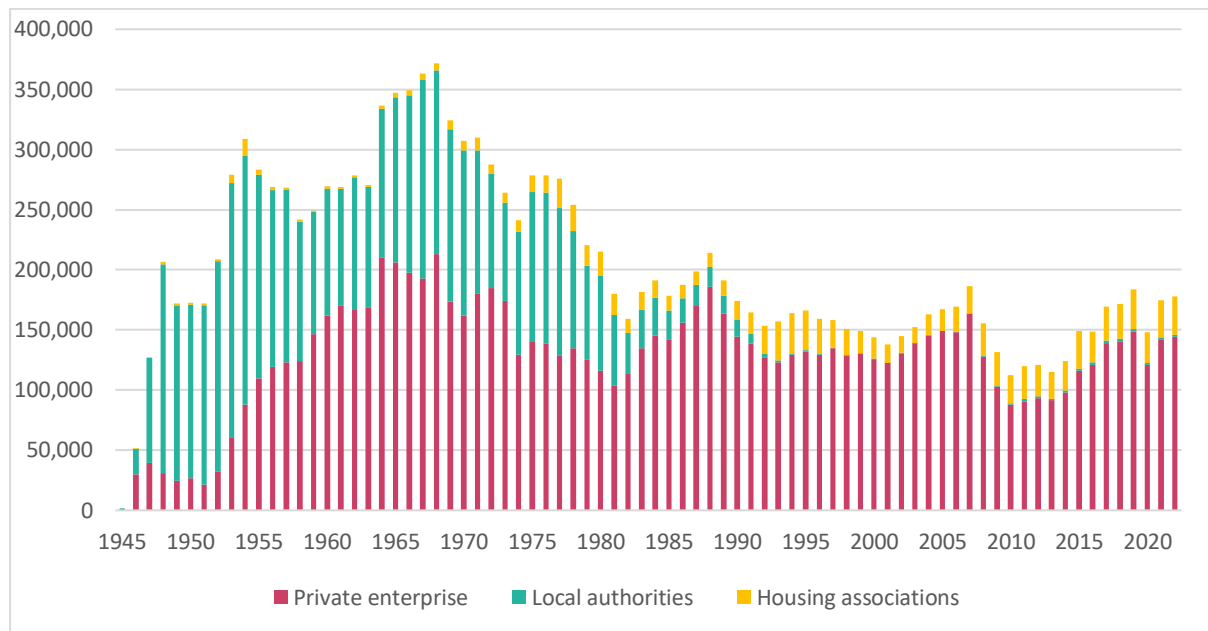
<sup>15</sup> Ministry of Housing, Communities & Local Government. (2018, October 29). *Independent review of build out: final report*. <https://www.gov.uk/government/publications/independent-review-of-build-out-final-report>

<sup>16</sup> Formston, D., Buckle, C., & Williams, E. (2024, October 11). *Delivering 300,000 homes per year in England*. Savills for the National Housing Federation. [https://www.savills.co.uk/research\\_articles/229130/366981-0](https://www.savills.co.uk/research_articles/229130/366981-0).

<sup>17</sup> Lees, M. (2024, October 11). Labour set to miss homebuilding target by half a million properties. *The Times*. <https://www.thetimes.com/life-style/property-home/article/labour-set-to-miss-homebuilding-target-by-half-a-million-properties-rc2bv0mvs>.

**Figure 1: 300,000 homes have only ever been built consistently when social landlords have built an average of 150,000 homes**

*Housing completions by developer type, 1945–2022*



Source: House of Commons Library.<sup>18</sup>

In contrast, between 2010/11 and 2022/23, the previous government built an average of just 14,000 social rent homes per year (Figure 2), following grant funding cuts of 63% issued in 2011.<sup>19</sup> Of the 184,000 social rent homes built over this period, around 40% were completed in 2010/11 and 2011/12, under the previous Labour government’s grant funding programme. Excluding these, just 10,000 were built annually on average for the remainder of the Conservatives’ time in office. As a result, the volume of new social rent homes must increase by around ten-fold from the recent average to hit new ministers’ targets.

The scale of this challenge is compounded by the range of additional pressures impacting social landlords’ ability to invest in existing buildings, let alone deliver new homes.<sup>20</sup> Years of rent cuts cost housing associations £3bn last year.<sup>21</sup> This means that

<sup>18</sup> House of Commons Library. (2023, May 19). *Tackling the under-supply of housing in England*. <https://commonslibrary.parliament.uk/research-briefings/cbp-7671/>

<sup>19</sup> National Housing Federation. (2024). *Autumn budget and spending review submission 2024*. <https://www.housing.org.uk/resources/autumn-budget-and-spending-review-submission-2024/>

<sup>20</sup> House of Commons Levelling Up, Housing and Communities Select Committee. (2024). *The finances and sustainability of the social housing sector*, pp.28–29. <https://committees.parliament.uk/work/7406/the-finances-and-sustainability-of-the-social-housing-sector/publications/>

<sup>21</sup> National Housing Federation. (2024). *Autumn budget and spending review submission 2024*. <https://www.housing.org.uk/globalassets/files/budget-submissions/national-housing-federation-autumn-budget-and-spending-review-2024.pdf>

council Housing Revenue Accounts face a £2.2bn deficit by 2028.<sup>22,23</sup> On top of this, social landlords' liabilities have increased, including decarbonisation costs of £36bn, the need to tackle damp and mould, and a £10bn fire safety remediation bill.<sup>24</sup> Social landlords are already paring back development plans in line with these multiple pressures.<sup>25</sup>

Ministers should therefore take urgent and vital steps to offer much-needed stability for social landlords, including a long-term rent settlement, access to funding to invest in homes to decarbonise and remediate homes, alongside a final year boost to the current Affordable Homes Programme (AHP), preparing the way for a scaled-up, longer-term new programme from 2026.<sup>26</sup> It is therefore extremely welcome that the government has hinted it will outline enhanced investment in social housebuilding as part of the spending review, as well as further proposed steps to provide social landlords with greater confidence and stability.<sup>27</sup> NEF's research has previously argued for a longer-term AHP – alongside more ambitious grant funding, a long-term rent settlement, devolved powers to regional mayors, and a much greater emphasis on social rent – to provide social housing developers with the necessary flexibilities and long-term clarity for them to build homes.<sup>28</sup> The prospect of broader right-to-buy reforms following the consultation due to take place later this year – as well as the immediate reforms to the use of receipts – will also allow councils to retain more homes while giving them greater confidence to build.<sup>29</sup>

Previous research has suggested it would be “reasonable” to build 60,000–70,000 social homes per year in an “initial period”, followed by 90,000 social rent homes annually by

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<sup>22</sup> Southwark Council. (2024). *Securing the future of England's council housing*. <https://www.southwark.gov.uk/housing/securing-the-future-of-england-s-council-housing>

<sup>23</sup> National Housing Federation. (2024). *Our open letter to the Secretary of State for Housing, Communities and Local Government*. <https://www.housing.org.uk/resources/open-letter-to-secretary-of-state-of-housing-communities/>

<sup>24</sup> Gardiner, J. (2024). 'The figures on starts are terrifying.' What's really happening to the £11bn Affordable Homes Programme. *Building* <https://www.building.co.uk/focus/the-figures-on-starts-are-terrifying-whats-really-happening-to-the-11bn-affordable-homes-programme/5127669.article>

<sup>25</sup> Simpson, J., & Kollewe, J. (2024, October 6). "It's decimated": Rayner faces a battle to boost Britain's social housing. *The Observer*. <https://www.theguardian.com/business/2024/oct/06/its-decimated-rayner-faces-a-battle-to-boost-britains-social-housing>

<sup>26</sup> National Housing Federation. (2024). *Autumn budget and spending review submission 2024*. <https://www.housing.org.uk/resources/autumn-budget-and-spending-review-submission-2024/>

<sup>27</sup> Ministry of Housing, Communities and Local Government. (2024, July 30). *Deputy Prime Minister on changes to national planning policy*. <https://www.gov.uk/government/speeches/deputy-prime-minister-on-changes-to-national-planning-policy>.

<sup>28</sup> Diner, A., & Tims, S. (2024). *Switching to social rent: Delivering the homes we need through the Affordable Homes Programme*. New Economics Foundation. <https://neweconomics.org/2024/06/switching-to-social-rent>

<sup>29</sup> Diner, A., & Wright, H. (2024). *Reforming right to buy: Options for preserving and delivering new council homes for the twenty-first century*. New Economics Foundation. <https://neweconomics.org/2024/05/reforming-right-to-buy>

2030.<sup>30</sup> Our analysis shows that to meet the 1.5m target, England must build around 90,000 social homes even earlier: by 2027/28. And by the final year of the current parliament, this ambition must be exceeded with 110,000 new social homes being built. To properly address the backlog of social housing need, similar numbers of new social homes will be required for at least a decade thereafter.<sup>31</sup> Our calculations are predicated on the private sector delivering around 240,000 homes by the final year of this parliament, a volume unprecedented in the postwar period (figure 1) that would significantly exceed the number of homes analysts anticipate the private sector to be capable of building by the late 2020s.<sup>32</sup> If the market does not build this volume of homes, then ministers will have to grant fund the construction of an even greater volume of social rent homes to reach their target. Building 365,000 social homes should therefore be the starting point of ministers' aspirations.

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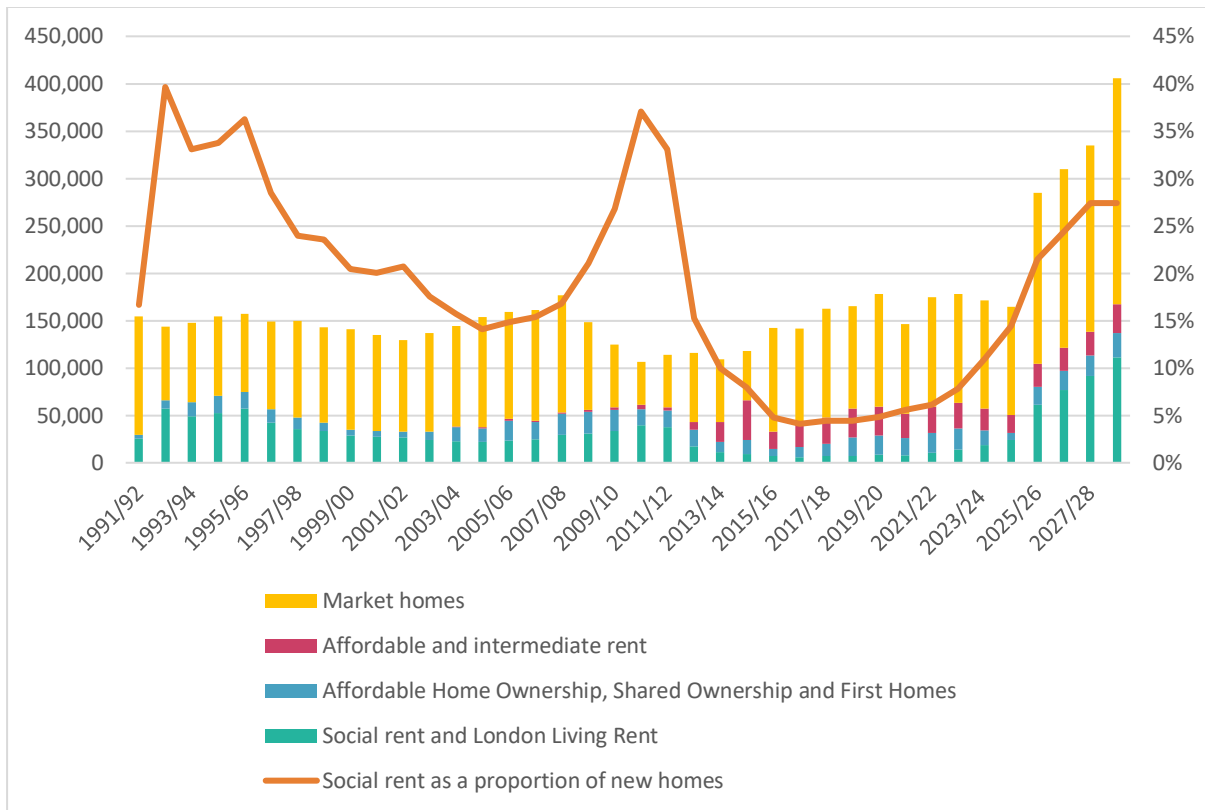
<sup>30</sup> Bramley, G. (2024). *2024 UK housing review*. Chartered Institute of Housing. <https://www.cih.org/bookshop/uk-housing-review-2024>

<sup>31</sup> Bramley, G. (2018). *Housing supply requirements across Great Britain: for low-income households and homeless people*. [https://www.crisis.org.uk/media/239700/crisis\\_housing\\_supply\\_requirements\\_across\\_great\\_britain\\_2018.pdf](https://www.crisis.org.uk/media/239700/crisis_housing_supply_requirements_across_great_britain_2018.pdf).

<sup>32</sup> Formston, D. et al. (2024, 11 October). *Delivering 300,000 homes per year in England*. Savills for the National Housing Federation. [https://www.savills.co.uk/research\\_articles/229130/366981-0](https://www.savills.co.uk/research_articles/229130/366981-0).

**Figure 2: The pathway to hitting the government’s housing targets**

*Housing completions by tenure, from 1991/92 to 2022/23, and forecasts/assessments of housing supply need from 2023/24 to 2028/29*



Source: MHCLG, Affordable Housing Supply statistics, table 1000c,<sup>33</sup> UK Housing Review 2024,<sup>34</sup> Savills 2024/25 forecast,<sup>35</sup> and NEF analysis.

It is therefore critical to give social landlords the tools they need to lead an ambitious but achievable social housebuilding programme that scales up to match need during this parliament, making a vital contribution to the 1.5m new homes the government has pledged. Without investment in a new generation of social homes, the likely upper limit of what the market can deliver on its own means these homes would be extremely unlikely to be built at all, rendering it all but impossible for ministers to meet their housebuilding targets.

<sup>33</sup> Ministry of Housing, Communities and Local Government. (2024, June 27). *Live tables on affordable housing supply*. Table 1000c, <https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply>.

<sup>34</sup> Bramley, G. (2024). *2024 UK housing Review*. Chartered Institute of Housing. <https://www.cih.org/bookshop/uk-housing-review-2024>

<sup>35</sup> Savills. (2024). *Housing completions forecast for England*. [https://www.savills.co.uk/research\\_articles/229130/359081-0](https://www.savills.co.uk/research_articles/229130/359081-0)



## Measuring the economic impact

This paper builds on research commissioned by Shelter and the National Housing Federation to examine the economic impact of delivering a new generation of social homes over the next five years. Building a quantum of social housing that is scaled up to ensure the sector delivers the proportion required to build 1.5m new homes overall requires building at least 365,000 new social homes over the next five years. This section quantifies and phases the economic and social benefits of such a programme.

### Accounting for the long-term benefits of building social housing

To estimate the long-term economic benefits of public investment, such as a new generation of social homes, it is standard practice to apply a social discount rate (SDR). Primarily, this metric aims to account for the economic and social value of an investment over time by gradually reducing it.

The standard *Green Book* SDR guidance issued by the Treasury and used across Whitehall suggests applying a compounding discount rate of 3.5%.<sup>36</sup> The problem with this specific measure, however, is that, when considering intergenerational issues that require urgent action – such as the climate emergency and, as we argue, the housing emergency – it underplays the benefits to future generations of acting now. Analysts have argued persuasively that Whitehall's accounting practices have deterred much-needed investment in housing.<sup>37</sup>

The landmark Stern Review into the economics of climate change highlighted that, because the impact of climate change would be passed onto future generations, important elements of the traditional *Green Book* approach to discounting ought to be amended when considering these investments.<sup>38</sup> This approach has since been incorporated into the *Green Book* for investments that result in intergenerational wealth transfers.<sup>39</sup> We argue there is a pressing case to extend that principle to investment in social housing given its role as a vital national asset, the broader societal benefits of which transfer from one generation to the next.

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<sup>36</sup> HM Treasury. (2022). *The Green Book: Central government guidance on appraisal and evaluation* [https://assets.publishing.service.gov.uk/media/6645c709bd01f5ed32793cbc/Green\\_Book\\_2022\\_updated\\_links.pdf](https://assets.publishing.service.gov.uk/media/6645c709bd01f5ed32793cbc/Green_Book_2022_updated_links.pdf).

<sup>37</sup> Grayston, R., & Lloyd, T. (2023). *The case for place*. <https://www.createstreets.com/wp-content/uploads/2024/03/The-Case-for-Place-Report.pdf>.

<sup>38</sup> HM Treasury. (2006). *Stern Review final report*. [https://webarchive.nationalarchives.gov.uk/ukgwa/20100407172811/https://www.hm-treasury.gov.uk/stern\\_review\\_report.htm](https://webarchive.nationalarchives.gov.uk/ukgwa/20100407172811/https://www.hm-treasury.gov.uk/stern_review_report.htm).

<sup>39</sup> HM Treasury. (2008). *Intergeneration wealth transfers and social discounting: Supplementary Green Book guidance*. [https://assets.publishing.service.gov.uk/media/5a7a05d540f0b66a2fbff54e/Green\\_Book\\_supplementary\\_guidance\\_intergenerational\\_wealth\\_transfers\\_and\\_social\\_discounting.pdf](https://assets.publishing.service.gov.uk/media/5a7a05d540f0b66a2fbff54e/Green_Book_supplementary_guidance_intergenerational_wealth_transfers_and_social_discounting.pdf)

Our approach to SDR therefore amends the standard Green Book approach in the following ways, full details of which can be found in the appendix:

- Time preference: As outlined, and in line with the Green Book recommendation for long-term investments, we remove this component to reflect the fact that investment in social housing will significantly improve the wellbeing of future generations.<sup>40</sup>
- Risk factor: While all housebuilding contains inherent financial risk, the overwhelming demand for social housing means investment in it is extremely likely to realise most of the economic benefit outlined. There is some element of risk associated with the existence of the right-to-buy policy, which would drain some of those benefits, but there is also good reason to believe current government reforms will significantly reduce the number of new build social homes being sold.<sup>41</sup> We therefore reduce the risk factor to reflect this.
- Inequality: Academic literature suggests that Green Book discounting insufficiently accounts for the UK's high level of inequality, which we adjust to reflect in our approach.<sup>42</sup>

As a result, we believe there is a compelling case to apply an SDR of 2.0% to social housing investment, rather than the Treasury's standard 3.5%. This 2.0% discount is above the Green Book SDR for health-related investment,<sup>43</sup> above Germany's SDR of 1.0%,<sup>44</sup> and in line with the general US government SDR, which was reduced to 2.0% earlier this year.<sup>45</sup> Applying this lower 2.0% discount, we outline the economic benefits of investment in a new generation of social housing that builds enough homes over this parliament to begin addressing need, while acting as a cornerstone of the government's ambition to build 1.5m homes.

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<sup>40</sup> HM Treasury. (2008). *Intergeneration wealth transfers and social discounting: Supplementary Green Book guidance*. [https://assets.publishing.service.gov.uk/media/5a7a05d540f0b66a2fbff54e/Green\\_Book\\_supplementary\\_guidance\\_intergenerational\\_wealth\\_transfers\\_and\\_social\\_discounting.pdf](https://assets.publishing.service.gov.uk/media/5a7a05d540f0b66a2fbff54e/Green_Book_supplementary_guidance_intergenerational_wealth_transfers_and_social_discounting.pdf)

<sup>41</sup> Ministry of Housing, Communities and Local Government. (2024, July 30). *Deputy Prime Minister on changes to national planning policy*. <https://www.gov.uk/government/speeches/deputy-prime-minister-on-changes-to-national-planning-policy>.

<sup>42</sup> Emmerling, J., Groom, B., & Wettingfeld, T. (2017). Discounting and the representative median agent. *Economics Letters*. <https://www.sciencedirect.com/science/article/abs/pii/S0165176517303981>

<sup>43</sup> HM Treasury. (2008). *Intergeneration wealth transfers and social discounting: Supplementary Green Book guidance*. [https://assets.publishing.service.gov.uk/media/5a7a05d540f0b66a2fbff54e/Green\\_Book\\_supplementary\\_guidance\\_intergenerational\\_wealth\\_transfers\\_and\\_social\\_discounting.pdf](https://assets.publishing.service.gov.uk/media/5a7a05d540f0b66a2fbff54e/Green_Book_supplementary_guidance_intergenerational_wealth_transfers_and_social_discounting.pdf)

<sup>44</sup> Groom, B., Drupp, M. A., Freeman, M. C., & Nesje, F. (2022). The future, now: A review of social discounting'. *Annual Review of Resource Economics*. Volume 14, 2022. <https://www.annualreviews.org/content/journals/10.1146/annurev-resource-111920-020721>

<sup>45</sup> The White House. (2024, February 27). *Valuing the future: Revision to the social discount rate means appropriately assessing benefits and costs*. <https://www.whitehouse.gov/cea/written-materials/2024/02/27/valuing-the-future-revision-to-the-social-discount-rate-means-appropriately-assessing-benefits-and-costs/>

## **Economic impact from construction and management**

Construction multipliers – the amplified impact from construction across an array of other sectors of the economy, such as the engineering, materials, and architectural sectors – form the bulk of the economic gains from social housebuilding in the years immediately following construction. Building 110,000 new social homes will generate 172,000 jobs in construction in 2028/29, alongside a further 175,000 roles throughout the supply chain, and 89,000 induced jobs (through further spending in local economies generated through this job creation).<sup>46</sup>

This construction multiplier means for every £1 generated directly, a further £1.43 is generated indirectly and through wider spending in the economy.<sup>47</sup> In total, our research shows investment in this programme of new social homes would generate £107bn from construction. This is on top of a £91bn total boost through the additional housing management activity (including 12,500 more jobs) over a 30-year period, which would be generated through the existence of a bigger social housing stock.

## **Direct benefit to the public finances**

### *Reduced housing benefit expenditure*

Building 365,000 new social homes over the next five years will greatly enhance access to social rent homes and lower rents for many of the lowest income households which currently reside in the private rented sector (PRS) while relying on housing benefits. The government is forecast to spend £67bn subsidising the PRS over the next five years.<sup>48</sup> Our research suggests that building this volume of social homes over the remainder of this parliament and generating this tenure shift from the PRS to the social sector will significantly reduce the amount of public money spent on housing benefits, generating £19.7bn savings over 30 years.

### *Increased tax revenue from construction*

The additional construction activity generated by this programme also creates additional tax receipts for the government, which our research suggests amounts to £9.7bn.

## **Indirect benefits to the public finances and wider society**

In addition to the benefit from construction, management, and direct benefits to the public finances, this social housebuilding programme would also generate significant

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<sup>46</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation* [https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf)

<sup>47</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation* [https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf)

<sup>48</sup> Department for Work and Pensions. (2024). *Benefit expenditure and caseload tables 2024*. <https://www.gov.uk/government/publications/benefit-expenditure-and-caseload-tables-2024>

indirect benefits to the Exchequer and wider society. These components constitute most of the additional benefit attributable to the fact that the home built is for social rent.

#### *Labour market, tax, and social security*

Insecure tenancies, poor housing conditions, homelessness, and frequent moves harm an individual's access to and opportunities within the labour market. Conversely, access to a secure, affordable social tenancy, that was previously unavailable, significantly improves an individual's employment opportunities. This increases an affected household's net earnings by £5,400 a year, as they are more likely to be able to find and sustain employment, as well as be more productive at work. This additional economic activity generates extra tax revenue of £2,300 per year on behalf of the average affected household, reducing the annual cost of support through universal credit by £1,200.<sup>49</sup>

Over 30 years, this programme would deliver around £70bn in heightened labour market activity and the increased tax receipts and reduced social security payments that would flow from that.

#### *Homelessness*

The presence of 'no fault' evictions alongside above-inflation PRS rent rises has accelerated homelessness in recent years. Statutory homelessness is currently at record highs with around 325,000 households who are either homeless or at risk of homelessness and 117,000 households residing in temporary accommodation (TA), including 152,000 children.<sup>50</sup> This causes extreme hardship, damaging the physical and mental health of many particularly those children who are growing up without a place of their own to call home.

In addition to the human impact, these circumstances lead to significant costs for local and national governments. Demand for genuinely affordable housing has risen alongside reduced supply, meaning local authorities have little choice but to place homeless households in often wholly unsuitable, sometimes dangerous, and expensive TA such as hostels, nightly-paid privately let TA, and bed and breakfasts.<sup>51</sup> The amount of money councils receive from the government for TA has been frozen at 90% of Local Housing Allowance (LHA) rates since 2011, meaning that as rents and demand have risen, councils have been forced to bear more of the costs of this broken system from

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<sup>49</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation* [https://assets.ctfassets.net/6sxvmndnpr0s/5nQCiTlJiqFDyFCWkvZSYp/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxvmndnpr0s/5nQCiTlJiqFDyFCWkvZSYp/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf) (We have applied our lower discounting rate to this analysis.)

<sup>50</sup> Ministry of Housing, Communities and Local Government. (2024, October 3). *Statutory homelessness live tables*. <https://www.gov.uk/government/statistical-data-sets/live-tables-on-homelessness>

<sup>51</sup> Wright, H. (2024). *Cost of housing homeless people skyrocketing for councils*. New Economics Foundation. <https://neweconomics.org/2024/04/cost-of-housing-homeless-people-skyrocketing-for-councils>

their finances, pushing some of them to the brink of bankruptcy.<sup>52</sup> Homelessness cost £2.5bn in 2022/23, of which £1.2bn was met from councils' resources.<sup>53</sup>

Improving the supply of new homes for social rents would therefore reduce the costs arising from homelessness by taking the most hard-pressed tenants out of the PRS and paring back councils' reliance on expensive and poor-quality TA. Building each new social home produces an average annual household benefit of £2,700 through reduced homelessness. Building this volume of social homes would deliver total homelessness savings to the public finances of £19.8bn over 30 years.

#### *Education, crime, and health*

In 2022/23, 35% of people moving into social housing were aged under 16.<sup>54</sup> Poor-quality homes harm children by disrupting their education, contributing to rising absenteeism and educational underperformance because of limited space for homework and mental health issues that affect education. Stable and good-quality homes, conversely, contribute to better educational outcomes. While disentangling housing from other factors that affect educational performance is challenging, 25% of children living in poor housing fail to get any GCSEs, compared to 10% of children living in satisfactory housing.<sup>55</sup> The annual average household economic benefit resulting from improved educational outcomes is estimated to be £1,600.<sup>56</sup>

Poor housing also increases vulnerability to crime, leading to costs flowing from property damage and the impact on physical and mental health, as well as additional strains on policing and the criminal justice system. Building social homes yields annual average household savings of £1,800 through reduced crime.<sup>57</sup>

Many homeless families and those most in need of social housing currently reside in the worst quality homes in the country, often in the PRS or TA. For example, 21% of PRS

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<sup>52</sup> Spratt, V. (2024, July 1). More council bankruptcies feared as temporary housing costs soar to £1bn a year. *i* <https://inews.co.uk/news/more-council-bankruptcies-fear-temporary-housing-costs-billion-3135919>

<sup>53</sup> Ministry of Housing, Communities and Local Government. (2023). *Revenue outturn housing services (RO4) 2022 to 2023*. <https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2022-to-2023-individual-local-authority-data-outturn>

<sup>54</sup> Ministry of Housing, Communities & Local Government. (2024, March 6). *Social housing lettings in England, tenants: April 2022 to March 2023*. <https://www.gov.uk/government/statistics/social-housing-lettings-in-england-april-2022-to-march-2023/social-housing-lettings-in-england-tenants-april-2022-to-march-2023>.

<sup>55</sup> Cleary, D. (2024). *What is social housing?* Lloyds Banking Group. <https://www.lloydsbankinggroup.com/insights/what-is-social-housing.html>

<sup>56</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation* [https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf)

<sup>57</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation* [https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf)

homes do not meet the Decent Homes Standard (DHS) and 12% (the highest of all tenures) contain at least one Category 1 hazard, meaning they present a risk to life.<sup>58</sup> While the Renters' Rights Bill will extend Awaab's Law and the DHS to the PRS, driving up standards will take time. In TA, the problems are even worse: 75% of households in TA live in poor conditions, including more than one in five living with a safety hazard such as faulty wiring; 66% of tenants in TA say their accommodation is harming their physical or mental health; and 57% of parents report that it harms their children's health. Four in ten TA tenants experience problems with damp, mould, or condensation, with around half of parents reporting it has harmed their child's breathing.<sup>59</sup> 55 children died in TA in the four years before April 2023.<sup>60</sup> Building greater numbers of safe, high-quality social homes would lead to a reduction in annual NHS use arising from poor-quality homes, trimming health costs equating to an average saving of £3,100 per household.<sup>61</sup>

Across improved education outcomes, reduced crime, and health savings, building each new social home produces a combined average annual household economic benefit of £6,600. Investing in 365,000 social homes over the next five years therefore generates £48bn over the next three decades from these areas.

## Summary

Aggregating these gains, building 365,000 social homes – the minimum number needed to deliver 1.5m in total – over the next five years would yield total gross economic and social benefits of around £365bn over 30 years (Figure 3). Net of public investment – in terms of central government grant and local authority expenditure – the total benefit of this investment would be £225bn over three decades. Every £1 of the up-front public investment required to deliver this programme generates more than £2.60 for the wider economy in return. Our approach to discounting, which generates a more accurate picture of the long-term gains of this programme, shows this programme generates £50bn more in net present social value compared to the traditional Whitehall approach.

Our analysis also allows us to examine the spread of this economic and social benefit over time, which initially is predominantly generated by the construction of the homes

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<sup>58</sup> Ministry for Housing, Communities and Local Government. (2023). *English housing survey*. Annex Tables 4.3 and 4.4. <https://www.gov.uk/government/statistics/annex-tables-for-english-housing-survey-headline-report-2022-to-2023>

<sup>59</sup> Garvie, D., Pennington, J., Rich, H., & Schofield, M. (2023). *Still living in limbo: Why the use of temporary accommodation must end*. Shelter. pp. 8–9, 29, 50. [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/still\\_living\\_in\\_limbo](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/still_living_in_limbo)

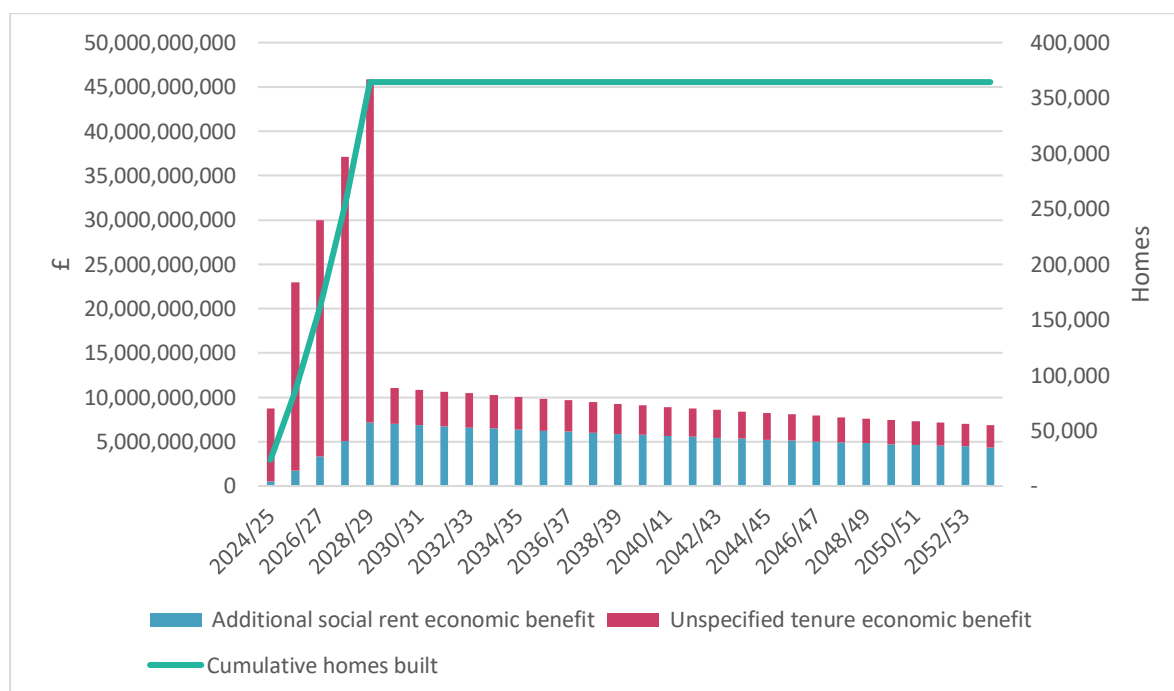
<sup>60</sup> Hewitt, D. (2023, March 4). *Exclusive: 55 homeless children have died in temporary accommodation since 2019*. ITV News. <https://www.itv.com/news/2024-03-04/exclusive-55-homelesschildren-have-died-in-temporary-accommodation-since-2019>

<sup>61</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation* [https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlJiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf)

as might be expected, which would occur irrespective of the tenure of the home built. Over time, however, a rising proportion of the overall economic benefit is linked exclusively to the social rent tenure of each newly built home and the range of indirect benefits (as well as reduced housing benefit expenditure) that flow from its social function. Over 30 years, 43% (£158bn) of this total economic and social benefit can be attributed specifically to the fact that the homes built are for social rent (Figure 4). Because of the upper threshold of what the market is likely to build on its own, these homes would not get built at all, regardless of tenure, without additional government support

**Figure 3: Building social housing in this parliament will generate significant economic benefits that are specific to its tenure**

*Timeline of economic gains from a five-year social housebuilding programme that met need, from 2024/25 to -2053/54*

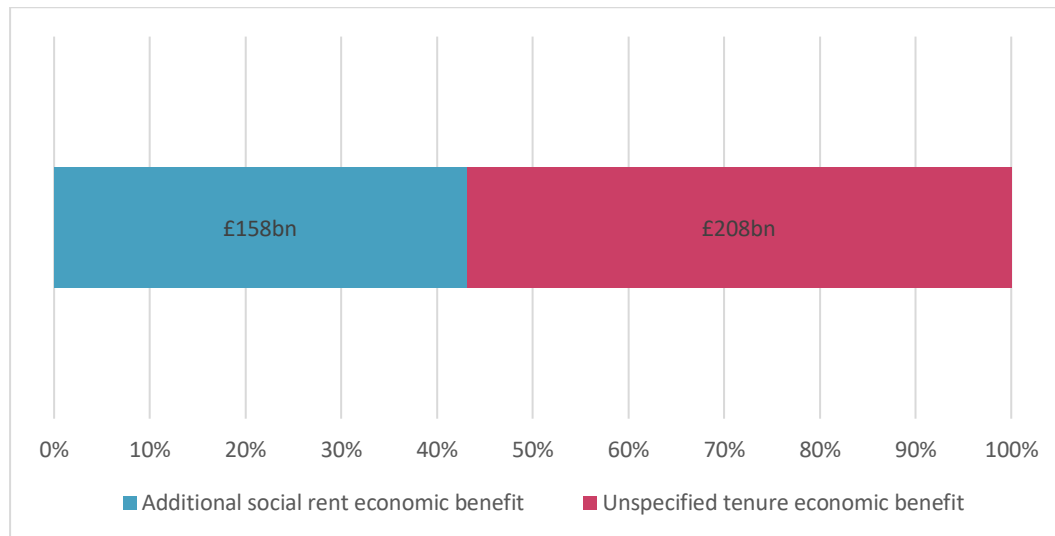


Source: NEF analysis of Cebr, *The economic impact of building social housing*.<sup>62</sup>

<sup>62</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation* [https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlIjqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlIjqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf)

Figure 4: Forty percent of the overall economic value of a programme of social housebuilding is because the homes built are for social rent

Economic benefit, by tenure, from a five-year social housebuilding programme that met need, from 2024/25 to 2053/54



Source: NEF analysis of Cebr, *The economic impact of building social housing*.<sup>63</sup>

## Conclusion

Our analysis supports significantly expanding the government’s proposed public investment in social housing. The likely ceiling of what the private market can deliver on its own necessitates investment in social housing to reach the overall volume of homes ministers have set out within this parliament. Because of the extremely high demand for social housing and its ability to be absorbed into local markets far more quickly, investment in it provides an indispensable route to meeting government targets. This investment therefore provides the most direct policy lever for ministers to pull to deliver more homes, more quickly.

Building this new generation of social housing will also deliver homes that provide affordability and security of tenure for those in desperate need of it. Further, as this paper underlines, investment in new social rent homes provides a range of significant, additional economic and social benefits that surpass that delivered by private housebuilding (and which would not get built at all without further government investment).

Our research demonstrates there is a compelling case for Whitehall Green Book accounting to be adjusted to properly reflect the intergenerational social and economic

<sup>63</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation* [https://assets.ctfassets.net/6sxxvnmndnnpn0s/5nQCiTlIjqFDyFCWkvZSYp/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxxvnmndnnpn0s/5nQCiTlIjqFDyFCWkvZSYp/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf)



contributions this scale of investment in social housing would make. A programme of investment that built the social homes we need therefore presents a clear opportunity to deliver on the government's mission to boost economic growth.

## Appendix: Adjusting the social discount rate

The standard Green Book SDR issued by the Treasury suggests applying a compounding discount rate of 3.5%, gradually reducing the value of future costs and benefits over time. In this appendix, we set out our methodology and assumptions for applying a lower discount rate of 2.0% for social housing projects.

The Green Book follows the social rate of time preference (STP) approach to calculating the SDR. This approach applies the sum of a time preference and a wealth effect in the equation:

$$SDR = STP = \rho + \mu g = L + \delta + \mu g = 1\% + 0.5 + 1 \cdot 2\% = 3.5\%$$

The precise values of these components are subject to disagreement, with SDRs applied to investment programmes tackling climate change ranging from 1.4% to 4.5%.<sup>64</sup> We now explain our rationale behind adjusting the assumptions underpinning these components to formulate our lower 2.0% rate.

### *Time preference*

Time preference ( $\rho$ ) is the concept, applied within the Green Book, that deprioritises the costs and benefits of investment that accrues over multiple years relative to that which impacts the welfare of society today.  $\rho$  is composed of a risk value ( $L=1\%$ ) that accounts for whether the future costs and benefits will be realised, and a pure time preference value ( $\delta = 0.5\%$ ).

Following the Stern Review, the Green Book guidance for projects with intergenerational impacts – including but not limited to long-term investments to tackle climate change – was updated to remove the pure time preference value.<sup>65</sup> Given these benefits would also flow from investment in social housing, we remove this component. We also reduce the risk value by half, acknowledging that while a new generation of social homes is not entirely without risk, the overwhelming demand for social housing means most of the economic benefit of investment in social housing is likely to be realised.

### *Wealth effect*

The wealth effect is based on the principle that because a future society will be wealthier and consume more, the social value of an additional unit of consumption will be lower in the future relative to current consumption. It is composed of  $g$ , the annual per capita

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<sup>64</sup> Groom, B., Drupp, M. A., Freeman, M. C., & Nesje, F. (2022). The future, now: A review of social discounting. *Annual Review of Resource Economics*. Volume 14, 2022.

<https://www.annualreviews.org/content/journals/10.1146/annurev-resource-111920-020721>

<sup>65</sup> HM Treasury. (2008). *Intergeneration wealth transfers and social discounting: Supplementary Green Book guidance*. [https://assets.publishing.service.gov.uk/media/5a7a05d540f0b66a2fbff54e/Green\\_Book\\_supplementary\\_guidance\\_intergenerational\\_wealth\\_transfers\\_and\\_social\\_discounting.pdf](https://assets.publishing.service.gov.uk/media/5a7a05d540f0b66a2fbff54e/Green_Book_supplementary_guidance_intergenerational_wealth_transfers_and_social_discounting.pdf)

growth rate, and  $\mu$ , the elasticity of marginal utility of consumption. However, focusing solely on the mean growth rate underplays the distributional impact of that growth and the fact that wealth inequalities have widened significantly in recent decades. While in the 1960s and 1970s, UK mean household income was £1,300 a year higher than the median in 2021/22 prices, this has increased to £6,200 since 2000.<sup>66</sup> We, therefore, argue lower discounting rates should be applied to account for the greater inequality and social welfare conditions that future generations will experience.<sup>67</sup> With  $\mu = 1$  we lower the wealth effect  $\mu g$  from 2.0% to 1.5%.

## Summary

Other calibrations to the SDR are possible, including adjustments for uncertainty over per capita growth. But, as this paper outlines, given the growth generated through housebuilding, we do not adjust this parameter. For simplicity, we also do not apply the 1.5% SDR the Green Book suggests should be used where there are health-related benefits from investment, as is the case with some of the gains outlined in our analysis.<sup>68</sup> Our chosen SDR remains higher than the range of health-specific SDRs used across Whitehall. Given recent international developments in social discounting, our approach is likely to be conservative while still better reflecting the long-term costs and benefits of a programme of investment in social housing.

Applying our adjusted assumptions, our suggested SDR for calculating the costs and benefits of a programme of investment in social housing over 30 years is therefore:

$$SDR = STP = \rho + \mu g = L + \mu g = 0.5\% + (1 \cdot 2\% - 0.5\%) = 2\%$$

The impact of our preferred 2.0% SDR is outlined in Table A1.

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<sup>66</sup> NEF analysis of Institute for Fiscal Studies data. IFS. (2024, July 25). *Living standards, poverty and inequality in the UK*. <https://ifs.org.uk/living-standards-poverty-and-inequality-uk#download-more-data>.

<sup>67</sup> Emmerling, J., Groom, B., & Wettingfeld, T. (2017). *Discounting and the representative median agent*. *Economics Letters*. <https://www.sciencedirect.com/science/article/abs/pii/S0165176517303981>

<sup>68</sup> Department of Health. (2004). *Policy appraisal and health*. [https://assets.publishing.service.gov.uk/media/5a7486dde5274a7f9c586b1e/policy\\_appraisal\\_and\\_health.pdf](https://assets.publishing.service.gov.uk/media/5a7486dde5274a7f9c586b1e/policy_appraisal_and_health.pdf)

**Table A1: Our 2.0% SDR highlights an additional £50bn net present social value to be generated through this programme of social housebuilding**

*Summary of economic gains from a five-year social housebuilding programme that met need from 2024/25 to 2053/54, by discount rate*

	Discount rate	
	3.5%	2.0%
<b>Economic impact from construction and management</b>	<b>£174.9bn</b>	<b>£198.2bn</b>
Construction	£101.5bn	£106.8bn
Management	£73.4bn	£91.4bn
<b>Direct benefits to public finances</b>	<b>£25.0bn</b>	<b>£29.3bn</b>
Savings on housing benefits	£15.8bn	£19.7bn
Tax revenue from construction	£9.2bn	£9.7bn
<b>Indirect benefits to public finances and wider society</b>	<b>£110.7bn</b>	<b>£137.9bn</b>
Labour market benefits	£31.3bn	£39.0bn
Increase in tax receipts	£13.4bn	£16.6bn
Decrease in social security	£11.6bn	£14.4bn
NHS savings	£18.2bn	£22.7bn
Reduced homelessness costs	£15.9bn	£19.8bn
Savings from lower crime	£10.8bn	£13.4bn
Education savings	£9.5bn	£11.9bn
<b>Gross benefits</b>	<b>£310.5bn</b>	<b>£365.4bn</b>
<b>Total costs</b>	<b>£135.8bn</b>	<b>£140.9bn</b>
Grant funding	£45.4bn	£47.1bn
Additional funding	£90.4bn	£93.8bn
<b>Net present social value</b>	<b>£174.7bn</b>	<b>£224.5bn</b>
<b>Benefits to costs ratio</b>	<b>2.29</b>	<b>2.59</b>
<b>Attributable to social rent tenure of the home</b>	<b>41%</b>	<b>43%</b>

Source: NEF analysis of Cebr, *The economic impact of building social housing*.<sup>69</sup>

<sup>69</sup> Cebr. (2024). *The economic impact of building social housing: A Cebr report for Shelter and the National Housing Federation*. [https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlIiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr\\_report.pdf](https://assets.ctfassets.net/6sxvmndnnpn0s/5nQCiTlIiqFDyFCWkvZSYP/9700aa188cc52c49212f0b0c0af23668/Cebr_report.pdf)

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