

Local Government Association briefing

Debate on building more affordable housing

House of Lords
25 October 2018



Key messages

- The housing shortage is one of the most pressing issues we face. Councils have a key role in delivering more affordable housing and helping to build 300,000 homes a year. The last time this country built more than 250,000 homes a year, councils delivered more than 40 per cent of them.ⁱ
- It is fantastic that the Government has accepted our long-standing call to scrap the housing borrowing cap. This demonstrates the Government's willingness to make councils central to solving the national housing crisis.
- Ahead of the 2018 Budget, we are calling on the Government to clarify when the Housing Revenue Account (HRA) borrowing cap will be removed. We urge that this should be as soon as possible, and look forward to all councils being able to borrow to build homes.
- The social housing green paper was a positive signal of intent. We were particularly pleased to see that the Government has listened to our concerns and dropped plans to force the sale of council homes.ⁱⁱ However, we would like a firmer commitment to building more social homes.
- Councils want to encourage home ownership, without a corresponding decline in the number of social rented homes. It is therefore essential that the Government enables councils to keep 100 per cent of receipts from Right to Buy (RTB) sales to invest in new affordable housing.
- A proactive, well-resourced planning system is vital to building homes. Councils are working hard to approve nine out of ten planning permissions. However, planning departments are severely under-resourced. Taxpayers are subsidising the costs of applications by around £125 million a year.
- Local services face a funding gap of £7.8 billion by 2024/25. This funding gap will already stand at £3.9 billion by 2019/20.ⁱⁱⁱ We want to work with the Government to ensure the Spending Review delivers a sustainable funding settlement for councils.

Briefing

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Background information

The Housing Revenue Account

According to Government statistics, new housing completions in 2017/18 reached 163,250 - a 16 per cent increase from the previous year.^{iv} This is positive news. However, councils are responsible for a tiny proportion of the total completed. The figures show that whilst private developers built 134,110 and housing associations 27,410 only 1,730 houses were completed by local authorities.

The Housing Revenue Account (HRA) borrowing cap prevents councils from borrowing to invest in building new homes, including desperately needed homes for social rent.

The Prime Minister's announcement of the removal of the housing borrowing cap at 2018 Conservative Party Conference was very good news. It shows that the Government has heard our argument that councils must be part of the solution to our chronic housing shortage. We look forward to working with councils and the Government to build the good quality affordable new homes and infrastructure that our communities need.

Local authority housing borrowing should be removed entirely from contributing to the public debt. Local authorities with no HRA should be able to access borrowing to develop housing if that would help meet local housing need. In addition, the flexible use of other capital receipts for revenue projects should be extended beyond 2020.

Ahead of the Chancellor's 2018 Budget, we are calling on the Government to work with councils to tackle the housing crisis. We look forward to seeing the detail of the removal of the HRA borrowing cap, so that all councils can borrow to build homes.

The social housing green paper

The Government published its social housing green paper in August 2018, setting out its proposals to reform the relationship between tenants and landlords.^v The paper is designed around five principles, one of which is building the social homes we need. We welcome the green paper, and the positive intent it signals towards delivering more affordable housing.^{vi}

The green paper is only a small step towards plugging the gap in housing supply, compared with the immediate need for more genuinely affordable homes. There is an emphasis on treating social housing as a 'springboard' into other tenures, or referring to it as a tenure of last resort. This fails to recognise the substantial benefits that a genuine expansion of social housing would bring about, helping people into sustainable, affordable homes.

It is good that the Government has listened to our concerns and dropped plans to force the sale of council homes. We have worked hard to demonstrate the need to change this policy, which would have forced councils to sell off large numbers of the homes desperately needed by low-income families.

We look forward to engaging with the Government, councils and partners in responding to the green paper, building on the local good practice in tenant engagement and empowerment.

Right to Buy

Councils want to encourage home ownership, without a corresponding decline in the number of social rented homes. It is therefore essential that the Government enables councils to keep 100 per cent of receipts from Right to Buy (RTB) sales to invest in new housing. Under current arrangements councils are only able to retain a third of receipts from the sale of homes. Local authorities have lost enough homes to house the population of Oxford in the last five years.

Recent LGA analysis reveals almost £3.5 billion in Right to Buy discounts have been handed out to council tenants over the past six years, at an average of £60,000 in 2016/17.^{vii} This has led to a quadrupling in the number of RTB sales, which councils have been unable to keep up with and replace. This loss of social rented housing risks pushing more families into the private rented sector, driving up housing benefit spending, and exacerbating our homelessness crisis.^{viii}

The planning system

To deliver the affordable homes the country needs, there must be a proactive, well-resourced planning system. But planning departments are currently severely under-resourced. Given the Government's recent focus on changes to the planning system in order to increase housing supply, it is more crucial than ever that local planning authorities are funded sustainably.

In the last year, councils and their communities granted nearly twice as many planning permissions as the number of new homes that were completed. More than 321,000 new homes were approved in 2016/17, while there are 423,000 homes with planning permission still waiting to be built.^{ix} Councils are currently approving nine in 10 planning applications, which shows that the planning system is working well and is not a barrier to building.

Taxpayers are subsidising the costs of planning applications by around £125 million a year. We are pleased that the Government enabled planning authorities to raise fees by an initial 20 per cent earlier in this year, to fund improvements. A further 20 per cent increase, which the Government has recently consulted on, should be introduced urgently for all local planning authorities. Ultimately we need to move towards locally-set fees to reflect local demand and pressures.

Councils are urging the Government to take action on permitted development rights, which allow the change of use of a number of different types of property into residential use. This undermines the planning process, and erodes the public's trust in the planning system.

Since 2015, eight per cent of new housing units nationally have arisen from the conversion of offices to flats.^x In many areas this accounted for over a third of net additions. These conversions do not provide any contributions to local infrastructure and services, provide no affordable housing, and risk being poor quality and badly designed. The Government should reverse the relaxation of permitted development rights, to maintain communities' trust in planning.

Local services face a funding gap of £7.8 billion by 2024/25. This funding gap will already stand at £3.9 billion by 2019/20. Funding this gap would still only leave services standing still, and would not allow for important improvements in local services. We want to work with the Government to ensure the Spending Review delivers a sustainable funding settlement for councils. This would allow local leaders to play their full part in tackling the housing crisis.

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- ⁱ LGA Media release, March 2018 (<https://www.local.gov.uk/about/news/lga-responds-latest-government-house-building-figures>)
- ⁱⁱ LGA response, social housing green paper, August 2018 (<https://www.local.gov.uk/parliament/briefings-and-responses/social-housing-green-paper-briefing-15-august-2018>)
- ⁱⁱⁱ LGA Budget Submission to HM Treasury, September 2018 (<https://www.local.gov.uk/sites/default/files/documents/Moving%20the%20conversation%20on%20-%20LGA%20Autumn%20Budget%20Submission%202018.pdf>)
- ^{iv} MHCLG, House building; new build dwellings, England: December Quarter 2017
- ^v MHCLG, Social housing green paper: a 'new deal' for social housing, August 2018 (<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>)
- ^{vi} LGA response, social housing green paper, August 2018 (<https://www.local.gov.uk/parliament/briefings-and-responses/social-housing-green-paper-briefing-15-august-2018>)
- ^{vii} MHCLG, Right to Buy statistics by local authority area
- ^{viii} LGA media release, March 2018 (<https://www.local.gov.uk/about/news/lga-responds-new-planning-laws-councils>)
- ^{viii} LGA media release, March 2018 (<https://www.local.gov.uk/about/news/barn-conversion-developments-heap-more-pressure-rural-schools-roads-and-affordability>)