

Local Government Association briefing

General debate on housing and homes

House of Commons

16 April 2018



Key messages

- The national housing shortage is one of the most pressing issues we face. The last time this country built more than 250,000 homes a year, councils built more than 40 per cent of them.ⁱ Only an increase in all types of housing will ensure we can deliver 300,000 homes a year.
- According to the Government's latest statistics, new housing completions are increasing.ⁱⁱ This is positive. However, councils are only responsible for a tiny proportion of the total completed, mainly due to the financial restrictions placed on councils to borrow to invest in more council homes.
- The Housing Revenue Account (HRA) borrowing cap prevents councils from borrowing to invest in new homes. The Government has taken a step forward by lifting the cap for some councils, but this does not go far enough.ⁱⁱⁱ We are calling on the Government to accept the call of councils, and the Treasury Select Committee, to lift the cap entirely for all areas.
- Councils should be allowed to replace all social rented homes sold under Right to Buy, and retain 100 per cent of sale receipts. Almost £3.5 billion in Right to Buy discounts has been handed out over the past six years.^{iv} As councils are only permitted to retain a third of receipts, much-needed replacement homes for social rent have lagged far behind.
- A lack of affordable homes to rent is an important factor behind the rise in the use of temporary accommodation. Local authorities are currently housing over 77,000 homelessness families in temporary accommodation, including more than 120,000 children.^v
- Local authorities are working to improve affordability and standards in the private rented sector. We welcome the Government's moves to tackle rogue landlords, but councils need the freedom to implement selective landlord licensing schemes across entire areas.
- 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 £200 million a year.^{vi}

Briefing

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Background information

Building more homes

According to the Government's latest statistics, new housing completions in 2017/18 reached 163,250, a 16 per cent increase from the previous year. This is positive news.^{vii} 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 Autumn Budget 2017 has taken a step forward by lifting the housing borrowing cap for some councils in 'areas of high affordability pressure', enabling them to bid for up to £1 billion in funding by 2021/22.^{viii}

This is an important recognition of the vital role that councils must play to provide desperately-needed homes, but does not go far enough. The HRA cap should be lifted for all councils and HRA borrowing removed entirely from contributing to the national public debt. Our call has been backed by the House of Commons Treasury Committee, following its inquiry into the Autumn Budget 2017. The Committee's report states that 'raising the cap would have no material impact on the national debt.'^{ix}

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.^x 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.^{xi}

It is positive to see Government investment in building new homes announced in the 2017 Autumn Budget. The doubling of the Housing Infrastructure Fund is particularly welcome, as is investment in the Affordable Homes Programme. All councils must have a leading role in shaping this investment to ensure that new housing and infrastructure meets the needs of their local communities.

The private rented sector

An increase in housing supply across all tenures is required if we are to reach the target of building 300,000 new homes a year. The private rented sector has more than doubled in size since 2002, with more young people and families renting privately than before. In 2016/2017, there were 4.7 million households in the private rented sector, accounting for 20 per cent of households in England.^{xii}

While the private rented sector has expanded across the country, the density and concentration of privately rented homes varies between areas. This presents different challenges for local authorities' ability to regulate and uphold standards

in the private rented sector. However, evidence from councils suggests that there is a general need to improve and uphold standards across the country.

The current legal and regulatory system is out of date and requires reform to match the pace of the reality of the current private rented housing market. The sheer volume and complexity of regulations governing the sector can be confusing for landlords, tenants and councils. A clear framework is needed for councils to work with both landlords and tenants to uphold and improve access to, and standards within, the private rented sector.

We welcome the Government's recent moves to tackle rogue landlords, and are calling for stronger powers to enhance standards in the private rented sector. Councils already have powers to introduce discretionary licensing schemes for private landlords, but the Government should provide greater flexibility to extend these schemes across all areas.

There is no obligation for private landlords across the country to ensure properties are fit for human habitation. Councils support the Homes (Fitness for Human Habitation and Liability for Housing Standards) Bill, introduced by Karen Buck MP, and backed by the Government, which would compel landlords to let homes in a decent and safe standard. The growth in the private rented sector has not been matched by resources for environmental health teams, and local housing and trading standards teams are under severe pressure.

The planning system

A proactive, well-resourced planning system could do far more to deliver the additional homes the country desperately needs. It could also help to deliver them in ways that meet wider national objectives on infrastructure, public health and the environment. Given the Government's recognition that changes to the planning system are vital to increasing housing supply, it is more crucial than ever that measures to fund local planning authorities sustainably are put in place.

In the last year, councils and their communities granted nearly twice as many planning permissions as the number of new homes that were completed. Councils approved more than 321,000 new homes in 2016/17, while there were around 183,000 new homes added in the same year. More than 423,000 homes with planning permission are still waiting to be built.^{xiii} 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.

The LGA analysis in 2017 showed that taxpayers are subsidising the cost of processing planning applications at a rate of around £200 million a year, which will reach £1 billion by 2022. Councils face an overall funding gap of £5.8 billion by 2020.^{xiv}

ⁱ LGA Media release, March 2018 (<https://www.local.gov.uk/about/news/lga-responds-latest-government-house-building-figures>)

ⁱⁱ MHCLG, House building; new build dwellings, England: December Quarter 2017 (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/692680/House_Building_Release_Dec_Qtr_2017.pdf)

ⁱⁱⁱ HM Treasury, Autumn Budget 2017 (<https://www.gov.uk/government/topical-events/autumn-budget-2017>)

^{iv} MHCLG, Right to Buy statistics by local authority area (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661604/LT_685.xlsx)

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- ^v [Council Innovation and Learning in Housing our Homeless Households, LGA report, July 2017](#)
- ^{vi} LGA media release, December 2017 (<https://www.local.gov.uk/about/news/development-deadlock-council-planning-departments-hampered-missing-out-ps70-million-lga>)
- ^{vii} MHCLG, House building; new build dwellings, England: December Quarter 2017
- ^{viii} HM Treasury, Autumn Budget 2017
- ^{ix} House of Commons Treasury Committee, Autumn Budget 2017, January 2018 (<https://publications.parliament.uk/pa/cm201719/cmselect/cmtreasy/600/600.pdf>)
- ^{*} MHCLG, Right to Buy statistics by local authority area
- ^{xii} MHCLG, English Housing Survey 2016/17 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/675942/2016-17_EHS_Headline_Report.pdf)
- ^{xiii} LGA media release, March 2018 (<https://www.local.gov.uk/about/news/lga-responds-new-planning-laws-councils>)
- ^{xiv} LGA media release, August 2017 (<https://www.local.gov.uk/about/news/taxpayers-subsidise-planning-application-costs-ps1bn-over-next-five-years>)