

Executive Summary

September 2021



LABOUR
housing group



The Missing Solution

Council homebuilding for the 21st Century

About LHG's new report on council homebuilding

LHG invited an impressive range of authors (listed at bottom), who either had recent experience of delivering new council homes, mainly as councillors, or expert knowledge of the policy and financial aspects of building council homes, to discuss what is happening 'on the ground' across the country, how to overcome the current constraints on building more, and the future policies needed to start building council homes on a large scale again.

After a decade in which the government virtually ended support for new homes at council rents, there has been a spirited fight back in defence of council homebuilding. Councils are doing all they can with the resources available to deliver more genuinely affordable homes. The report looks at the history and context of council homebuilding, reports on local action being taken, and considers a range of governance, quality and finance issues before setting out a series of principles and priorities for future policy and action.

The report concludes that there is an overwhelmingly strong case for restoring a major programme of homebuilding by councils in England. The aim is simple: to achieve enough new council homes to properly tackle the housing crisis.

Principles and priorities for future policy and action

Building council homes on a large scale makes sense because:

- providing secure, genuinely affordable, rented homes in an accountable setting is the best and most direct way to meet the country's most urgent housing needs, and
- it would be highly effective in financial, economic, employment, community, and social justice terms – and make a big contribution in the struggle to mitigate the climate crisis.

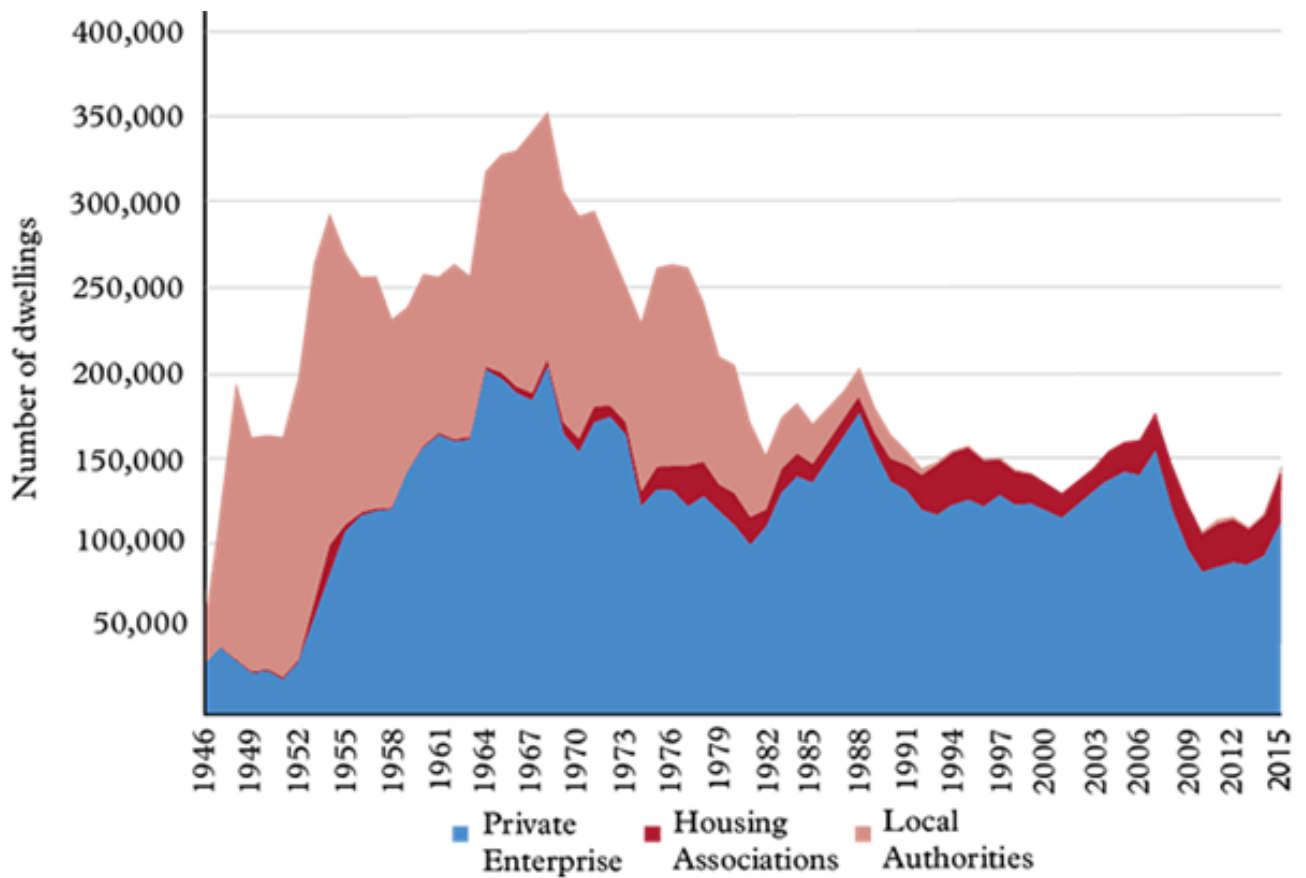
In the last few years the government has made a few faltering steps in the right direction, for example by ending the 'HRA cap'. But they will not deliver 'the new generation' of council houses promised by Theresa May when she was Prime Minister. When it returns to government, Labour must hit the ground running by having a fully worked out set of policies and plans to implement from day one. The work can be done now to think through what is needed to enable it to happen. This report is a big step in that direction.

The key conclusions of the report are as follows.

1. Council homebuilding is 'the Missing Solution'

The key lesson of history is that we have failed to build enough homes since Margaret Thatcher ended council homebuilding in the 1980s. The other sectors have not come close to filling the gap that was created.

*UK house building: permanent dwellings started and completed.
Sources: B.R. Mitchell, British Historical Statistics; ONS*



Councils were a major contributor to housebuilding after the War until the late 1970s. Other sectors have never expanded to fill the gap created. The private sector has been remarkably consistent in its output over the past 40 years. Lack of supply is the fundamental cause of the current housing crisis. Councils are ready and able to build again and to help fill the gap.

Need and demand for council homes is huge across the country. Between 90,000 and 150,000 social rented homes are needed every year and councils need to gear up to provide the majority of them in the years to come.

Good council homes could underpin social progress in other areas, especially health, social care and education – saving money as well as being a better option. Councils will be able to build homes to meet local priorities, such as homes suitable for the elderly or for people with special needs or to meet growing homelessness amongst young people.

Good housing is critical to the mitigation of climate change and it is noteworthy that recent council homes have been built to very high quality.

2. Council homebuilding is an economic good

Public investment has declined across western economies and housing wealth has become grossly unequal. A major programme of council homebuilding could be a major driver in transitioning to a fairer economy and delivering Labour's equality objectives.

Because it generates a rising income stream and lasts for generations, councils borrowing for housing investment is a good deal, leading to long-term savings. Government's key role is to provide the maximum possible grant to provide the necessary infrastructure and to make development viable in the first instance. Housing investment is an excellent economic stimulus, a net cost to government of only a few billions a year would enable us to build the homes we need. Council housing does not need market rent levels and huge sums would be saved by paying less housing benefit to fund market rents.

3. Affordability is at the root of the crisis

Social rent is the key to solving the affordability crisis. Tory rent policy is in chaos. Their policy of charging high rents to substitute for government grant for new homes has been ruinous. Council tenants already pay their way, including the cost of borrowing. Current social rent levels are broadly correct but should be linked better to incomes (33% seems an appropriate maximum) and regional variations. In future, rents should increase in line with local earnings.

Affordability means more than just rent: the cost of service charges, heating, and furnishings – 'whole house costs' – should be considered when developing new homes.

4. Councils can do the job but need confidence to plan

The evidence in the report shows nearly all councils creating plans to build new council homes using their 'self-financing' freedoms. They realise that council housing is a sustainable investment in long-lasting physical assets that generate rising net income. Even now there is capacity to do more using cross-subsidy, but additional government grant is essential to achieve take-off. Councils need confidence to grow – more certainty about rents, grant, and support for land purchase and infrastructure.

If properly supported, councils are able to target resources to the highest local priorities. According to local strategies, they can build the type of homes that are most needed and use a variety of organisational structures to get it done. Vital knowledge and experience are being gained now; the issue is how to scale everything up. Many councils that closed their Housing Revenue Accounts in the past need to re-open them and prepare for new building in the future.

Councils need to invest in their capacity to manage larger programmes. Whatever structure they opt for, they also need to keep governance under review and make sure tenants are closely involved. As programmes expand, risk will inevitably increase and

councils will need to do everything they can to guard against poor outcomes and financial losses. Government could do much more to help in this area.

Right To Buy remains a key issue as more homes are lost each year than are added to the stock. There are a variety of ways of reducing its impact, include repeal. Other losses from the sector, such as 'conversions' from social rent to higher rent tenures, should also be ended.

5. Reform of land and planning are vital too

The cost of land is a major barrier to building new council homes in a cost-effective way. Land is scarce and should meet society's needs not those of speculative developers and traders. The Select Committee estimated that land reform could cut the cost of providing new homes by 30-40% - far more than is needed to fund improvements in quality. Land prices can also be contained by setting clear planning requirements for affordable housing within private development.

Councils will need to become patient investors in land and develop skills in land assembly to create viable sites. Government planning reforms need to be replaced by positive planning policies that highlight the public good and include a clear definition of the genuinely affordable homes that are needed.

6. Quality must be the watchword

The evidence shows that councils are building to high quality standards and seeking to minimise carbon use. Post-Grenfell and post-Covid and with the growing climate crisis, high standards are essential not a luxury. Good internal space for modern living and healthy external space must be included in design.

In larger developments we must build communities not just homes, with good access to jobs, shops, transport, schools, health and leisure facilities.

Councils must also insist on the highest employment standards in construction in terms of pay, conditions, safety, and workers' rights, with much better control over sub-contractors. Evaluation of off-site manufacture options should continue to have high priority.

7. Citizens of equal worth

The demonisation and stigmatisation of council tenants and council estates must be challenged at every step. Due to the very high level of housing need, achieving Aneurin Bevan's vision of 'the living tapestry of the mixed community' may be some distance away, but we should aspire for council housing to be available to a much wider section of the population who want rather than need to live in a council house.

A major new homebuilding programme will have a positive impact in Labour's pursuit of equality and social justice. We must build and manage homes for all our citizens. Tenants should be given new rights and protections and have an effective voice nationally and locally.

Standards have slipped since the Tories abolished Labour's effective regulatory system, and pressures to cut spending on management and maintenance have had bad consequences for many tenants, as evidenced by recent media exposes. The whole sector should welcome clear standards and effective external regulation.

The last word

The housing crisis can be most effectively tackled by reinstating council homebuilding at scale. Despite its faults, the model of council housing has been tried and tested and it works.

Council housing simply means homes that are commissioned, owned and managed by democratically accountable local authorities, acting in the context of locally defined needs and locally designed housing strategies. It involves targeting grant at building homes in the first place, with no subsidy for subsequent running costs: this is the most efficient use of resources. It is economically efficient and socially and environmentally well targeted. It will save money in benefits and other social programmes.

Council housing is the wheel waiting to be reinvented.

THE MISSING SOLUTION: COUNCIL HOMEBUILDING FOR THE 21ST CENTURY

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Contributors are writing in a personal capacity unless it is indicated they are writing directly on behalf of their organisation. Some authors are not members of the Labour Party but were asked to contribute to this important discussion on a non-partisan basis. Views expressed and the conclusions are part of the debate but not necessarily the policy of the Labour Housing Group or the Labour Party.