

Local Government Association briefing

Debate on housing and home ownership

Westminster Hall
House of Commons
16 October 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.
- 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. We would welcome clarity on when this will be implemented, and urge that this should be as soon as possible.
- 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.
- The social housing green paper was a positive signal of the Government's intent to provide more social homes. 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
- 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.ⁱⁱⁱ
- 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 Housing Revenue Account (HRA) borrowing cap, so that all councils can borrow to build homes.

Briefing

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Background information

Building council 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.^{iv} 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 2017 Autumn Budget took a step forward by lifting the housing borrowing cap for some councils. Local authorities were invited to bid for increases in their caps from 2019/20, up to a total of £1 billion by the end of 2021/22. This was an important recognition of our argument about the vital role that councils must play, but it did not go far enough.

The announcement by the Prime Minister of the removal of the housing borrowing cap at 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 those good quality affordable new homes and infrastructure that everyone in our communities need.

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

The Social Housing Green Paper was a positive signal of the Government's intent to provide more social homes. We were particularly pleased to see that the Government has listened to our concerns and dropped plans to force the sale of council homes.^v

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.

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.^{vi} 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.^{vii}

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.^{viii} 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.

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. 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, whilst incorporating additional demand, 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 local government. This would allow local leaders to continue to play their part in delivering central government's priorities for our communities, including playing a central role in tackling the housing crisis.

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 media release, December 2017 (<https://www.local.gov.uk/about/news/development-deadlock-council-planning-departments-hampered-missing-out-ps70-million-lga>)

^{iv} MHCLG, House building; new build dwellings, England: December Quarter 2017

^v 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>)

^{vi} 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>)