

# Debate on housing

## House of Commons

### 13 March 2019



#### KEY MESSAGES

- The last time we built at least 250,000 homes a year, councils delivered more than 40 per cent of them.<sup>i</sup> Councils once again have a key role in delivering more affordable housing and helping to build 300,000 new homes a year.
- The Government has accepted our long-standing call to scrap the housing borrowing cap, which is good news. Official estimates are that this will lead up to 9,000 new homes a year. This is a significant contribution to the estimated 100,000 social homes a year needed.
- Councils want to encourage home ownership, without a corresponding decline in the number of social rented homes. It is 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.
- Homelessness is a tragedy for all those it affects and is one of the most visible signs of the nation's housing crisis. Councils are providing temporary housing for over 82,000 households, including over 123,000 children.<sup>ii</sup>
- Planning is not a barrier to building. Councils are approving nine in ten planning applications and last year worked with developers to permission over 350,000 homes, an 11-year high. House builders currently have 423,000 homes with permission that they are still to build.<sup>iii</sup>
- Councils face an overall funding gap of £3 billion in 2019/20, which we estimate will rise to £8 billion by 2024/25. It is vital that the Government uses the 2019 Spending Review to deliver truly sustainable funding for local government.

# Briefing

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## **FURTHER INFORMATION**

### ***Housing***

According to Government statistics, new housing completions in 2017/18 reached 163,250 - a 16 per cent increase from the previous year.<sup>iv</sup> It is positive news that more homes are being 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 lifting of the Housing Revenue Account (HRA) borrowing cap was a welcome and necessary step, which councils and the LGA had long called for. The Government has estimated this will lead up to 9,000 new homes a year. This is a significant contribution to the estimated 100,000 social homes a year needed. Councils will need to build the capacity in their housing teams, and we will be working to ensure the sector is well equipped to build houses at scale.

Despite substantial constraints in recent years, councils have been working hard to build new homes. We recently looked in-depth at innovation in house-building via HRAs. Our research demonstrated how councils are building some of the best quality housing, on some of the most difficult sites, and meeting the needs of people not being catered for by other developers.<sup>v</sup>

The Government published its social housing green paper in August 2018, setting out its proposals to reform the relationship between tenants and landlords.<sup>vi</sup> We welcome the green paper, and the positive intent it signals towards delivering more affordable housing.<sup>vii</sup> 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.

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.

### ***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 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.<sup>viii</sup>

Recent LGA analysis reveals almost £3.5 billion in RtB discounts have been handed out to council tenants over the past six years, at an average of £60,000 in 2016/17.<sup>ix</sup> 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.<sup>x</sup> In order to put Right to Buy on a sustainable financial footing, councils must be able to set sale discounts locally. This would enable councils to align their Right to Buy policies with the local housing market, and with the demand for social rented housing in their area.

### ***Homelessness***

Our latest analysis demonstrates that homelessness support (including temporary

accommodation) faces a funding gap of £110 million in 2019/20, and £421 million in 2024/25.

According to the latest figures there are 82,310 homeless households, in need of temporary accommodation and other forms of support from local authorities. This number includes over 123,000 children, which represents the highest number of children without a permanent home since 2007.<sup>xi</sup> The rising number of people across the country needing support to secure temporary accommodation, or to remain in their homes, is putting a strain on council homelessness budgets which are already facing substantial financial pressures.

The Homelessness Reduction Act entered into force in April 2018. One year since it came into law, we are working closely with councils to establish any additional resources they require to carry out the new duties. The Government must use its review of the legislation in 2020 to fully fund extra services councils have had to develop.

The leading cause of statutory homelessness is now the termination of assured shorthold tenancies in the private rented sector. Short-term and uncertain tenancies are resulting in more people turning to local authorities for support. This accounted for 27 per cent of the total number of statutory homelessness in 2017/18.<sup>xii</sup>

The decline in available social housing is likely to have added to the number of homeless households. This is because more secure, affordable housing would have left some households better able to deal with welfare reforms, and prevented them from becoming homeless in the first place. Social landlords can play a key role in providing tenants with support to improve financial inclusion, and by helping households that are struggling with problem debt.<sup>xiii</sup>

There has been a 65 per cent increase in the number of children in temporary accommodation since the first quarter of 2010. This is likely to be at least partly as a result of housing benefit reforms, including the freeze to the private sector Local Housing Allowance (LHA) rate. To prevent homelessness, we are calling for the LHA freeze to be lifted entirely, and for the Government to provide more affordable social housing.

## ***Planning***

Planning is not a barrier to building. Councils are working hard to use planning effectively to deliver the right kind of homes. However, planning departments are severely under-resourced. Taxpayers are subsidising the costs of planning applications by around £200 million a year.<sup>xiv</sup>

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.

We are pleased that the Government has passed regulations enabling planning authorities to raise fees by an initial 20 per cent.<sup>xv</sup> A further 20 per cent increase should be allowed for all local planning authorities, so that councils are fully able to facilitate local housing and infrastructure development. This flexibility should not be dependent on meeting nationally-set performance criteria which risk creating perverse incentives and unintended consequences. There should be a fair and transparent scheme of local fee setting, giving councils the flexibility to set appropriate fees to reflect local circumstances.

## *Permitted development rights*

Since 2013, developers have had a national right to convert office space into residential homes, a right they have wholly embraced with nearly seven per cent of new homes provided in this way in the last three years. Because they are exempt from the full local planning process, they come forward with minimal scrutiny and outside of local authority control.

These homes are also delivered without making any contribution towards affordable housing, which other forms of developments are required to do. This means that we are losing out on thousands of affordable homes which would be delivered if these homes went through the planning system.

Separate research by both the LGA and Shelter has shown the scale of this loss. Both organisations have calculated that more than 10,000 affordable homes have potentially been lost since 2015.<sup>xvi</sup> The result is that thousands of families remain in temporary accommodation and on council house waiting lists for years, despite levels of housebuilding rising – underlining that we need to think more about what we build as well as how many homes we build.

Permitted development rights have caused extensive problems. The current proposals to allow for demolition of existing buildings and replacement with new residential ones, and for upwards extensions to existing buildings for new homes through a permitted development right, should not be pursued. We call on the Government to instead focus on delivering the affordable, high quality homes that people want and need through the local planning process.

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

<sup>ii</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/764357/TA\\_Tables.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764357/TA_Tables.xlsx)

<sup>iii</sup> LGA, Planning Positively through Partnership, February 2018 ([https://www.local.gov.uk/sites/default/files/documents/5.24%20Planning%20positively\\_v06.pdf](https://www.local.gov.uk/sites/default/files/documents/5.24%20Planning%20positively_v06.pdf))

<sup>iv</sup> MHCLG, House building: new build dwellings, England: December Quarter 2017

<sup>v</sup> <https://www.local.gov.uk/topics/housing-and-planning/innovation-council-housebuilding>

<sup>vi</sup> 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>)

<sup>vii</sup> 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>)

<sup>viii</sup> <https://www.local.gov.uk/about/news/lga-responds-latest-government-right-buy-sales-stats>

<sup>ix</sup> MHCLG, Right to Buy statistics by local authority area

<sup>x</sup> LGA media release, March 2018 (<https://www.local.gov.uk/about/news/lga-responds-new-planning-laws-councils>)

<sup>x</sup> LGA media release, March 2018 (<https://www.local.gov.uk/about/news/barn-conversion-developments-heap-more-pressure-rural-schools-roads-and-affordability>)

<sup>xi</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/764357/TA\\_Tables.xlsx](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/764357/TA_Tables.xlsx)

<sup>xii</sup> <http://researchbriefings.files.parliament.uk/documents/SN06856/SN06856.pdf>

<sup>xiii</sup> <https://www.nao.org.uk/report/tackling-problem-debt/>

<sup>xiv</sup> LGA, 'Development deadlock: council planning departments 'hampered' by missing out on £70 million' (<https://www.local.gov.uk/about/news/development-deadlock-council-planing-departments-hampered-missing-out-ps70-million-lga>)

<sup>xv</sup> The Town and Country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) (Amendment) Regulations 2017 (<http://www.legislation.gov.uk/uksi/2017/1314/introduction/made>)

<sup>xvi</sup> <https://www.local.gov.uk/open-letter-permitted-development-rights>