

Debate on the British housebuilding industry

House of Commons

5 September 2019



KEY MESSAGES

- Councils have a key role to play in solving the housing crisis. The last time we built at least 250,000 homes a year, councils delivered more than 40 per cent of them.ⁱ
- It is positive that the Government listened to councils and scrapped the housing borrowing cap. This could lead to up to 10,000 new homes a year.
- The latest figures show that councils in England directly built 2,560 homes in 2018/19 - the highest since 1992/3. This risks being undermined without reform of the Right to Buy scheme.
- New housing developments must be accompanied by the right infrastructure to support and sustain communities. This should include investment in local transport facilities, green spaces and other amenities. Councils want to work with housebuilders to ensure adequate infrastructure is in place for new homes.
- More than a million people are currently on council housing waiting lists. It is essential that the Right to Buy is reformed so that for every one of these homes sold, a social rented home is built to house a family.
- There is an important role for Modern Methods of Construction (MMC) in reaching national housebuilding targets. Initial investment must be made by the Government to stimulate demand in new types of home at scale.
- Planning is not a barrier to building. Councils are approving nine in ten planning applications and granted permission for 361,800 homes in the year to 31 March 2019. Housebuilders currently have 423,000 homes with permission that they are still to build.ⁱⁱ
- With well-resourced planning departments, and the flexibility to deliver homes at scale, councils can do much more to meet housing demand. Our #CouncilsCan campaign is calling on the Government to give local authorities the funding and flexibilities to play a full role in housing provision.ⁱⁱⁱ

Briefing

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FURTHER INFORMATION

The Spending Round

Vital local services provided by councils face a funding gap of more than £5 billion next year. Councils urgently need some certainty about how local services will be funded – at the very least they need the continuation all funding streams in 2020/21, including one-off and extra funding to meet inflationary and demand pressures. Councils can contribute so much more if they are properly and sustainably funded, including through providing the homes and communities people desperately need. At the Spending Round the Government needs to:

- devolve Right to Buy, allowing councils to set discounts locally and retain 100 per cent of receipts to reinvest in new and existing housing;
- publish a Housing Strategy for enabling councils to ensure that 100,000 genuinely affordable homes are created each year;
- allow councils to set planning fees locally to achieve full cost recovery.

Housing delivery

Councils are desperate to resume their role as a historic builder of affordable homes. The Government's latest figures show that councils in England directly built 2,560 homes in 2018/19. This is the highest number built by local authorities since 1992/3 when they built 2,580 homes.

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 10,000 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 are working with the sector to ensure it 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 council housebuilding. 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.^{iv}

A 2019 LGA survey shows that 94 per cent of housing stock-owning councils (59) intend to use the removal of the borrowing cap to accelerate or increase their housebuilding programmes to build homes desperately needed in their communities.

The number of homes built for social rent each year has fallen from over 40,000 in 1997 to 6,000 in 2017. This decline has resulted from the policies of successive governments, such as rules and restrictions hampering the ability of councils borrowing to build. This loss of social housing has led to more and more individuals and families finding themselves pushed into an often more expensive and less secure private rented sector. As a result, the housing benefit bill paid to private landlords has more than doubled since the early 2000s.

Ninety-two per cent of councils are clear that more support from government is needed if councils are to truly resume their historic role as major housebuilders and reverse this decline in social housing. There are 205 councils who no longer own any housing stock in their area so will be unable to use new borrowing powers.

There is an important role for Modern Methods of Construction (MMC) in reaching national housebuilding targets. The use of technology at the pre-manufacturing stage allows for the digitalisation of a larger part of production and its transfer into the factory, potentially benefitting everything from design and quality through to speed of delivery and, critically, environmental benefits arising from cleaner technology and less transportation. Initial investment must be made by the Government to stimulate demand in new types of home at scale.

Construction skills

Councils and the wider construction industry have repeatedly emphasised that failure to invest in skills will harm the economy. Previous LGA analysis revealed that while recruitment demand in construction is increasing, related training is falling. A subsequent UK Commission for Employment and Skills (UKCES) survey found that the number of skills shortage vacancies rose from 91,400 in 2011 to 209,500 in 2015, which importantly does not factor in the potential reduced reliance of European Economic Area (EEA) workers subject to the outcome of Brexit negotiations. Meanwhile the Federation of Master Builders Survey revealed a third of SME housebuilders currently employ EU workers, rising to 70 per cent in London and the South East.^v

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. Figures show that as a result of this Councils have only been able to replace nearly a fifth of homes sold since 2011-2012, impacting on their ability to provide housing for homeless and vulnerable families^{vi}

Councils have seen an increase in RtB sales of nearly 350 per cent between 2011/12 and 2017/18, which councils have been unable to keep up with and replace.^{vii} This has equated to a loss of around 58,000 social rented homes in that period. 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} 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 RtB policies with the local housing market, and with the demand for social rented housing in their area.

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.^{ix} 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.

It is important not just to deliver additional homes, but to ensure they are built in the right places with the health and wellbeing of their communities in mind. This means giving residents access to: local public transport; employment and leisure; green spaces and essential services.

We are pleased that the Government introduced regulations enabling planning authorities to raise fees by an initial 20 per cent in January 2019^x A further 20 per cent increase, as consulted on in 2017, should be introduced immediately so that councils are fully able to facilitate local housing and infrastructure development.. Alongside this, the Government should urgently pilot 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.

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.^{xi} 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 for housing standards and the provision of adequate infrastructure to support communities. Existing permitted development rights allowing the change of use into homes without the need for planning permission should be revoked. The current proposals to further 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 also 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.

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

ⁱⁱ LGA, Planning Positively through Partnership, February 2018 (https://www.local.gov.uk/sites/default/files/documents/5.24%20Planning%20positively_v06.pdf)

ⁱⁱⁱ <https://www.local.gov.uk/about/campaigns/councilscan-spending-review-2019/councilscan-spending-round-2019>

^{iv} <https://www.local.gov.uk/topics/housing-and-planning/innovation-council-housebuilding>

^v LGA Media Release, August 2019 (<https://www.local.gov.uk/about/news/right-buy-rules-undermining-council-efforts-boost-housebuilding>)

^v https://www.local.gov.uk/sites/default/files/documents/5.39%20Brexite_v06WEB.pdf

^{vi} LGA Media Release, August 2019 <https://www.local.gov.uk/about/news/right-buy-rules-undermining-council-efforts-boost-housebuilding>

^{vii} LGA Media Release, August 2019 <https://www.local.gov.uk/about/news/right-buy-rules-undermining-council-efforts-boost-housebuilding>

^{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>)

^{ix} 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>)

^x 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>)

^{xi} <https://www.local.gov.uk/open-letter-permitted-development-rights>