

What is Labour's council housing policy?

One of the expectations of Labour supporters is that a Labour government with Jeremy Corbyn as leader would build council housing on a large scale once again. From the start of his first leadership election campaign up to just before the General Election Jeremy spoke of building 100,000 council homes a year. In April the Guardian reported that his “top priority” was to build more council housing and introduce tougher regulation in the private rented sector. However, Labour's policy as expressed in its Manifesto was far different from Jeremy's statements.

The draft version of the Manifesto which was leaked to the media spoke of a commitment to building 100,000 council and housing association homes, with no indication of the proportion for each. Yet even this figure, which diluted the council housing component, did not survive in the published document. It was transformed into 100,000 “affordable homes” for “rent and sale” by the end of the Parliament; i.e. by year five. There was no indication of how this would break down. Would it, for instance, be 50,000 of each? The Manifesto does say that Labour will “begin the biggest council housing programme for at least 30 years”. However, we checked how many were built then. In England it was only 16,000.

The Manifesto says that Labour will make building homes a priority, including council homes, through a National Transformation Fund, purportedly of £250 billion. The role of this is to “upgrade our economy”. There's no indication though of how much of this might be available for housing nor whether it would be in addition to grant from the Homes and Communities Agency, and under what terms.

So how many council homes is Labour committed to building? Since it's not clear from the Manifesto or the accompanying Mini-Housing Manifesto, Swindon Tenants Campaign Group wrote to Shadow Housing Minister John Healey to try to clarify Labour's commitment. We asked:

“How many council homes are you committed to build? The 100,000 by the end of the Parliament is for 'rent and sale'. In what proportions?”

His office informed us that councils, as well as housing associations could build for sale as well as rent.

“The exact proportion of rent/sale and exactly how many homes councils build will depend upon their choices once liberated from the cap on their housing revenue account.”

It appears that *Labour has no commitment to build a specific number of council homes.*

How much grant?

This absence of a definite commitment was underlined by the response we got in relation to a question how much grant would be available for council housing from the Homes and Communities Agency?

We were told:

“In real terms, grant funding in 2009/10 was over £4 billion. Average annual funding under Labour would be restored to around this amount.”

The grant which was made available by New Labour financed a three year programme. This was the National Affordable Homes Programme of 2008-11, providing not much more than £1 billion a year.¹ The scale of support for new council housing was puny. In 2008-9 there were 830 council homes built in the entire UK. In the following year it was 780 and in the next 1,760. Some of the programme was delayed and carried over to the period of office of the coalition government. Yet the highest figure reached, in 2011-12, was only 3,000 council homes. Most of the money went to housing associations which in three years built 96,000 homes.

If a similar amount of money is available under Labour then it won't go very far. The Shadow Housing Minister intends that the grant available will, as currently, be handed out by the Homes and Communities Agency. Councils will have to compete with housing associations to win it. Moreover, as John Healey's office has confirmed to us, the grant will not just be for 'social housing' but **for part-ownership as well**. Again, we have no idea in what proportions it would be doled out.

What is clear, however, is that Labour's commitment on council home building is on a very minor scale *compared to the expectations of its supporters*. Indeed there does not appear to be *any* national target. There is no indication of guidance for the HCA to determine what amount of available grant it would give to social housing, what amount to part-ownership.

Borrowing to build?

Labour intends to end the borrowing cap imposed on councils when 'self-financing' was introduced so that councils will be able to borrow more money than currently allowed which might be used to build new housing. **However, this policy takes no account of the financial crisis faced by council Housing Revenue Accounts (HRAs)**. Given the fact that council housing is managed separately in a 'ring-fenced'² HRA it cannot be funded by a council's General Fund (all the non-HRA income). Any borrowing by the HRA, usually from the government's Public Works Loans Board, is paid for by tenants through their rent. That means that unless there is central government grant specifically to fund council housing construction, existing council tenants would alone be paying the cost of new building. Servicing of debt is paid for by their rent.

How many homes could councils build from additional borrowing? John Healey's office quotes the estimate of the LGA (from 2012) that if the borrowing cap³ was lifted councils could build 80,000 homes over 5 years. That's a meagre 16,000 a year; better than for many years but not on a sufficiently large scale to tackle the housing crisis. Yet this estimate is untenable. It pre-dates coalition and Tory government policies which shot a hole in councils' 30 year business plans. Swindon Council, for instance, is now expected to take in around £365 million *less* rent over the remainder of its 30 year business plan than it planned for in 2012 when the 'self-financing' system was introduced. Bristol faces a shortfall of £210 million for capital spending. Other local authorities are estimating a loss of 12-14% of income *solely* as a result of the a 4 year 1% annual rent cut imposed by the government. They don't only lose 4%. Inflation eats into the value of the money they do

1 Before that New Labour had barred councils from applying for 'social housing' grant.

2 The 'ring-fence' was introduced by Thatcher in 1980 in order to prevent the rates (a precursor to council tax) being used to fund council housing. There is no subsidy for the HRA. Its income is overwhelmingly from tenants' rent and service charges.

3 When the 'self-financing' system was introduced in 2012 councils were given a borrowing cap which they could not go above. This was partly determined by what debt level they were given.

raise. The government had previously made a commitment that rent increases would be at the level of CPI+1% for ten years. So when the rent cut is applied and, for example, inflation is 2% then a 1% rent cut means the loss of 4% of projected income. Moreover, building inflation is usually higher than general inflation.

Every local authority which owns housing stock is, to varying degrees, under-funded as a result of the 2012 'debt settlement' and coalition and Tory government policies since then. They have insufficient funds to maintain their existing housing stock and renew key components (such as roofs, kitchens, bathrooms etc) over the long run. Therefore, to expect them to take on extra debt to build when they have to service debt imposed on them in 2012 is unrealistic⁴. The cost of additional borrowing would eat into their funds at a time when they have insufficient income to maintain their existing stock. Servicing their debt cost them 26% of their income in 2015-16 (according to the Local Finance Statistics, England). This was the year *before* the rent cut came into effect.

Conclusion

Labour's housing policy as expressed in the Manifesto and the Mini-Housing Manifesto bears no comparison to the expectations of Labour supporters based on the previous commitment to build 100,000 council homes a year. The Party's policy clings to New Labour's infatuation with home ownership rather than breaking with it. The Mini-Housing Manifesto says that Labour's first priority is backing young people on low and medium incomes to buy a home of their own. In fact they are proposing to extend Help to Buy to 2027 and "medium income" is apparently up to £100,000 a year!

Labour's first priority should be subsidising new council house building. Yet, as the correspondence with John Healey's office shows, even the grandiose commitment to "the biggest council housing programme for at least 30 years", is merely rhetoric. **There is no commitment to a definite number of council homes.** The insufficient grant which will be available will be for 'social housing' *and* part-ownership rather than for council housing and councils will have to bid against housing associations for grant.

That councils will have to compete with housing associations for grant is akin to giving Judas his ten pieces of silver. This policy fails to take account of the fact that the major housing associations, through the National Housing Federation, capitulated to the Tory government over the extension of Right to Buy to their sector. They accepted, without protest, a policy whereby councils would be fleeced of their RTB receipts and the money would be handed over to housing associations to compensate them for the difference between the discount price and the market value. They accepted the abandonment of any support for social housing and agreed to concentrate on building for sale on the market and part-ownership. There is a process of commercialisation taking place in the sector. Labour should not be supporting these organisations.

What is clear from reading the Manifesto and the Mini-Housing Manifesto is that Labour's current policy, with its emphasis on home ownership, is incapable of tackling the housing crisis. There would be nothing more dispiriting for Labour supporters expecting a return to large scale council house building programme than to see a Labour government failing to promote the rebirth of council housing. We don't know how long we will have to wait for the next general election. Given the fragility of the government it could be sooner rather than later. With the prospect of a Labour government (something which was widely considered

⁴ STCG published a pamphlet last year, "The case for cancelling council housing debt". See <http://keepyourcouncilhomes.wordpress.com/2016/11/20/the-case-for-cancelling-council-housing-debt/>

as improbable before the General Election) there is an urgent need for supporters of council housing to campaign now for **a significant shift in Labour's policy** from its concentration on home ownership.

John Healey's office told us that they want to build "as many council homes as possible". However, this can't happen without a fundamental change from their current policy. The numbers built will remain small and insufficient unless there is more central government grant available than is currently being promised. The grant provided by the NAHP was up to £60,000 per property. In order to build 100,000 council homes a year the necessary grant at that level of support would require £6 billion a year. Whilst this sounds like a lot it is, in terms of national spending, a small amount. It depends on your political priorities. Labour needs to complete its break from the housing policy of New Labour. **Council house building should be its first priority.**

One of the consequences of large scale council house building programme is liable to be a fall in the cost of houses, both to rent and buy. If significant numbers of people who are currently **forced** (by the shortage of council housing) to rent in the expensive private rented sector or to look to take out a mortgage, could become council tenants, then there would be less people involved in the housing market and it would be less of a sellers market. The ratio between earnings and prices would be likely to fall, making both private sector rents and house prices more affordable.

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