

Labour's housing policy – after Liverpool

There were some advances in Labour's housing policy at its recent conference in Liverpool. The composite resolution on housing which was voted through included a number of policies which, if adopted, would mark a step forward over Labour's existing policy. Firstly, Labour was previously committed to *suspension* of Right to Buy and even then it held open the prospect of councils being able to reintroduce it if they were committed to 'one for one' replacement. However, the composite motion unequivocally called on Labour to *end* RTB. This would mark a qualitative break with New Labour's housing philosophy which painted self-interest as 'aspiration'. Secondly, the composite called for the building of 100,000 'social rent' homes a year. This contradicts Labour's policy of 100,000 'affordable homes' for rent *and sale*. What follows is a brief commentary on the proposals contained in the composite resolution.

- *Put housing at the heart of our efforts to win the next general election.*

We believe that council housing should be at the heart of Labour's efforts to win the next general election. A large scale council housing programme should be Labour's "first housing priority".

- *Continue to promote the radical measures to fix the housing crisis set out in the 2017 Manifesto.*

This is confusing given that Labour's 'first priority' was said to be helping young people onto the proverbial "housing ladder" rather than building council housing.

- *Better regulation of Housing Associations as registered social landlords providing social rents and quality homes and repairs*

Needs elaboration. Would be better if it said that HAs cannot charge "affordable rent" and have to charge 'social rent'. The HA sector has undergone a polarisation in which many of them are operating like profit-making businesses rather than ones with a 'social purpose'. Witness the big increase in new building for sale on the open market. The sector organisation, the National Housing Federation, capitulated to the government over the extension of RTB, and accepted without protest the end of funding for social housing. It even supported the robbery of council housing revenue accounts which were to be forced to sell 'higher value' homes and to hand over the money to the government which would pass it on to housing associations to cover the difference between the market value and the sale price.

- *Deliver 100,000 social rented homes annually with secure lifetime tenancies, and rent and service charges not above 30% of net average incomes for the lowest quartile of households in the relevant housing market area. Other social homes built to be in addition to that number. This is to be an urgent priority, delivered in Labour's first years in government.*

This is better than Labour's 100,000 "affordable homes for rent *and sale*", but it does not tackle the question of balance of support for building council and HA homes. We believe that it should be 100,000 *council homes* a year.

The specific target of 30% of "net average incomes for the lowest quartile of households

in the relevant housing market area” is problematic. In some areas it would mean big rent increases. Although it says “no more than”, council landlords that are cash-strapped could well push up rents *if they are able*. As yet Labour remains silent on the government's proposal to introduce above inflation rent increases (see below).

- *Remove HRA borrowing cap to allow councils to play a vital role in tackling the crisis which would allow the biggest council housebuilding programme in at least 30 years.*

This shows a lack of understanding of council housing finance as it currently is. It takes no account of the fact that collectively HRAs still have £26 billion 'debt' which has to be serviced. They have insufficient funds to maintain and renew their existing stock, so taking on more debt to build new homes will eat into their limited resources. The cancellation of the bogus debt would have a much greater impact than taking on more debt (See [The case for cancelling council housing debt](#)). There can be no large scale council house building programme without a big increase in the amount of central government grant available (see below).

- *Commit to an energy efficient building programme of council homes and construction jobs with Direct Labour Organisations taking on council new-build projects*

Fine. However, it would require considerable effort and finance to rebuild DLOs which, even where they do still exist tend to have small workforces. It will require an increase in resources to put them together again and build them up.

- *End right to buy for Housing Associations and councils.*

Much better than Labour's current policy of suspension of RTB. It would take away the prospect of its reinstatement and would open up the possibility of beginning to increase the council housing stock, which, in England, was down to 1.602 million in England at the end of 2016-17.

- *Ensure planning consents to developers are time limited.*

Fair enough. Use it or lose it.

- *End price-fixing by contractors when tendering for council and government contracts.*

Better still end the 'competitive tendering' process which usually ends up with the lowest price to the detriment of the quality of the work carried out. Many local authority housing departments fail to control the plethora of private contractors that they employ. As a consequence the service to tenants is much worse than it need be.

- *Back low and ordinary income households who want to own their own home with discounted homes to buy, first dibs for local people on new homes built in their area.*

Given the fact that the key aspect of the housing crisis is the shortage of genuinely affordable homes for rent, we don't agree with subsidising home ownership. The best way to make homes more affordable for those who want to buy is to carry out a large-scale council house building programme. This would take the pressure out of the housing market. It would cut the number of people chasing after homes to rent (in the private sector) and buy, and is likely to lead to lower prices in both. Help to Buy has pushed up house prices. It has also enriched the big building companies (See [Major house builders](#)

[and “contrived scarcity” in housing](#)) . The policy has a sting in the tail for buyers, which is not widely recognised. Annual fees are set at RPI + 1%. Unlike a mortgage, they have to repay 20% of the value of the house when they sell it on or the mortgage is ended, rather than the money they originally borrowed from the government. (See [Help to Buy – a mortgage debt escalator](#))

- *Introduce taxation to ensure that properties are indeed in use and not left empty.*

Agreed.

- *End rough sleeping within a Parliament and tackle the wider causes of rising homelessness, including welfare benefit catastrophes.*

Agreed, although it needs to be specified what tackling “welfare catastrophes” means practically.

- *Better regulate the private rented sector, including binding commitments from landlords to maintain properties, ending eviction of tenants who complain about poor housing standards, with secure tenancies.*

Agreed. However, the resources that local authorities have to regulate the sector are very small. The number of Environmental Health Officers in place are completely insufficient for the scale of the sector they are supposed to regulate. More resources are needed.

- *Implement government lending for first time buyer deposits.*

Disagree, for reasons explained above. Does this mean continue with 'Help to Buy' which has served to push up house prices? John Healey was reported to have said that “it makes a profit so why would we end it”. We should end it because council housing should be the priority.

- *Overhaul the building regulations and end deregulation of building controls by privatisation or when managed by arms-length companies and Tenants Management Organisations, as exposed by the Grenfell fire.*

Agreed.

- *Utilise co-operative housing.*

How? This is a very marginal factor in tackling the housing crisis.

- *Legislate to require higher minimum environmental and habitational standards in all new build and improvements in existing build.*

Agreed. The Decent Homes Standard which currently applies is somewhat weak. It needs strengthening.

- *Help private renters with an end to ‘no fault’ evictions, controls on rents and new minimum standards, including three year tenancies as standard.*

Agreed, though the detail needs refining.

- *Provide land to local authorities for building council housing, including allocation of land returned into public ownership through renationalisation of industries and utilities which*

were privatised or taken out of direct state control.

Agreed. The current government is consulting on allowing land owned by a council general fund to be gifted to the HRA. This should be supported since it would cut the cost of building since they would not have to buy this land.

- *Ring fencing surplus public land for building council homes to meet housing needs.*

Agreed.

- *End the biases towards private developers in the planning system; including by amending the appeals process; and removing the threat that local authorities will have their planning powers removed for turning down applications where developers refuse to include sufficient social and genuinely affordable housing.*

Agreed.

- *Ballot tenants in regeneration schemes, ensuring secure long term tenancies and the land registry remains under public control.*

Agreed. There should be no exceptions to these ballots.

- *Regulate and Charge business rates for all dwellings used solely for very short terms lets i.e AirBnB.*

Agreed.

- *Rebalancing the government's housing budget in favour of social housing by setting a significant national housing grant.*

Inadequate. What does "significant" mean. The current commitment for "affordable housing" offers only £4 billion a year for council housing, housing association and part-ownership homes. To build 100,000 council homes a year would require somewhere in the region of £8 billion a year i.e. with an average of £80,000 grant per property.¹ This is affordable if it is considered a top priority.

What's missing?

There are some important issues which were not dealt with by the composite and not clarified as yet by John Healey's office. These are:

Council rent

The Tory government is proposing to increase council rents from 2020 by CPI + 1%. This means at least five years of above inflation rent increases. Although council tenants have had 1% rent cuts for 4 years, under New Labour they had many years of above inflation rent increases as a result of the policy to "equalise" rents between councils and housing associations. Moreover, not all tenants have had the rent cuts. Councils have the flexibility to set rents up to 5% above the 'target rent'.² Hence some councils are increasing the rent

1 The New Labour government's National Affordable Homes Programme offered around £60,000. Ten years inflation merits pushing this up to £80,000.

2 The target rent was originally associated with the process of 'rent equalisation' which in practice meant driving council rents up to the level of housing association rents. Historically the latter were around 20% higher than council

of new tenants even though they are applying the rent cut to existing tenants.

Reintroducing above inflation increases mean making the tenants pay for the funding shortage for which the government is responsible. It would, of course, drive up the outlay on housing benefit payments.

Thus far Labour has failed to oppose these increases. If it does not oppose them then it will also be supporting making tenants pay the price of HRA under-funding, for which New Labour bears some responsibility (see below). In response to our question as to whether Labour would oppose the above inflation increases John Healey's office told us:

“On rent-setting policy, you'll understand that no view on a fresh rent settlement under a Labour Government can be taken separately from our wider plans for investment, new affordable homes, and tenants' rights and landlords' obligations which are set out in our 'Housing for the Many' Green Paper and consultation. So we will be considering this issue as part of this consultation process with members and stakeholders.”

Yet with a government consultation taking place Labour surely should not fail to respond to the Tories proposal. If it does not oppose CPI+1% then implicitly it supports it.

HRA under-funding

The composite resolution and the Labour leadership are silent on the under-funding of local authority housing revenue accounts. STCG and others have issued an appeal to Labour to press the government to 'reopen the debt settlement' of 2012; that is to cut the 'debt' which was handed out to local authorities (See [Appeal](#)). There is a good case for Labour committing to cancelling the debt. Obviously the Tories will not do that. But Labour should not be silent on the issue. At the very least they should be demanding that the government cut the debt in line with the income HRAs have lost as a result of government policies such as the four year rent cut and the increased discounts for RTB which have produced a more than four-fold increase in sales.

As we mentioned earlier, collectively HRAs are saddled with a largely bogus debt of £26 billion which has to be serviced. Some authorities are paying interest and repaying the 2012 'loans' but others are only paying the annual interest because they have insufficient funds to maintain and renew existing stock³. The failure of Labour's Shadow Housing Secretary to deal with this issue is probably associated with the fact that the 'self-financing' system introduced in 2012 was designed by him. The loss of the general election in 2010 meant that the coalition government introduced it. The only difference was that the Tories increased the 'debt' imposed on councils.

Stock transfers

The Tories are currently consulting on a document which opens up the possibility of a new round of stock transfers. There is no indication that debt write-off would be available. Without it there would be no takers. However, we should oppose it in principle. John Healey's office told us “we're very sceptical of the benefits of more large scale stock transfers”. However, they said they would “wait to see further detail”. This is a mistake in our view. Labour should be publicly and loudly saying it is opposed to a new round of

rents because they borrowed money from commercial sources as opposed to council who could borrow more cheaply from the government's Public Works Loans Board.

3 Because some are paying off the loans it does not follow that they have sufficient funds for their housing. Swindon is paying off £5 million a year of the 2012 loans even though they have a funding shortage of around £70 million just over the next ten years.

transfers, to try and stop a proposal being brought forward into a white paper. Of course, if Labour were to oppose the proposal the Tories may well point to New Labour's support for stock transfers. The reply to this is that New Labour's policy was wrong. Labour should not express "scepticism" but unequivocally oppose a new round of stock transfers.

Conclusions

Clearly there were some advances in policy at Labour's conference. It was also positive to hear John Healey expressing support for renters' unions. Yet there are more steps to be taken to finish with New Labour's housing approach. The Labour conference and other evidence suggests that Labour members and voters overwhelmingly support a large scale council housing programme as a "first priority" for a Labour government. For all the talk of "the largest council house building programme for 30 years" there is as yet no commitment to support such a priority and provide the finance for it.

The root of the housing crisis lies in the domination of house building by commodity production. The large scale house builders are not interested in building homes for need, only maximising their profits. Building 'too many' homes will lower their returns.

It is well known that the Atlee government built council housing on a large scale. What is not known by many people is that they aimed to restrict the building of homes for sale on the market to only 20%, with 80% being council housing. It is difficult to see Labour making such a commitment today. Yet if they committed to working towards building 100,000 council homes a year then the private market would shrink. It would be less of a sellers market. An extra 100,000 tenants a year would be people taken out of the private rental market, and less people would be obliged to try for a mortgage because of the shortage of council housing and the high private sector rents.

Following the conference pressure should be brought to bear on Labour to make it clear that it will end RTB and that it is committed to 100,000 'social rent' homes a year, preferably largely council housing. It is time to bury New Labour's housing philosophy with its worship of homes ownership.

In whatever remains of this Parliament Labour should vigorously oppose Tory housing policies, including above inflation rent increases, and stock transfers.

Martin Wicks
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Postscript

We have just heard that Teresa May has announced she is scrapping the borrowing cap on councils borrowing to build council homes. Whilst councils should be allowed to determine their borrowing this is no solution to the council housing shortage since collectively they already have £26 billion 'debt'. There can be no large scale council house building programme without central government grant. We explain why here: ["Borrowing to build" is no solution to the council housing shortage.](#)