

LABOUR
housing group



The Missing Solution

Council homebuilding for the 21st Century

THE MISSING SOLUTION: COUNCIL HOMEBUILDING FOR THE 21ST CENTURY

A collection of essays edited by
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On behalf of
Labour Housing Group

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About

Authors

In 2020, the authors of the essays in this collection were invited to contribute by James Murray and the editorial group because they have recent practical experience of delivering council homes or because they have expert knowledge of the issues involved. Some are Labour Party members; others are not but want to contribute in a non-partisan way to this important debate. Most are writing in a personal capacity.

We are grateful to them all for their expertise and the thought and effort they have put in.

The 'Council homebuilding for the 21st Century' project was initiated by James Murray MP and endorsed by the LHG Executive. After James was appointed Shadow Financial Secretary to the Treasury, the project was taken forward by the editorial group. The conclusions have been written by the editorial group as key principles and priorities for further debate. They are not the policy of the Labour Housing Group or of the Labour Party.

Labour Housing Group

The Labour Housing Group (LHG) is a socialist society affiliated to the Labour Party, dedicated to developing housing policy that addresses the shortage of decent affordable housing across the UK. Its website is <https://labourhousing.org>

Labour Party members who believe in social justice, equality, decent and affordable housing, and want to help ensure we have a Labour Government which has housing at the top of its priorities, are welcome to join: <https://labourhousing.org/membership>

LHG produces regular briefings and newsletters and its regular blog, Red Brick, can be found here: <https://redbrickblog.co.uk/>

Pictures

Front cover: Goldsmith Street, Norwich. Credit: Tim Crocker

Introduction: Sumner Road, Southwark. Credit: Levitt Bernstein

Setting the scene: Rowley Way, Camden. Credit: istock.com/phaustov

Empowering councils to build: Lyon House, Islington. Credit: James Murray

Governance issues: Torriano Avenue, Camden. Credit: Simon Hilditch

Quality homes, quality communities: Dover Court, Islington. Credit: James Murray

Foreword

Just over a century ago, the Housing Act 1919, also known as the Addison Act, introduced council homebuilding on a large scale. That Act paved the way for Councils to build homes over much of the 20th century – something that was widely accepted as an essential part of meeting our country's housing needs until the 1980s.

The 2010s saw Conservative and Coalition ministers end new funding for social rented homes altogether; redefine 'affordable rents' at near-market levels; and attempt to force council homes to be sold off in those very areas where they are needed most. Despite this, as we enter council housing's second century, a council homebuilding resurgence is well underway.

We have seen outstanding commitment from Labour councils delivering genuinely affordable homes, pushing at the boundaries of local authority finance restrictions, welcoming additional borrowing limits, innovating with modern methods of construction and coordinating land opportunities to maximise the delivery of homes. Labour Housing Group established this project to demonstrate the case for council home-building, highlight the work that Labour Councils and Mayors are doing to build council homes and consider the policy changes needed to support Councils to continue and expand their programmes.

Across the country, Labour Councils and Mayors are doing all they can with the resources they have to build more. Their ability to deliver is limited not by any lack of determination on their part, but by the lack of an ambitious government to support council homebuilding on the scale we need. That is where the idea behind this project came from. The collection does not of course represent Labour policy, nor are all the contributors Labour members. But we believe our party and our movement can draw on the ideas, examples, expertise and principles in the pages that follow to show how council homebuilding can play the crucial missing part of solving our country's housing crisis. The contributions make a principled and practical case for a way forward with council homebuilding.

This impressive collection has only been possible because of the generous time and thought given to this endeavour by the authors of its essays. Special thanks must go to Nick Bragger, Steve Hilditch, and Sheila Spencer from the Labour Housing Group, whose dedication to this project has ensured its delivery, to James Murray MP for first suggesting this initiative, and to Simon Hilditch for his excellent editing and design.

Rachel Blake

LHG Exec and Chair of the Project

John Cotton

LHG Chair

September 2021

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Contributors

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NICK BRAGGER is a member of the Executive Committee of Labour Housing Group. His professional background is mainly in the charity sector in Surrey, working in community development, youth work and housing. As well as council housing, Nick takes particular interest in private renting reform, leasehold reform, community-led housing and rural housing.



STEVE COX's connection and interest in council housing goes back to his earliest memories as he was born in a council flat. His family were moved out of poor housing into a flat on a brand new council estate in the early 1960s. He then grew up in council housing, with his family moving from a flat to a house to another house with larger gardens. He lived there until he married, by which time the tide had turned and council housing was being sold off and not replaced. Given that, it was obvious that when he was first elected as a Councillor in the late 1990s, housing would be his number one priority. He was a member of the Housing Committee before being elected as Chair and eventually Cabinet Member for Housing.



AILEEN EVANS is Chief Executive Officer of Grand Union Housing Group and at the end of June 2021 completed her term as the president of the Chartered Institute of Housing, the professional body for those working in housing. A qualified coach and NLP master practitioner she has a strong interest in understanding healthy organisational cultures and the impact on performance. An emerging mental health campaigner, she was, as part of her presidential campaign, working with the mental health charity MIND to provide a guide for housing organisations on creating mentally healthy organisations, setting a fundraising target of £50K to support MIND.



PAUL HACKETT is director of the Smith Institute think tank. He has held that post since 2008. He was a former special adviser to the former Deputy Prime Minister, John Prescott, and adviser to ministers in both the Blair and Brown Labour Governments, specialising on housing, regeneration, economic development and labour markets. Paul has written extensively on public policy issues and regularly speaks at conferences and other events. He previously worked for the TUC, the Economist Group, the ILO and the OECD.



STEVE HILDITCH has been a Labour Party member for 50 years and was a founder member of LHG when it formed 40 years ago. Steve was brought up on a council estate in Newcastle, studied economics/geography at University College London and housing/planning at the LSE. He was Assistant Director of Housing for Haringey council and Head of Housing Policy for Shelter. Steve drafted Ken Livingstone's first London Housing Strategy and worked on the Labour Government's council housing finance reforms. He advised several Commons Select Committee investigations, including on homelessness and the impact of the global crash on housing, and has worked for many councils on housing strategies. He is a former visiting professor at the University of Westminster and was a leading 'objector' to Shirley Porter's Homes for Votes policy in Westminster. Steve edited Red Brick blog for 10 years, publishing a compendium book of 100 posts in 2020.



JENNY HILL has lived in a council house for over 36 years and became involved in tenant participation during the Stock Option process. Jenny was then elected chair of the Runnymede Council Residents Association which is the overarching group representing all council tenants in the Borough. She attends the Runnymede Council Housing Committee, scrutinising council decisions as well as the appointment of contractors. Jenny has been a member of the Association of Retained Council Housing (ARCH) Tenants Group since its inception and is the current chair and a Director. She has attended two of the Tenant Satisfaction Measures workshops run by the Regulator of Social Housing. Anti-Social Behaviour and Neighbourhood Management and Complaints and Resident Engagement. Jenny's aim is to make sure that a positive future for council housing is secured.



ALISON INMAN is a former President of the Chartered Institute of Housing. She is a board member at two East Anglian housing associations as well as TPAS and Housing Diversity Network. Alison is a former Chair of Colchester Borough Homes and the National Federation of ALMOs and is a former member of the Labour Housing Group Executive Committee. She is a co-founder of SHOUT, the social housing campaign group, and was a member of the Labour Party for thirty-five years before taking a break.



SATVIR KAUR is a councillor and Labour Group Leader in Southampton, Leader of the Opposition and previous Cabinet Member for Homes and Culture. A councillor for over 10 years, Satvir is passionate about social mobility and addressing inequalities within her city, from leading on many community projects, to driving policy changes in a variety of areas, though particularly in housing. Satvir believes homes are much more than bricks and mortar, but about people. She continues to work hard to ensure homes in Southampton are safe, secure, affordable and offer a sense of community for everyone.



JANICE MORPHET is an independent researcher, Visiting Professor in the Bartlett School of Planning at University College London and a Design Council Built Environment Expert. Janice was a member of the Planning Committee of the London 2012 Olympic Games. She was a Senior Adviser on local government at DCLG 2000-2005, having been Chief Executive of Rutland CC, Director of Technical Services at Woking, and Professorial Head of the School of Planning and Landscape at Birmingham Polytechnic. Janice has been a trustee of the RTPi and TCPA. Janice's books include Applying leadership and management in planning: theory and practice (2015), Infrastructure delivery planning: an effective practice approach (2016), Beyond Brexit (2017) and Changing Contexts in Spatial Planning (2018). Her recent research with Dr Ben Clifford includes 3 projects on Local Authority Direct Provision of Housing (December 2017/July 2019/2021). They have also written Reviving local authority housing delivery: challenging austerity through municipal entrepreneurialism was published in November 2020 by Policy Press. Janice's most recent books are Outsourcing in the UK (2021) and The Impact of COVID-19 on Devolution (2021).



JAMES MURRAY has been the Member of Parliament for Ealing North, the constituency in which he grew up, since December 2019. He is a member of the Opposition frontbench as the Shadow Financial Secretary to the Treasury, having previously served as an Opposition Whip, and before that as a member of the Health and Social Care Select Committee. Before his election to Parliament, James served as Deputy Mayor for Housing for Sadiq Khan, where he oversaw the Mayor's £4.8bn affordable homes programme, including the launch of City Hall's first-ever programme dedicated to building new council homes. He also led work to improve rough sleeping services and to improve London's private rental sector. Before joining City Hall, James held the position of Executive Member for Housing and Development at Islington Council, where he led the borough's new council homebuilding programme and coordinated efforts to raise the level of affordable housing in developments.



JULIA PARK has spent the majority of her 30-year career as a housing architect at Levitt Bernstein, where she is Head of Housing Research. Having worked for many years on the design of housing and mixed-use projects, she now concentrates on housing policy, research and writing. She is the author of *One Hundred Years of Housing Space Standards: What Now?* and has co-authored other books, including *Age-friendly Housing: Future design for older people* and *RETHINK Design Guide: Architecture for a post-pandemic world*, both commissioned by RIBA Publishing. A Mayor's Design Advocate for London and former chair of the RIBA Housing Group, Julia writes a monthly housing column for *Building Design* and is a regular contributor to other journals and the mainstream press. She was seconded to MHCLG during its review of housing standards. Julia participates in design reviews, contributes to debate and campaigns for better housing. She is a vocal critic of the misuse of Permitted Development Rights.



STEVE PARTRIDGE is a senior leader and highly regarded national expert in housing finance with over 25 years' experience in public and private sectors in business planning, investment appraisal, financing and the development of new homes. Steve is currently a Director with the Affordable Housing Consultancy team at Savills having previously worked with a range of consultancies having begun his career in local government with Leicester and Birmingham. Steve played a key role in the design and delivery of self-financing for council housing in England and Wales, acting as a Senior Government Adviser to both. He has advised virtually all of the 160+ English stock owning councils and Arms' Length Management Organisations at some stage during the development of their business plans in the last 20 years. Steve has been a member of the CIPFA Housing Panel since 2008.



SHEILA SPENCER is the current Secretary of Labour Housing Group. She has been a member of LHG since 1981, and was an Executive Committee member in the 1980s, re-joining in 2017. Sheila worked in the housing field all her working life, mainly in the fields of homelessness, supported housing and housing need. Her career started with a long stint in a Shelter housing aid centre, followed by periods in local government, academia, and consultancy. She was a city councillor in Newcastle and also sat on a number of Housing Association regional boards, tenants' advisory groups, and homelessness policy groups. Sheila wants to see the Labour Party being in the forefront of people's minds when they consider what needs to change in the housing field.



JERRY SWAIN spent his formative years living in slum housing around the Elephant & Castle. This experience led him to believe that councils must play an integral role in ensuring decent homes for all becomes a reality. Jerry left school in 1975 with no formal qualification to start work as an apprentice carpenter. He was employed by his local Council's DLO, which at the time was constructing major new council housing projects and employing many local apprentices. He also joined UCATT (now part of Unite) the day he started work. He had a keen interest in workers' rights and soon became shop steward and branch secretary. By 1991 he had been elected a fulltime officer of UCATT, and in 2003 was appointed Regional Secretary for London. In 2017 UCATT transferred to Unite and Jerry was appointed as National Officer for Construction, a post he currently holds.



SHARON THOMPSON has been a Birmingham City councillor since 2014 and is now Cabinet Member for Homes and Neighbourhoods. She served as the city's Victims Champion before becoming the council's first Ambassador for addressing homelessness and rough sleeping, then Cabinet Advisor for homelessness, before being appointed to Cabinet. Her political leadership responsibilities include housing and homelessness, localisation, and registration and bereavement services. Sharon is a strong advocate for collaborative partnerships, and spearheaded Birmingham's partnership-focused Homelessness Prevention Strategy 2017+. She has also served on St Basils Board, Southside BID, and the Commonwealth Games 2022 Members Advisory Group. She is currently on West Midlands Combined Authority Housing and Land Delivery and Public Service Reform Boards as well as ARCH (Association of Retained Council Housing) and Euro Cities Social Mobility Forum. She currently chairs the WMCA Homelessness Members' Advisory Group and Birmingham Social Housing Partnership and sits on the LGA Labour Women's Taskforce.



MIKE TODD-JONES is a Labour and Co-operative city councillor for Arbury Ward, Cambridge. He was first elected in 2002 with a ward manifesto that featured improving council housing and estates in Arbury through the implementation of a decent homes programme. Mike became opposition housing spokesman and then, when Labour were elected to power in Cambridge in 2014, chaired the Council's Housing Scrutiny Committee. Mike was elected by Labour Group as the Executive Councillor for Housing in May, 2021. Photo credit: Anna Smith.



ED TURNER is Reader in Politics at Aston University, and Co-director of the Aston Centre for Europe. He is also Deputy Leader of Oxford City Council, on which he has served for nearly two decades, and Cabinet Member for Finance and Assets, in which he been part of the development of the City's local housing company and increasing provision of new-build council housing. He served as a member of the Lyons Review of Housing, and before that the Technical Housing Standards Review and the Harman Review. He has published on housing policy in comparative perspective, with a particular focus on Germany, and on UK and German politics more widely. His personal website is edoturner.wordpress.com



MARTIN WHEATLEY is an independent, non-partisan, adviser and researcher on public policy and governance, with a particular interest in public service reform and housing. He spent the earlier part of his career in central government, where roles included working on welfare and housing in the Treasury, and in the Social Exclusion Unit. In local government, he led the regeneration of a large social housing estate, and the Local Government Association's successful lobbying for self-financing for council landlords. He was a member of Southwark Council's Housing Commission, was a founder and leading member of the SHOUT campaign for social housing, and is a board member of East Midlands housing association Greatwell Homes. He writes here in a personal capacity.



Introduction



Tackling the housing crisis: the missing solution

Solving Britain's housing crisis will need action on many fronts, including reform of the private rented sector, changes to the mortgage market and financial regulation, and a properly functioning welfare state to help people facing poverty and homelessness.

Labour has always argued for a fair and comprehensive national housing strategy which addresses both housing needs and housing aspirations: to offer genuine help to those who want to be homeowners, to provide sufficient social rented homes so that it can be a tenure of choice, to achieve decent standards, security and fair rents for those who want to rent privately; and to finally deal with the scourge of homelessness.

Labour wants housing to become more affordable across the board, supported by an adequate social security system for people in and out of work who need help with their housing costs, a system where housing helps relieve poverty rather than intensifying it. We also want to achieve high quality standards, sufficient space for modern living, homes suitably designed to meet the needs of people with disabilities, levels of thermal insulation and resource use that help meet the enormous challenge of climate change, and healthy outside environments. And we want supply to be flexible enough to meet the needs of the modern diversity of households, changing ideas about how people might share their housing, and the growing need for support and care.

No response to the housing crisis will be complete without all agencies building more new homes, and we will never build all the homes we need unless government drives the agenda and councils take a lead locally through both their strategic housing role and their housing delivery role.

For more than a generation now, the private sector has been left to lead on homebuilding efforts in our country, with a secondary role for housing associations and no direct role for councils. In England, the supply of new homes, and especially of genuinely affordable homes, has fallen far short of what we need.

Councils across the country know this and the municipal housing tradition has been stirring. Since the reform of council housing finance ten years ago, proposed by the Labour Government but implemented as a localisation project by the Coalition Government, many have been making plans to get more council homes built. Despite significant achievements, their efforts still face practical restraints and hard limits, including access to investment, grant, capacity, and land. We need to overcome these barriers to step up councils' homebuilding role to meet the challenges of this century.

This Labour Housing Group report offers the thoughts and experiences of elected Labour politicians from across the country who have a track record in council homebuilding, together with the advice of noted experts in the housing world. The report has three objectives:

- To describe councils' current achievements in building new council homes and how they are going about it;
- To identify and assess the limits on their abilities to build more homes, particularly for social rent, under the current landscape; and
- To set out ideas for the changes that would be needed to enable councils to play a leading role in building the homes we need in the 21st century.

The basic premise of this report is that solving the housing crisis requires us to build a new generation of genuinely affordable council homes, so that all sectors are meeting their potential to build new homes. What we as a country did in the 1920s, and again in the 1950s and 1960s, we must do once more in the 2020s and 2030s.

The report is a contribution to the debate that is urgently needed in the Labour Party and in the country at large. The views expressed in it are those of the authors and do not necessarily reflect those of the Labour Housing Group or of the Labour Party.

The housing crisis today

The Tory Government apart, there has been a remarkable degree of consensus about the nature of the housing crisis today and its causes. Most studies make the same consistent points:

- For more than 40 years house values have accelerated faster than wages. This has created wealth for established property owners, but housing has taken an increasing share of the take-home pay of renters and those wanting to buy but needing a substantial deposit and mortgage.
- For buyers, the problems have been masked over the last decade by the exceptionally low cost of borrowing. This may not last.
- Access to homes at genuinely affordable social rents has declined and declined, due to the dearth of new homes but also the reduction in re-lets due to sales and conversions.
- People who, in a previous generation, would have bought a home or become social tenants have become reliant on the private rented sector, which is least likely to offer good value for money, decent conditions, and security.
- Many more households have needed greater support from Housing Benefit – yet during the last decade, housing support has been increasingly subject to cuts and caps.
- Many more households have experienced homelessness or are at greater risk of becoming homeless. Temporary housing solutions last for years causing huge

disruption to households and great expense to councils. Many homeless people, especially young people, do not appear in the official statistics.

- Housing costs have become a major driver of poverty whether people are in work or not, and tapering benefit levels in effect cause extremely high marginal tax rates.
- There is also a crisis in housing conditions that has been exposed post-Grenfell and by recent media investigations. Too many homes in all tenures are not safe or are in poor repair, damp and cold, and hard to heat.

The Affordable Housing Commission (AHC), supported by the Smith Institute, showed the folly of a housing policy that has undermined affordability by halving social housing and doubling private renting in just a few decades, impacting most the people who can least afford housing. According to the AHC, more than two million households in the private rented sector (PRS) are under housing stress and private renters predominate amongst those households devoting 40% or more of their incomes to rent.

Those who have conducted detailed studies have come to similar conclusions based on the evidence: we need to build between 300,000 and 340,000 new homes each year; of these, between 90,000 and 150,000 need to be at social rent levels. The scale of the backlog is key to this calculation; with over 4 million households in need, the target is bound to be high.

“We need to build 300,000-340,000 new homes each year; of these, 90,000-150,000 need to be at social rent levels.”

These national calculations hide many local variations, and it is vital that there are proper local assessments to fit into the national picture. Some areas have higher demand than others, some areas have competing demands, for example a large number of homes requiring fire safety works or a large number of elderly residents requiring housing with care. Councils are best placed to understand local needs in terms of the balance of types of homes and the bedroom size mix that should be provided: averages can hide the urgent need for larger homes and the need for one-bedroom homes in areas with a high single homeless population. The national grant scheme should be flexible enough to allow councils to respond to the specific needs in their areas.

Labour’s 2019 manifesto position

Labour’s Manifesto for the 2019 Election went with the highest figures in terms of its social housing targets, saying:

‘The only way to deliver on everyone’s right to a good home is to build publicly funded social housing’

and making a commitment that:

‘Labour will deliver a new social housebuilding programme of more than a million homes over a decade, with council housing at its heart. By the end of the Parliament we will be building at an annual rate of at least 150,000 council and social homes, with 100,000 of these built by councils for social rent in the biggest council housebuilding programme in more than a generation’.

It went on:

‘We will establish a new duty on councils to plan and build these homes in their area, and fund them to do so, with backing from national government. We will scrap the Conservatives’ bogus definition of ‘affordable’, set as high as 80% of market rents, and replace it with a definition linked to local incomes. These council and housing association homes will be more affordable than market housing and built to higher standards..... We will stop the haemorrhage of low-cost homes by ending the right to buy, along with the forced conversion of social rented homes to so-called ‘affordable rent’. We will review the case for reducing the amount of housing debt councils currently hold. And we will give councils the powers and funding to buy back homes from private landlords. We will give tenants a stronger say in the management of their homes and stop social cleansing by making sure regeneration only goes ahead when it has the consent of residents, and that all residents are offered a new property on the same site and terms. We will fund a new Decent Homes programme to bring all council and housing association homes up to a good standard.’

This strong policy position offered real hope for the future for people in housing need. Opinions vary as to whether, even with the best will in the world and making the necessary borrowing and grant available, Labour’s targets could be realistically achieved in a single Parliament from such a low start. Housing associations have a stronger base from which to grow but the last time councils built as many as 100,000 homes in a year was in the mid-1970s and all the council houses built over the last 30 years would have to be added together to exceed 100,000.

So, it is a tall order but developing the ideas and methods to make as many as possible achievable within as short a time as possible is the aim of this current project. We hope the Party retains its strong commitments for the next Election, by which time the homes will be even more necessary.

In some parts of the country, and especially London, councils’ attempts to build new homes within existing estates, using spare or repurposed land and sometimes demolition of existing homes, have been highly controversial and complex to deliver and, according to London Assembly research¹, was leading to a substantial net loss of social rented

¹ <https://www.london.gov.uk/press-releases/assembly/knock-it-down-or-do-it-up>

homes. In London, where these policies have been most common, since 2018 the Mayor's policy has been to require that such schemes should only take place where there is resident support based on full consultation, and usually a ballot, and that demolition would only be permitted where there is no loss of social housing and all other options have been exhausted. This will help salve the issue. For this report, we have taken the view that a future large-scale national council homebuilding programme will not rely on the estate regeneration model and that councils will need to look well beyond their own land holdings to assemble sites.

It is important to emphasise that establishing a council homebuilding programme on anything like the scale needed depends on a comprehensive package of policies, and a wide-ranging framework that will support councils in their quest to build. These policies are discussed throughout the report. The report therefore examines the wide range of issues, from economic policy to tenant involvement, from design to models of delivery, where radical change is needed to make sure that we can deliver the right number of homes at the right price while making sure that they are of the right type, design and quality, based in sustainable communities.

Overcoming residualisation and stigmatisation

Council housing once came close to meeting Aneurin Bevan's vision of 'the living tapestry of mixed communities'. But the combination of inadequate supply, low investment, weak design and building standards, poor management and maintenance, and the sale of the best of the stock under the Right to Buy, created what came to be called residualisation.

Most providers only have the capacity to accommodate a proportion of those in the most urgent need and the option of a council home is no longer available to the large section of the general population who face housing stress at various times in their lives or who would simply choose to rent from the council if they could.

With hopelessly inadequate supply, it is right that the sector concentrated its efforts on meeting some of the most urgent needs, but we should acknowledge that this has also reduced the appeal of council housing to a wider public ('it's not for me'). There is still a council housing waiting list of over a million households, and many who need or would choose the sector do not register or are excluded. This can lead to resentment from those who must rely on expensive private renting. Add in lies and distortion about 'subsidised' council tenants and it is only a short step to stigmatisation.²

Council homes must be decent

Not only must we widen access to council housing, gradually as supply improves, but we must also have a new 'Decent Homes Standard' (DHS) to inject momentum back into the improvement of the existing council housing sector. Councils can lead the way and deliver

² <https://www.cih.org/publications/its-not-okay-a-guide-to-tackling-stigma-in-social-housing>

high quality, safe, and sustainable improvements which will ensure the health and well-being of tenants. However tempting, it would be a short-term error to restrict the resources available to maintain and improve the existing stock in order to make funds available for new homes.

Labour's first decent homes programme showed what can be achieved and it also shows that the simple count of how much is spent on physical improvement is only a small part of the story. Research by the BRE Trust estimated huge savings to the NHS resulting from improving social sector homes, mitigating the most serious health and safety hazards. Improvements in energy efficiency brought about significant reductions in carbon emissions as well as making fuel bill savings for tenants.

It is welcome that the Government is reviewing and updating the DHS at present, but any new scheme should not only cover better kitchens, bathrooms and windows, but should also reduce carbon emissions, promote affordable warmth, improve safety from fire and hazards, make homes more accessible, and improve estate communal standards.

Council homes must be properly and safely run

We do not claim that council housing is some perfect nirvana, and serious issues do need to be faced. Councillors and practitioners know only too well what can go wrong. But by emphasising service standards and tenant involvement, and with strict inspections, Labour's pre-2010 regulatory regime brought about significant improvements in the quality of housing management across the social housing sector. Tenants had a clear and influential policy-making role, and this must be replicated in future. Tenants still feel excluded from key decisions and not listened to. Overcoming residualisation and stigmatisation requires that tenants should have the clear ability to engage in and influence policy nationally and locally.

Two catastrophes have also triggered serious reflection about what we build and how we manage homes. They impact all tenures, but the future of council housing cannot be debated without considering them. If nothing else, the Grenfell Inquiry has illustrated how an entire system can fail and every part of it can become dysfunctional and even venal. It reinforces the need for rigorous regulation, to genuinely put the interests of residents first, to drastically improve accountability and to guarantee high standards in construction and management.

The Covid pandemic has seen a clear correlation between poor and overcrowded housing and the infection and death rates.³ For the future there must be a new focus on space: inside, people need space for work, study and play; outside, people need accessible communal green spaces and children's safe play space, with outdoor areas or balconies for every home. People must have warm and dry homes. And the hated Bedroom Tax on extra space must be ended. All of these things are no longer just desirable, they are

³ <https://www.insidehousing.co.uk/insight/insight/the-housing-pandemic-four-graphs-showing-the-link-between-covid-19-deaths-and-the-housing-crisis-66562>

essential. We also know that communities suffering all kinds of increased stress, hunger, poverty, domestic violence, mental and physical ill-health, disability, and homelessness, have been failed on an epic scale - despite the intense efforts and dedication of public service staff and the third sector.

The core argument

It used to be said that in housing we shouldn't play 'the numbers game'. It is true that affordability is now the central issue. But the century-long story of council housing can at least in part be told in numbers, as a glance at the chart in the next section of housebuilding starts and completions over the past 70 years makes clear. The desperate housing shortage we now face can be traced back to the ending of council housebuilding 40 years ago which, combined with the policy of selling existing council homes without replacement, created a huge gap that the other providers, private enterprise and housing associations, have not been able to fill.

The gap between supply and demand has been created by ending council housebuilding. And it can be filled by re-inventing it.

It is our contention that the model of council housing has been tried and tested and it works. It only stopped working because of underinvestment and the ideological baggage of the Conservative Party.

Council housing simply means homes that are commissioned, owned and managed by democratically accountable local authorities, acting in the context of locally defined needs and locally designed housing strategies. It involves targeting subsidy at building homes in the first place, with no subsidy for subsequent running costs: this is the most efficient use of resources. The focus is on construction and there are strong multipliers in the wider economy so that the Treasury gets a big slice of its money back. Rents rise over time while borrowing costs flatline, so the pooling of rents allows a cross-subsidy from older properties to newer properties, helping to keep them all affordable. Councils can borrow money to build at the best possible rates but need government grant at the start to make development viable. Cost-plus rents mean there is a need for Housing Benefit but at much lower levels than that required for private rented homes.

Council housing is the wheel waiting to be reinvented.

Section 1:

Setting the Scene



Learning the lessons of history

By Steve Hilditch

The 100th anniversary of the 1919 Housing & Town Planning Act caused an upsurge in interest in the history of council housing – homes that are owned and managed by local authorities. The 1919 Act is commonly regarded as the start of a long tradition of building state-owned housing in planned council estates.

On its centenary, commentators celebrated that council housing had removed many tens of millions from living in squalor, breaking the historic link between poverty and bad housing. Council housing provided healthy and safe places to grow up in and to grow old in. It contributed to improved educational attainment, productivity and ultimately the economic performance of the country. It has undoubtedly improved the life chances of millions of people.

Social housing – by which we mean homes provided by either councils or housing associations – can be traced back to 19th century philanthropy and disquiet about the living conditions of the labouring classes. Strong municipal traditions led local authorities to want to build council houses for general needs - the first council houses are commonly regarded to be St Martin's Cottages built in Liverpool as early as 1869. Councils were encouraged to build by the 1890 Housing of the Working Classes Act but numbers remained small, with just over 20,000 council houses built in England by the start of the First World War.

Following the Armistice, David Lloyd George promised 'habitations fit for the heroes who have won the war' (or 'homes fit for heroes' as it became known). The 1919 Act, known as the Addison Act, and the 1924 Wheatley Act, introduced vital building subsidies and endorsed the notion that councils should be central to housing delivery. In subsequent years, the level of subsidy and commitment waxed and waned, and a large slum clearance programme was added to the mix in 1930, but more than a million new homes were built by councils between the two wars. Rents were not especially low, and the homes were not particularly targeted at the poorest, who remained reliant on private landlords, but this new sector began the task of transforming lives.

After the Second World War, Clement Attlee's Government, with the inspirational Aneurin Bevan in charge of housing as well as health, substantially raised subsidies and placed the primary emphasis on council housing as a response to the post-war housing crisis. Bevan insisted on high standards, famously saying "We shall be judged for a year or two by the number of houses we build; we shall be judged in 10 years' time by the type of houses we build". Council housebuilding was one of the Labour Government's greatest achievements, with local authorities completing over 140,000 in the year it lost office in 1951.

Building council homes was a bipartisan policy between the 1940s and the 1970s and contrasting housebuilding promises were a major feature of elections. The Conservative Government after 1951 maintained a very high level of new council housebuilding, peaking close to 200,000 in 1953 before falling back, but at a reduced standard with smaller and plainer homes. Between 1946 and 1960 councils provided half of all the homes built: nearly 2 million new council homes transformed the housing prospects of the nation. Building only 100,000 council homes in a year – now the peak of our ambitions – was seen as failure.

“Council housing provided healthy and safe places to grow up in and to grow old in. It has improved the life chances of millions of people.”

High levels of building were maintained in the 1960s and 1970s, often to the excellent Parker Morris standards. What became known as ‘the third arm’, housing associations, also started growing in response to needs that remained unmet, mainly by buying up and renovating private landlord properties, but they were increasingly encouraged to build new homes by government subsidy. As Prime Minister after 1964, Harold Wilson achieved the post-War peak in housebuilding, over 350,000 in 1968, maximising the contribution of both the council and the private sectors.

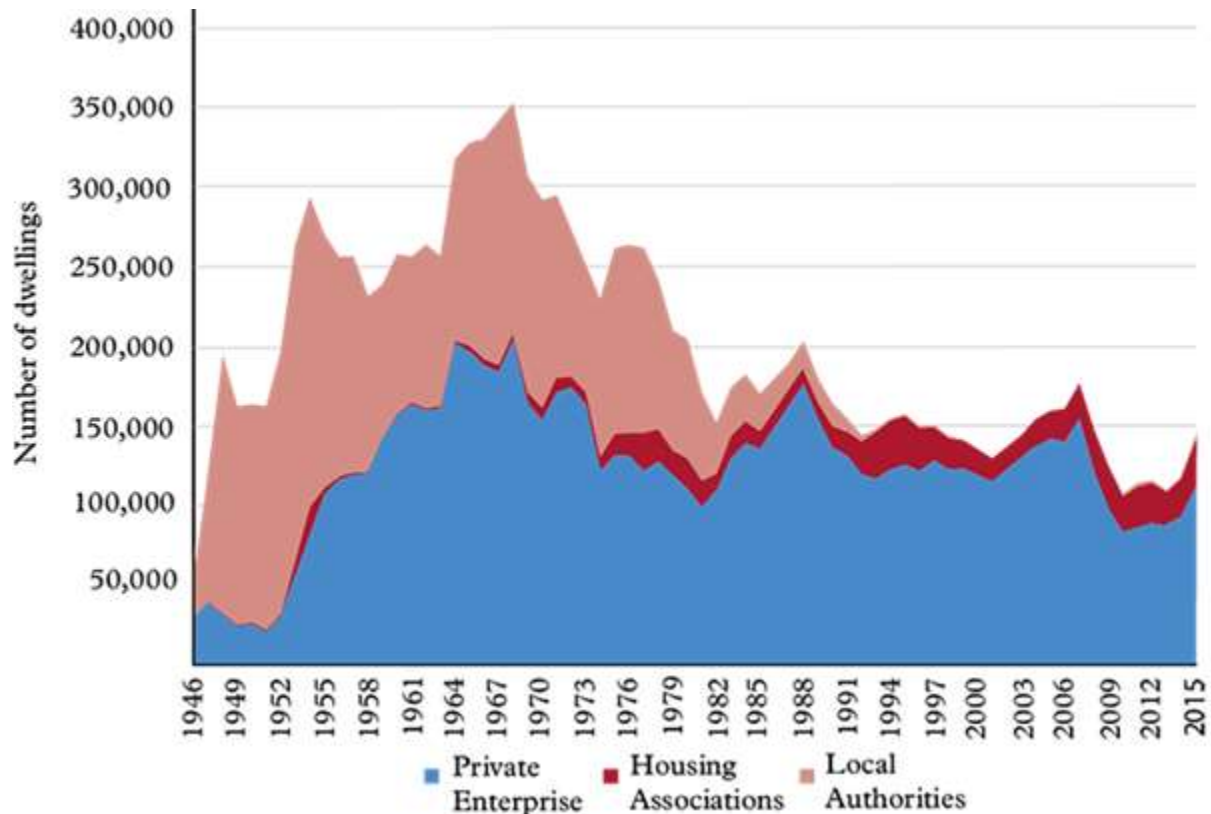
The reversal in the fortunes of council housing can be traced to the 1976 IMF intervention, as the Government of James Callaghan struggled to maintain a large building programme in an era of high inflation and high interest rates. The tragedy of the time was that many believed that we were in sight of ‘solving’ the housing crisis for the first, and last, time.

Margaret Thatcher’s ideological hatred of councils and council housing was the real undoing of the sector. She saw council housing as a residual sector which would house a small number of ‘the poor’. The number of completed council homes declined every year until it reached a risible 290 in the last year of John Major. Not content with halting the growth in council housing, Thatcher heralded its rapid decline with her Right To Buy policy. Parker Morris standards were dropped, and media vilification of council estates and council tenants intensified. Sadly, in too many cases, the poor quality of some of the homes that had been built and the poor quality of their management helped to validate the attacks.

The hoped-for alternative providers, housing associations, managed to double their output of new homes in that period, but only topped 30,000 twice. This was impressive but did not represent a genuine alternative to or, crucially, a replacement for council homebuilding.

UK house building: permanent dwellings started and completed.

Sources: B.R. Mitchell, British Historical Statistics; ONS⁴



Councils were a major contributor to housebuilding after the War until the late 1970s when Thatcher ended it. Other sectors have never expanded to fill the gap created. The private sector has been remarkably consistent in its output over the past 40 years. Lack of supply is the fundamental cause of the current housing crisis. Councils are ready and able to build again and to help fill the gap.

The election of Thatcher is as significant in the history of council housing as the Addison and Wheatley Acts had been 60 years before. By 1979, one in three households lived in council housing – overwhelmingly good quality and genuinely affordable homes built, owned and managed by democratically elected local authorities. Yet within a few years the whole sector was being dismantled, sold off, or transferred to housing associations. Councils were deterred from building any new council housing and most of the profits from sales were transferred to the Treasury. It was the largest privatisation of all, but it proved popular with many working-class voters. The promotion of home ownership became the dominant policy, and any idea of a comprehensive housing strategy was lost. In actuality, the policy driven by ‘the dream of home ownership’ compelled the resurgence of private renting. Those who were denied social housing and could not afford to get onto

⁴https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/788117/House_Building_Release_Sep_2018.pdf

the housing ladder faced higher costs and poorer conditions, and a much-increased risk of homelessness.

The other big policy change during this period was the transition from mainly supply-side subsidies—or ‘bricks and mortar’—to demand-side subsidies to help tenants pay higher rents. In 1975, 80 per cent of housing expenditure was spent on the construction of social housing; by 2000, 85 per cent was spent on Housing Benefit.

The New Labour Government in 1997 invested massively in modernising existing council homes to the ‘Decent Homes Standard’ after a generation of neglect. But it did not see the need to build new council housing as an essential solution to housing shortage – indeed, there was much concern at the time about ‘low demand’ for housing, which seems extraordinary only 25 years later. It was lukewarm, if not hostile, to the very notion of councils managing houses directly rather than focussing on their strategic housing role. New Labour provided fewer than 1,000 council homes a year; housing associations bobbed around between 20,000 and 30,000. Social housing’s prospects improved under Gordon Brown’s Keynesian response to the 2007 global financial crisis – a big increase in investment that, ironically, fuelled the successes claimed by the Tories (especially Boris Johnson as Mayor of London) when they were completed after the 2010 Election. Labour also moderated the loss of council homes under the Right To Buy by significantly reducing discounts, but the number of lettings that councils could make to homeless and badly housed people continued to drift downwards.

The Tory and Liberal Democrat Government after 2010 continued the restructuring of the housing market with a vengeance. They ended investment in new social rented homes, and created the monstrosity of ‘Affordable Rent’ (homes that were actually unaffordable because they were set at up to 80% of market rents). Both social renting and home ownership were declining, and private renting was the only growing tenure.

Tory Ministers like to proclaim that they have built more council houses than New Labour, but it is a cheap point because it is a tiny number and New Labour invested rather more in social rented homes provided by housing associations instead. The Tories also rarely

“The promotion of home ownership became the dominant policy, and any idea of a comprehensive housing strategy was lost.”

address the net loss of more than 200,000 social rented homes over the 8 years between 2012 and 2020 due to Right To Buy and ‘conversions’ to ‘Affordable Rent’, as evidenced by the UK Housing Review.

The Coalition did however pass the potentially transformative council housing ‘self-financing’ reform in 2012 – a Labour proposal adopted by the Tories as a localism project. This ‘localisation’ deal has been a slow burn. Councils were obliged

to take on a substantial tranche of new debt, in many cases leaving them with insufficient ‘headroom’ in their housing revenue accounts (HRAs) to make new build a large-scale option. Other policies, for example the lack of sufficient grant for new homes and a

government-dictated annual rent reduction from 2016, undermined business plans. Other urgent priorities (especially since the Grenfell tragedy) have helped crowd new build out. Some councils have gone for (often highly controversial) densification or rebuilding of existing estates, to try to increase and improve the quality of the social housing stock, but progress has been slow and difficult and has often led to fewer not more social rented homes.

“A hundred years on from Addison and Wheatley there is a huge ambition among councils, not all Labour, to build council homes.”

Yet, as contributions to this report show, many councils were enthused by the 2012 settlement and the localisation it promised (if not the debt that came with it) and by the government’s subsequent agreement to lift artificial caps on their HRA borrowing in 2019, which was estimated (pre-Covid) by the Treasury to have the potential to achieve an extra 10,000 new homes a year. However, councils feel stymied by the overall lack of grant funding to support more ambitious plans and the uncertainty about the impact of government policy changes (for example on rents) which bedevil the long-term investment plans many councils wish to make.

A hundred years on from Addison and Wheatley there is undoubtedly a huge ambition among councils, not all Labour, to build council homes. As we will see, many models are being tested, and a growing number of homes are being planned. A new era beckons, but government is the missing partner, thinking in terms of a few thousand extra council homes rather than the many extra tens of thousands that are required.

In a short piece for this report, it is not possible to pay proper regard to the complex history of council housing and its nuances. However, several others have done so in recent times, especially John Boughton in his book ‘Municipal Dreams’ and the website of the same name. Steve Schifferes’ excellent essay also looks at the period of activism that led up to the Addison and Wheatley Acts, including the rent strikes. Paul Dimoldenberg’s book gives a real flavour of the 1945 Labour Government’s housing achievement.

Anyone who studies the history will conclude that council homebuilding has been, and is, central to tackling the housing crisis and that council houses are among the best homes that have ever been built in this country. The ending of council homebuilding has led to a yawning gap between supply and need in total housebuilding. The lesson to be learned is that councils can do the job the nation needs with the necessary support and funding.

Council homebuilding is a model of provision that is tried and tested - and works.

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Forging a cross-party consensus to get councils building again

By Paul Hackett

Given the demonstrable need for affordable homes and the undeniable social and economic benefits of a housing-led recovery, you have to wonder why the Johnson government remains so disinterested in local authority housebuilding. It was, after all, just over three years ago that Theresa May promised a 'new generation' of council housing in England. Perhaps now is the time for Labour to reforge a political consensus to get councils building again?

Labour councils were hopeful that after a period of austerity ministers had at last understood that investing in housing for a social purpose and letting councils build at scale made sense. Without it the housing crisis would get worse: housing poverty would intensify and more people would be forced to live in the private rented sector (PRS) - which has the highest proportion of poor condition housing and is the most unaffordable and least secure tenure.

Yet, the case for a renaissance in local authority house building continues to be overlooked, even though official social housing waiting lists have risen to over 1m households (the National Housing Federation claims the true figure is 1.6m). Stock-owning councils are in fact struggling to secure sufficient funding to meet minimum fire safety standards, reduce carbon emissions and manage escalating rent arrears. Housing associations, meanwhile, are finding it ever-harder without sufficient grant to cross-subsidise social rented housing from market sales.

The Government seem oblivious to the growing demand for social housing. A greater effort has been made to tackle homelessness after an austerity-driven rise, but new housing and planning policies (like new Permitted Development Rights and Help to Buy) and the majority of funding (peaking at around 80% according to the Chartered Institute of Housing) support the private market and homeownership. Housing grant for social rented housing remains very low, while plans for mixed communities with minimum quotas for low-cost housing are undermined by Whitehall diktat over delivery targets, planning deregulation and pressure to release land for market housing.

Do ministers think those in housing poverty or 'priced out' of their area have somehow been let down by their council? Or is it due to the lobbying power of housebuilders and the property industry? Whatever the reason, the prolonged collapse in local authority housebuilding – dating back to the early 1980s - is not about the lack of demand or the unwillingness of local government. Most Labour councils desperately want to build.

In the fall-out from Covid councils will clearly struggle to meet their housing duties, not least in protecting tenants from eviction and providing enough temporary

accommodation. Extra support for first time buyers (FTBs) and tax cuts may keep housing markets temporarily afloat but do little to help struggling renters or those who lack the savings or access to the bank of 'mum and dad'.

Prior to the pandemic some Labour councils were successfully bucking the trend and providing an assortment of new homes either directly or via arms-length Local Housing Companies (LHCs). Others, notably in high demand areas, were delivering extra housing through planning gain (Section 106 Agreements). According to survey work by the Bartlett School of Planning, the total annual build rate by councils and LHCs reached around 13,000 homes in 2019.

However, the level of new social rented homes remained very low – at 1% of all housing completions (it averaged 40% in the 1970s). The problem is compounded by the continued net loss of the stock. Smith Institute analysis shows that Right to Buy (RTB) sales, demolitions and conversion to Affordable Rent will lead to a further loss of around 20,000 social rented homes a year even when accounting for new build. That loss could rise even higher if Ministers decide to scrap s106.

Conservative governments naively expected that market-led policies would increase supply and boost homeownership. Neither have occurred. Planning permissions

“The case for a renaissance in local authority house building continues to be over-looked, even though official social housing waiting lists have risen to over 1m households.”

increased but build out rates have been static. This in part is because, unlike social housing, the rate of sale of market housing is limited by a given absorption rate and the economic cycle. Rather than provide the homes we need, government interventions have changed the tenure mix: the proportion of social housing has roughly halved since the 1980s while the PRS has doubled in size.

This tenure shift has altered the composition of households within the PRS, with the sector now housing more families and older people. This has had considerable distributional impacts. For example, while the tenure shift has seen greater property ownership among wealthier households, more households on lower incomes have moved into the PRS. The impact is particularly stark for younger households across the income spectrum who struggle to buy and find themselves stuck in the PRS.

The majority of private landlords treat their tenants well, but housing conditions and rents vary considerably, and as Covid protections are withdrawn many tenants face an uncertain future. While social landlords have the capacity and systems to handle rent arrears, many amateur private landlords are ill equipped to cope. If rental yields fall, some will inevitably exit the market.

According to the Affordable Housing Commission (AHC) over 2m households in the PRS are already under housing stress, with many low-income households paying over

40% of their net income in rent. Over half of benefit claimants renting privately are now in poverty. There are now more poor people in the PRS than in social housing. There is of course housing stress in the social sector, but mostly because of inadequate benefits.

The expansion of the PRS has driven up house prices and added to the welfare bill, even though for many private tenants the Local Housing Allowance does not fully cover housing costs. On the back of persistent real rent increase the share of Housing Benefit spending accounted for by the PRS has doubled in a decade to over £9bn a year. The Centre for Social Justice forecast it to continue rising to £34.5bn pa by 2050 – an annual revenue spend five times larger than the Government's five-year Affordable Homes Programme (2021-26).

There is an urgent need to rebalance the housing system away from the PRS and benefit-based subsidy to private landlords. Getting local authorities building again at affordable income-related rents will nevertheless be challenging, especially for councils who lack the capacity and capability and for those where land is scarce and expensive. However, many Labour councils have surplus public land and are well placed to expand their existing programmes, often in partnership with housing associations. Others want to support innovative housing projects, such as co-ops and community-led housing. The foundations are there, but to make it happen in a sustainable way and at scale requires a change in national housing and planning policies - and with it a belief in local government to deliver.

Labour must now press the Government to commit extra resources to a long-term local authority housebuilding programme. Working in partnership with other social landlords, such a programme should aim to ratchet up the build rate to meet housing need – estimated by Crisis and the National Housing Federation at around 90,000 social units a year (plus 25,000 shared ownership and 30,000 intermediate rented homes). This would imply at least a nine-fold increase over time, making social housing equivalent to 30% of the Government's five-year housing target. That's a huge task which also demands a greater effort from other social landlords but is achievable with a political consensus. In the 1960s councils managed to consistently deliver over 100,000 social rented homes a year.

Social housing must become a strategic priority and central part of the recovery. The policy must be about providing additional homes, not displacing development. Labour should push this agenda in the national interest and agree a cross-party social and affordable house building concordat.

The basis of a new consensus to enable local authorities and metro mayors to build again should include:

- A step change in investment to scale up and fast track new social housing, with much higher grant rates and increased public and private borrowing. Capital investment by councils in low-cost housing will boost jobs and growth, reduce welfare spending, and speed up build out rates (analysis by the AHC showed that

over a 30-year period investment in each new social rented home delivers £45,000 of net benefit after build costs).

- Establish a Housing Conversion Fund to enable councils to buy private properties. This will help address the ever-growing backlog. In the early 1990s some 25,000 homes per year were bought and converted to social rented homes. The Fund could include buying ex-RTB properties and empty homes, as well as incentives to “flip” market housing to lettings at social rent.
- Stop the loss of social housing by granting councils full discretion over the RTB, which deters councils from building under their Housing Revenue Accounts; phase out the Affordable Rent product and return homes to social rent/intermediate rent when tenancies end.
- Enable councils to buy land at lower cost (social value) for public benefit not full market cost. Reform the Land Compensation Act to allow councils to adopt alternative approaches to capturing ‘hope value’, which will reduce the subsidy needed, especially in higher value areas. Councils and metro mayors should be given more powers and resources to fast-track surplus public land, pool land and buy large strategic sites (as happens in Germany).
- Remove the planning barriers to building, including adequate resourcing for local planning authorities, retention of s106 agreements and returning Permitted Development Rights powers back to councils.
- Widen the housing offer so councils can provide mixed communities with options for tenants to rent to buy; more support for alternative housing providers to be part of council-led developments, such as co-ops and community land trusts.
- Keep the focus on genuine affordability (based on local income based on local incomes circumstances), high standards of place-making, good design, and eco-efficiency. Ensure developments are founded on community consent and support stronger tenant voice and recognition of renter unions.

Labour should defend and promote council housing and continue to show how social housing helps tackle poverty and inequality, and is integral to creating inclusive, mixed communities and better places where people want to live. But to secure a consensus for change Labour must also articulate the wider case for local authority house building: that it brings jobs and growth, reduces public spending, helps the transition to net zero – and supports homeownership.

The future of social housing will also hinge on government actions to limit the growth of the PRS, which is clearly unsuited to the vast majority of households on low incomes. This is not to deny a role for private landlords and new professionally managed build to rent developments, but to accept that allowing the tenure shift and incentivising private renting carries a high societal cost and exacerbates wealth (and place) inequalities.

Labour also needs to champion a culture change. While the stigmatism surrounding council housing post-Grenfell is, thankfully, less prevalent than it was, there is still a perception among some, often older voters, that local government building again equates to a return to the poor quality, brutal high-rise estates of the past. Labour councils are actively challenging that view and opinion is shifting, helped by best practice

“Labour must articulate the wider case for local authority housebuilding: that it brings jobs and growth, reduces public spending, helps the transition to net zero – and supports homeownership”

examples such as the new eco-friendly council estate in Norwich which won the prestigious RIBA Stirling Prize for architecture in 2019.

Investing at scale and over time in more genuinely affordable homes – of all types and provided by a diversity of social landlords - is not only a lasting solution to the housing crisis, but also a major driver behind the transition to a new and fairer economy. Labour must embrace the

wider case for change as a central part of its platform and programme for delivering social justice and in the meantime call on the Government to support a national social home building programme. Without it the next Labour Government will be faced with an even more unbalanced and fractured housing system, where private landlords dominate and the gap between the housing haves and have nots is even wider.

Building homes for all our citizens

By Rachel Blake

Tackling the nation's housing crisis must be at the heart of Labour's core mission to protect people from discrimination and disadvantage. The delivery of many more new council homes that meet the needs of all our diverse communities would start to address underlying inequalities and achieve social justice for a fair and more equal society. The Equality Act 2010 is one of the last Labour Government's most important achievements. It protects us all from discrimination whoever we are and it requires all public sector bodies to consider how what they do every day affects all of us. A positive programme of new Council homes is a key pillar of tackling structural racism and taking anti-racist action – breaking down barriers to secure foundations for learning and working.

Providing a stable and secure home as part of a plan for social justice recognises intersectionality – the way in which various forms of inequality often operate together and exacerbate each other – and a broad understanding of diversity which includes mental health, socio-economic status and caring responsibilities. But it is not just the supply of new council homes which supports social justice. Local government can use its strategic powers and policies in local housing strategies, housing allocations and Local Development Plans to ensure that diverse needs are met while also fostering a culture of equality and inclusion. There is extensive research, including guides and toolkits for delivering this objective for those with the political commitment to the supply of genuinely affordable Council Homes, and Labour in Government can have a powerful impact⁵. London Mayor, Sadiq Khan has recognised this in the new Affordable Homes Programme for 2021-26 – showing strong leadership to address these issues⁶.

The housing crisis disproportionately affects women, people from Black, Asian and Minority Ethnic backgrounds, people with disabilities and the LGBTQ+ community. Growing up and living in a decent, genuinely affordable home provides the foundation to thrive. Children in overcrowded homes, without a quiet place to do homework or rest, could be held back from meeting their potential. In June 2020, there were 98,300 households living in temporary accommodation, including 127,240 children⁷. Children living in Temporary Accommodation may have to move schools or travel long distances to get to school. This makes it harder to learn and spend time with school friends. Too often, Temporary Accommodation is not temporary at all, with families living with

⁵ Diverse by design: 15 key elements: <https://www.local.gov.uk/diverse-design-15-key-elements> | Local Government Association; How to mainstream equality and reflect diversity: <http://www.housingdiversitynetwork.co.uk/wp-content/uploads/How-to-mainstream-equality-and-reflect-diversity.pdf>

⁶ Guidance for meeting EDI funding conditions | London City Hall: <https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners-affordable-homes-programmes/homes-londoners-affordable-homes-programme-2021-2026/guidance-meeting-edi-funding-conditions#acc-i-63007>

⁷ Households in temporary accommodation (England) - House of Commons Library: <https://commonslibrary.parliament.uk/research-briefings/sn02110/>

uncertainty for several years. Poor quality housing is linked to poor health outcomes, which can have a lasting adverse impact⁸.

The Macpherson report into the death of Stephen Lawrence made it clear that institutional racism can be 'seen or detected in processes' – or indeed the lack of them – in an 'unwitting' and 'thoughtless' way. Black, Asian and Minority Ethnic Households are disproportionately represented amongst those who are homeless or overcrowded. Shelter's recent analysis found that 24% of people making a homelessness application to their local authority are from Black, Asian or Minority Ethnic groups even though they make up just 11% of all households⁹. The Government's own figures for overcrowded households show that *'around 2% of White British households were overcrowded; the households with the highest rates of overcrowding were in the Bangladeshi (24%), Pakistani (18%), Black African (16%), Arab (15%) and Mixed White and Black African (14%) ethnic groups; White British households were less likely to be overcrowded than households from all other ethnic groups combined.'*

“The intersectional experience of people from different race and faith backgrounds can affect their access to housing as a result of discrimination.”

The intersectional experience of people from different race and faith backgrounds can affect their access to housing as a result of discrimination. Having disproportionately lower incomes in Black, Asian and Minority Ethnic groups alongside structural racism in the workplace puts these households more at risk of homelessness. Increasing the supply of genuinely affordable council homes would start to break down the structural barriers which hold people back.

Women too are disproportionately affected by the housing crisis in terms of their relatively lower incomes than men, the services provided, and the impact of domestic abuse. Women's Budget Group analysis showed that *'single parents – 90% of whom are women – are the group least likely to be owner occupiers (25% own their home) and they are the group most likely to be social renting (39.5%) but also private-renting (35.5%). The proportion of single mothers living in poverty before housing costs is 30%. Once housing costs are added, the number of single mothers living in poverty shoots up to nearly half (45%)... There is no region where a single person on median earnings can afford the median home – but women are even further away from affordability than men'*¹⁰.

At the same time, refuge space for women fleeing domestic violence is in short supply. Only one part of the country (London) meets the Council of Europe recommendation of one space per 10,000 head of population. Not only is there an overall shortage of refuge

⁸https://assets.ctfassets.net/6sxvmndnnpn0s/6pmYen0M6fWEJCcKqEq5sY/95d09421aeeec22dcc37c6cd202fc5bc/People_living_in_bad_housing.pdf

⁹ People living in bad housing – numbers and health impacts: https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/people_living_in_bad_housing_-_numbers_and_health_impacts

¹⁰ <https://wbg.org.uk/wp-content/uploads/2019/07/WBG19-Housing-Report-full-digital.pdf>

space, but some areas have extremely low provision. In part, the problem of the shortage of refuge space is caused by the difficulties that women have in securing safe accommodation to move on to – which is linked to the overall shortage of genuinely affordable housing.

People with disabilities are also disproportionately affected by the shortage of genuinely affordable homes because of the impact of not having an accessible home which meets their needs. The indignity of not being able to live independently is made worse by the overall shortage of suitable homes – in England, only 7% of homes offer minimal accessibility features¹¹. People with disabilities are four times less likely to be in work, which means that they are more likely to be on lower incomes and less likely to be able to afford private rented or owner-occupied housing. Those with disabilities experience poorer mental health and feelings of social isolation which is often made worse by a lack of suitable housing. Local authorities can support the delivery of these homes through Local Plans which set out design requirements as well as the proportion of accessible homes which should be delivered in new schemes. But a sustained programme of Council Homebuilding, delivering accessible and adaptable homes with clear allocations policies and support for applicants is an important part of achieving social justice.

With an ageing population and a rapidly changing tenure profile for different age groups, increasing the supply of council homes will address the long-term challenges for housing our citizens. 91% of homes do not provide the lowest levels of accessibility – this presents a major challenge both for the supply of new homes needed but also the ongoing need for a programme of adaption funding for existing homes, along with investment in policies which enable the access to these homes for the people who need them. A growing number of older people are living in the private rented sector without security or rent protection for when incomes decline after retirement – this presents a long term

“The indignity of not being able to live independently is made worse by the overall shortage of suitable homes.”

risk of older people facing poverty or even the risk of homelessness. The certainty provided by a council home, or the possibility of a council home in the future is part of providing security in older age¹².

A person’s sexual orientation affects their housing experiences. Stonewall research has revealed 20 % of LGBTQ+ people expected to be treated less favourably than a straight person when applying for social housing; 20 % of LGBTQ+ people had been the victim of one or more ‘hate crimes’ in the past three years. Stonewall Housing and Shelter research showed that some young people who present themselves as homeless have been thrown out of their family home because they are lesbian, gay or bisexual. Brighton and Hove Council found that 10 % of the men they surveyed reported problems in getting a

¹¹ https://www.equalityhumanrights.com/sites/default/files/housing-and-disabled-people-britains-hidden-crisis-main-report_0.pdf

¹² Housing | State of Ageing in 2020 | Centre for Ageing Better: <https://www.ageing-better.org.uk/housing-state-ageing-2020>

mortgage or life insurance because of being gay or bisexual. The Albert Kennedy Trust found 2/3 of the young men they surveyed had been offered sex or been forced to offer sex to get a bed for the night. It is deeply worrying that there is evidence that landlords have historically seen sexual orientation and gender identity as a low priority: a 2005 survey of Scotland's local authorities revealed that, when asked to rank the priority given to the different equality themes, sexual orientation was ranked as lowest¹³.

There is a clear difference between policies which address sexual orientation issues and transgender issues. The housing experiences of transgender people will all be different. Housing services should make sure that gender identity and gender re-assignment are included in equalities policies and are fully in compliance with the Equality Act 2010 and train staff specifically in gender identity and gender re-assignment.

People with protected characteristics and those who have characteristics which intersect and combine to affect their lives, can experience social stigma and discrimination and are also more likely to face poverty. People in poverty are also more likely to be in housing need while also having insecure work and variable incomes but few assets or savings. Housing is a social determinant of health: damp homes which are linked to eczema and asthma, can reinforce barriers to learning and working. The creation of new play areas alongside new council homes can give young people the spaces to grow. It is critical the local services are culturally competent recognising the different and intersectional experiences of communities.

If the aims of this report are successful, and we do enter a new era of large-scale council homebuilding, the allocation of homes to households living on low incomes will improve dramatically, enabling councils to make a significant contribution to reducing inequality. When new homes become available councils must also ensure that their other housing policies are free from indirect as well as direct discrimination. Allocation policies have drawn particular attention over decades and councils need to ensure that these are fair and transparent. People from some protected characteristic groups are more likely to become homeless and councils need to be aware, for example, that policies which change the relative priority given to homeless households might also have a disproportionate impact on particular groups. In a similar vein, councils need to ensure that their housing management procedures deal effectively with issues such as harassment and domestic violence.

“Councils will not only decide how many new council homes they can build, they will also decide what type of housing is the highest priority.”

The Equality Act 2010 requires councils to analyse the effects of their policies on people who have ‘protected characteristics’. But a new council housebuilding programme local government would go far beyond that obligation and deliver a massive step towards equality. Councils can build new homes for the whole community, as well as using their

¹³ <https://www.housingdiversitynetwork.co.uk/wp-content/uploads/delivering-housing-services-to-lgbt-customers.pdf>

powers in local planning and strategic housing delivery. In terms of their strategic role, understanding the impacts that poor and unaffordable housing has on different groups within the community and how their policies for all tenures will help alleviate them. Within that strategic context, councils will not only decide how many new council homes they can build, they will also decide what type of housing is highest priority. For example, this might include choosing a bedroom size mix in new development which will ensure there are more homes available for larger families, or for single homeless people, or it might mean including specific schemes in the development programme which are targeted to elderly and disabled people requiring housing with a degree of support or care.

The needs of people facing the greatest barriers in terms of access to decent homes – young people, and those with needs because of mental health, substance misuse or offending – must also be taken account of. For example, designing self-contained homes built around some shared facilities could help people who have had little experience of managing their own homes, and those who need companionship to survive independently.

Labour's vision for a fair and inclusive society is founded on a principle that a stable and secure home can provide a foundation to thrive – councils have a powerful role in delivery.

A union perspective on meeting the current housing crises

By Jerry Swain

Insourcing

Before turning to council housing specifically, it is important to stress the context that Unite the Union is campaigning to insource local authority services. Insourcing is the process of bringing public services back into public ownership. It is local authorities opting to deliver local services themselves, with directly employed staff. That means services that are publicly owned, publicly run and democratically accountable. Services that are run in the public interest, not in the interest of wealthy investors and shareholders. It means a return to the core social values of community ownership of the services that we use and rely on.

It means better, more efficient, integrated and innovative services that can respond to need without negotiating a complex web of commercial contract law. For nearly four decades, government ministers, from all major UK parties have driven policies of expanding privatisation, marketisation, competitive tendering and outsourcing of public services. Services that were previously delivered by local authorities have been forced out to the private sector, with the local authority acting as a customer, procuring services on behalf of the local community. In recent years, however we have seen the political tide begin to turn away from outsourcing and are finally seeing a move back towards public ownership. Major failures and scandals such as Carillion's collapse, rip-off train fares or G4S's 2012 Olympic failures have all dented the narrative that the private sector can deliver public services.

Outsourcing relies on bogus arguments about the value of competition as the driver of efficiency, quality improvement and innovation. This ideological theory is overlaid with a short-term cost-cutting agenda whereby companies undercut each other, reducing service quality, while shedding staff and slashing their pay and terms. In other words, outsourcing is viewed as a magic formula for saving money. The problem with these theories is that they are simply not true. There is now a significant level of evidence to show that outsourcing has not delivered on its promises¹⁴ and that it generally leads to increased costs, poorer performance and loss of accountability in public services. In contrast, insourced services make sense. That's because bringing services in-house means less risk, lower costs, better quality, public support and accountability, more flexibility and better jobs.

¹⁴ Organisations such as the Association for Public Service Excellence (APSE), the Institute for Government, New Economics Foundation (NEF), We Own It, PSIRU, TNI and Public Services International (PSI) and the European Public Service Union (EPSU) have collated significant levels of empirical data and case studies on outsourcing.

Unite's stance on council housing

In terms of a response on the vital need for more social housing Unite believes that such an expansion can only be met through the building of council housing. Unite's construction sector is campaigning for:

- A decent, affordable, warm, well insulated and secure home must be a basic human right. The best way to deliver genuinely affordable housing is through a major expansion of council housing, with secure tenancies and social rent. 'Right to Buy' must end to protect the availability of affordable homes and the Housing and Planning Act should be repealed.
- Housing Retrofit – local authorities should be the main delivery vehicle of a national programme to increase energy efficiency and reduce carbon emissions in people's homes to create thousands of jobs a year for decades to come. This should result in an expansion of the housing workforce within local authorities through Direct Labour Organisations to deliver these essential improvements to reduce carbon emissions and makes homes more energy efficient.
- Council housing would have a powerful deflationary effect on the whole housing market, including the private rental sector. It would create a virtuous circle that would increase government finances both in local authorities and through central tax returns through creating jobs and skills, reducing the need for Housing Benefit, and the costs associated with homelessness, while stimulating local growth and investment in communities they are built in.
- A new meaningful definition of 'genuinely affordable' housing is needed based on secure tenancies and social rents. Initiatives such as the London Living Rent or those based on average earnings are not good enough as they remain significantly higher than traditional social rents and are unaffordable for many.
- Government funding for housebuilding must return to the pre-1979 levels in real terms - primarily focused at delivering a major expansion of council house building with secure tenancies and social rent. Big increases in grant funding would be offset by savings in Housing Benefit costs and a return to a direct 'bricks and mortar' subsidy would deliver better outcomes and value to the Exchequer.
- The state must intervene to drive improvements to housing, including introducing new effective regulations on: private developers; land prices; housing speculation; decent homes standards; energy and building quality; housing associations and the construction sector.
- Tenants must be given new rights and protections so that decisions cannot be made about their housing without their involvement and consent, including ballots for regeneration of estates. Life-long tenancies should be restored to the social rented sector, and security of tenure should be introduced into the private rented sector.
- Council housing projects should be delivered by in-house council building workers through Direct Labour Organisations (DLOs). Local authorities should bring outsourced maintenance teams back in-house and financially resource DLO skills

capacity. They must introduce more craft apprenticeships and support workplace diversity by recruiting workers from those under-represented in this industry, e.g. women and BAME people.

- All workers involved with delivering council housing must be protected with decent pay and conditions, trade union rights and collective bargaining. Any private sector construction firms that work on council housebuilding projects must meet the standards laid down in the Unite construction charter as a condition of contract. The charter commits contractors to working with Unite in order to achieve the highest standards in respect of direct employment status, health & safety, standards of work, apprenticeship training and the implementation of nationally agreed terms and conditions of employment.
- There has to be root and branch reform of the construction industry, reversing the skills crisis caused by an ageing workforce and labour supply issues caused by Brexit. Investing in apprenticeships and supporting directly employed labour is required to achieve this goal.
- The introduction of a licensing system to be introduced across all construction trades. This would be in line with the existing gas engineers' licence scheme operated by Gas Safe, which means that it is illegal for non-licensed practitioners to undertake such work. In addition, all construction companies should be registered in order to undertake public sector contracts.
- Demand for justice for the Grenfell families. There must be an urgent review of the existing building regulations which must place safety first rather than profit at its core. As well as a complete prohibition on flammable materials in buildings, sprinklers must be installed in all new social housing and public buildings and retrofitted into existing buildings.

Unite believes that if the UK is to have any chance of tackling the current acute shortage of affordable housing for working people, it must learn the lessons of history, that only through a nationwide council house building programme can the housing needs of working people be fully addressed. The current system of house building is not one based on need but rather one that is based on profitability. This system results in the major house builders with land banks restricting the supply in order to keep prices high. House prices are controlled by three factors: supply, demand and the ability to borrow money. Failure to invest in council housing has ensured demand for property ownership has remained high, the amount that people can afford to borrow has increased by lengthening the period of repayment. The only part of the equation that varies is the supply which of course is controlled by the major house builders, who simply reduce the number of housing starts if prices begin to fall.

Council houses built by Direct Labour Organisations not only build quality homes but crucially also bring quality skilled and sustainable jobs and apprenticeships to the local community. Direct employment also assists in preventing tax avoidance and ensures workers contribute and qualify for pensions and other social provisions meaning they have a financially secure independent retirement plan in place. Council houses built by a DLO is a win-win!

Section 2:

Empowering councils to build



Local authorities providing housing again

By Janice Morphet

The ways in which local authorities in England have been engaging in the direct provision of housing have been growing since 2017. Then the picture was piecemeal with just over 50% still maintaining their Housing Revenue Accounts (HRA), although not delivering much new housing, and the same percentage, but not necessarily the same councils, having a housing company. These companies vary from focussing on development to maintenance or acquired rental homes. Some councils, usually where stock had been transferred, were putting their funds and efforts into providing affordable housing through their partnerships with housing associations, often providing free land in return for affordable rented homes.

Our research, first undertaken in 2017¹⁵, showed that councils were engaging in this direct provision of housing for a range of reasons. Firstly, councils were motivated to find an income stream to replace the Revenue Support Grant (RSG) as it was phased out, in order to support the delivery of basic council services. There was also a priority to meet the needs of the homeless, both to reduce financial and human costs. Councillors were also finding an electorate expectation that the local authority would deliver housing for their area. However, there was also a second set of motivations around the failure of the planning system to provide the housing that the authority needed. These housing pressures varied and were primarily focussed on social rent, but this was not universally the case with some councils having no interest from developers or housing associations, increasingly attracted to Help to Buy hotspots. Councils were also concerned about the quality of private sector development – inside and around the dwelling and in the build and finish. They wanted to show that better quality could be achieved within planning policy and profit levels. The third set of motivations related to the desire to support local businesses including builders and architects, to support apprenticeships or ex-offenders and to achieve wider objectives including the demonstration of higher environmental standards.

When providing new homes, we found that councils were using their own land and some were beginning to acquire more, acting as patient investors for the future. In addition to setting up companies, which had increased to 78% of councils in 2019, some were setting up their own Registered Providers, and, at the time of our second survey¹⁶, we found that 57% of councils had entered into joint ventures with a range of partners including developers, housing associations and other public bodies, including other local authorities. In 2019, we also began to see changing organisational and working habits within councils where there was increased delivery. Here, councils doing more were bringing together multi-professional teams comprising planning, housing, finance, legal and development expertise to work on housing delivery in the area. These teams were

¹⁵ <https://www.rtpi.org.uk/research/2017/june/local-authority-direct-provision-of-housing-i/>

¹⁶ <https://www.rtpi.org.uk/research/2019/july/local-authority-direct-delivery-of-housing-ii-continuation-research/>

leading on all the councils' housing provision but were also working directly with other providers to overcome blockages or hindrances to development by providing loans, making available land or infrastructure to be repaid later, supporting applications for Housing Infrastructure Fund (HIF) funding to Homes England or other funding from local growth deals, and being interventionist in housing delivery across the council. These authorities also had strong political leadership for housing and a wider housing forum where all engaged in housing delivery were expected to attend. We found these attributes in councils across England and the local leadership of all political parties.

In our repeat research for 2021, what are we now finding? Has the pandemic slowed things down? This time, we are starting by looking at all council corporate or strategic plans and finding that across the country and political parties, the vast majority of councils are prioritising the provision of affordable housing, frequently adopting targets for delivery and using their own resources to achieve these ends. We have found that the relationship between planning and housing delivery has grown closer and now there are many councils with practical multi-professional working arrangements which have evolved rather than being the product of any structural reform. We have also found that the pandemic appears to have reinforced the way in which councils are committed to providing housing in a practical way – whether for homeless people or those in need of social or living wage rents. The landlord eviction amnesty gave council officers a bit of breathing space to do some thinking and organise new forms of provision. Some councils that had undertaken no activity in housing since stock transfer have been suddenly responding actively to engage in housing delivery as a result of the pandemic.

“Providing housing again is reconnecting councils with their core purposes. They see it as a return to a fundamental role in the community.”

The finance for providing housing has been partly supported by Homes England outside London and the Mayor's programmes inside London. In 2021, we see that every London borough is engaged in housing delivery of some kind. This also shows that the provision for funding direct to councils for the provision of affordable housing, focused on social rent or 'London Living Rent', produces more housing delivery, even in places where land availability is tight. Outside London, many schemes have been supported by Homes England funding and sometimes their direct partnership in development. Elsewhere, supporting infrastructure for housing has been provided by the Mayoral Combined Authorities and Local Enterprise Partnerships (LEPs).

When we undertook our research in 2019, it was too early to assess the effects of the removal of the HRA debt cap. This time we are examining the extent of the increased use of the HRA for additional new homes. However, we are finding that this picture is mixed. In some councils, the pandemic has forced a focus on the quality of the existing stock while elsewhere there is a priority on retrofitting to meet the council's wider climate emergency objectives. Overall, the amount of new build using the HRA is increasing, and

some councils have reopened their HRA accounts, but the majority of numbers appear to be quite small outside London where the additional funding provided by the Mayor is not available. Councils are also left with the obvious stock losses through Right to Buy.

“The pandemic has demonstrated to councils that the government is largely expecting them to cope for themselves.”

Councils are also concerned to manage their own finances as they have greater responsibility for homelessness since the 2017 Homelessness Reduction Act and the anticipated loss of the New Homes Bonus, in addition to the loss of RSG, has been a considerable financial destabiliser in some councils. Nevertheless, since 2017, the research has shown an increasing focus on council delivery of affordable properties than the generation of an income stream for the council.

In the 2021 research we are also beginning to see a far greater emphasis on the mechanisms and experience of delivery. In the past, most councils expected affordable properties that councils negotiated through their planning applications and secured through s106 agreements to be passed on to a housing association. As the role of HAs started to change, the transfer of s106 properties has been more frequently refused and councils have to take them on directly. This has led to a rethink in many councils, and they are now retaining s106 homes. Councils are also becoming more exercised about the quality and longer maintenance costs of s106 properties. In 2019, we found councils keen to clawback overage from development. In 2021, we see councils engaging in quality, maintenance, management and ownership issues related to s106 properties at the planning application stage. One council has identified the size of affordable s106 homes being offered were too large to be affordable and set other space standards. Others are taking land on the site to provide a consolidated development built to standards which can be maintained. Yet, at the same time, some councils are still expressing difficulties in engaging in these early conversations with developers and being left with poor s106 stock. There is still much experience and practice to be shared.

But there is more than this. The pandemic has demonstrated to councils that the government is largely expecting them to cope for themselves for their wider responsibilities. This has made councils more resilient and is turning their approaches to municipal entrepreneurialism where councils are purchasing services or establishing joint ventures with other councils. The levels of housing engagement are becoming more diverse within each council, and a number now have an HRA, one or more companies, an RP and also a community interest company. This extension for methods of provision frequently relates to growing technical capacity and the opportunities provided by specific sites on offer. Providing housing again is reconnecting councils with their core purposes. They see it as a return to a fundamental role in the community that has strong political support and a key place in regeneration programmes that were underway before the pandemic. Here, in 2021, we found an increase in housing in regeneration programmes, but this approach was detached from corporate and housing strategies. Councils could be explaining more to their electorates about what they are doing to provide housing in their areas through the wide range of means they are using.

As the research in 2019 demonstrated, the development of integrated working to support housing delivery works and more councils might like to consider this, not least as we go through another round of local government change. The current opportunities to use a range of methods that suit local council cultures, needs and requirements seems to work best and councils are learning from each other. However, there are some reforms suggested by our research that could enable and encourage councils to build more social, living wage and affordable housing including:

- Remove the Right to Buy for local authorities and housing associations;
- Enable all local authorities and HAs to provide social rent housing by redeploying funding currently provided by Homes England to Help to Buy schemes;
- Implement the International Financial Reporting Standard as agreed by HM Treasury in 2007 to allow local authorities to provide housing in the same way as other OECD countries;
- Reform housing need methodologies in planning and make need assessments closer to existing council needs assessments;
- In local plans and in determining planning applications to be upheld on appeal, allow councils to specify housing sites by type and tenure;
- Reverse the 1960 Land Compensation Act to allow public bodies to buy land in ways existing before this;
- Reverse the Permitted Development Rights for change of use into housing and make these subject to planning consent including development contributions;
- Enable councils to establish programmes for retrofitting all existing housing stock including for poor homeowners;
- Reintroduce codes for sustainable homes that are reinforced through plans and planning consents to enable councils to move to net zero;
- Remove responsibility of councils for private sector non-delivery and enable councils to undertake Compulsory Purchase Orders on housing sites;
- Review taxation policy for housing development so that taxation funds social and physical infrastructure as before;
- Reintroduce the narrative that housing and planning are part of the welfare state and the use of land needs to meet the community's wider needs not only those of private developers.

Lessons from City Hall

By James Murray

There was not a penny available from the national Government to build new social housing in London when I joined Sadiq Khan entering City Hall in 2016 as his Deputy Mayor for Housing.

The Mayor of London, through the Greater London Authority, plays a similar role within the capital's boundaries that Homes England does elsewhere in England overseeing the distribution of funding to build new affordable homes. The Mayor relies, however, on a settlement from the national Government to fund any affordable housing programmes – on terms negotiated with Whitehall officials and ultimately ministers.

When we took office, we faced in George Osborne a Chancellor who was firmly opposed to any money going into new council or social housing. Despite Sadiq's electoral mandate supporting new council homebuilding, the national government was in a very different place, and discussions were difficult to begin with.

But the political landscape changed fast. After a year-and-a-half of negotiation with different ministers and changing national priorities, we managed to secure over a billion pounds to fund new homes at social rent levels. This funding made 'Building Council Homes for Londoners'¹⁷ possible – City Hall's first-ever dedicated council homebuilding programme. Under this programme, councils agreed to build over 10,000 new homes, and its first year of delivery saw more council homes built in London than in any year since 1983.

But whilst the Building Council Homes for Londoners programme focused on the necessary funding, it ran alongside two sibling programmes that were less widely reported. In this paper, I hope to give an airing to these two programmes, as I believe they offer an important steer about what is needed alongside funding to sustain a largescale council homebuilding programme.

Capacity to deliver

The first of these sibling programmes was the Homebuilding Capacity Fund – £10m of funding to help councils bring in those people they needed to grow their programmes. This programme's budget was less than one per cent of its big sibling, but the capacity fund was as crucial and oversubscribed as the main funding programme itself.

Its focus was on the capacity needed to develop and deliver a programme, rather than the construction workforce building the homes. The pressures on capacity in the

¹⁷https://www.london.gov.uk/sites/default/files/building_londons_future_-_the_next_generation_of_council_homes.pdf

construction industry have a critical impact on homebuilding too – but they impact construction projects across the board, whereas the lack of capacity to develop and manage a homebuilding programme is an issue that particularly affects councils.

The principal aim of the capacity fund was therefore to support a sustainable increase in the capability and skills of councils' homebuilding teams. The funding could, for instance, help councils to bring in project managers, or specialists in procurement and land assembly, as well as helping them to strengthen the capacity of existing staff through training and the development of internal guidelines and resources. Its goal was to do as much as possible with the limited funding available to help councils assemble a team with the right skills and expertise to build their council housing delivery pipelines.

At the heyday of council homebuilding, many councils had an array of homebuilding skills within their workforces. Yet, as I found when I was a borough Cabinet Member for Housing in 2010 before I became Deputy Mayor, councils in recent years have had to build homebuilding teams essentially from scratch. Building a team to assemble a programme and deliver individual projects of course takes time, as does bringing together the right range of knowhow – from commercial negotiation to land assembly – to make a programme successful.

What's more, with a growing number of councils developing programmes of their own, individual local authorities face increasing competition with each other to recruit people with the right skills. In London this shortage meant we saw councils poaching talent from one another, and often having to pay higher rates to bring in capacity from the private sector on a contract or fulltime basis.

We therefore saw the importance of investing in capacity. This should not just mean paying to employ people to build and deliver homes, as important as that is. It should also mean investing in training people at an earlier stage with the skills they need – project management, land assembly, design, and so on. That is crucial to making sure there are teams ready to put councils' homebuilding ambitions into reality.

Land for homes

The second sibling to the main Building Council Homes for Londoners programme was the Land Fund. This was a large revolving fund that was used to help those wanting to build developments with a high proportion of affordable housing with the acquisition of sites.

This fund enabled City Hall's housing team to play a role in the land market for the first time, including buying and preparing land for onward sale and development. Although a critical condition of a site being eligible to benefit from Land Fund support

“The lack of capacity to develop and manage a homebuilding programme is an issue that particularly affects councils.”

was that the resulting development must have a high proportion of affordable homes, most of the developments were led by housing associations or market-led homebuilders rather than councils.

Instead of using the Land Fund, most councils built mainly on land they already owned. I recall the process we went through when I was a borough council Cabinet Member for Housing: we drew up a longlist of council-owned sites for development by me going on ward walkabouts with local councillors to look at sites and by us literally sending someone out on a motorbike to check out others.

The focus on land already in councils' ownership has meant most council projects involve 'infill' development or rebuilding – both of which are complicated and finite. Even at

“Simply paying more to acquire land at higher values driven by speculation is not desirable or sustainable.”

current build rates, many councils will need land from outside their current ownership before long, and this would be even more important to support council homebuilding on a larger scale.

The ultimate barrier to councils acquiring more land is of course its cost. As we well know, the cost of land is pushed up in areas with high house prices thanks to speculation over what could be built on a site. In essence, the current system means a car park near a train station is sold for a value not based on its use as a car park, but instead based on its potential to host a new block of flats.

The effect of this speculation can be dampened by having a strong and clear policy on affordable housing requirements. At City Hall, we introduced a firm planning requirement of 35 per cent affordable housing on privately owned sites, and 50 per cent on publicly owned ones. Land transactions had to be conducted in this knowledge, meaning a speculative valuation of a site based on building a potential development without any affordable housing should not lead to a sale.

Private homebuilders broadly accepted the 35 per cent requirement in their developments, and the industry quickly accepted that this should be reflected in land values for sites being traded. The best example of the impact of the 50 per cent requirement for public land was when this rule – backed firmly by City Hall and the local council – forced the Ministry of Justice to sell Holloway Prison site to Peabody Housing Association at a price that assumed half of the homes would be affordable.

But planning policy can only go so far to take the heat out of speculation and its effect on land values. For councils to make greater use of new land for homes – rather than focusing only on land they own already – they would either need more funding, or the way land is valued, acquired, and compulsorily purchased needs to be reformed.

Simply paying more to acquire land at higher values driven by speculation is not desirable or sustainable. A largescale council homebuilding programme in the long run would

therefore benefit from reform of the way land is valued for the purposes of councils acquiring it for affordable housing. Reform could enable councils to acquire development land at values closer to its existing use, rather than having to compete with private developers.

Keeping it simple

Nothing in housing is ever simple. But to put it as simply as possible, the three key components to a large and sustainable council homebuilding programme – as the programmes I have mentioned in this piece attest – are finance, capacity, and land.

That is not to say other factors are not important too. A successful council homebuilding programme needs a supportive approach to planning, effective resident involvement, high-quality design, and many other elements besides. But finance, land, and capacity stand out; they all limit council programmes from scaling up, and all are critical to making a largescale council homebuilding programme sustainable.

The case for investment in affordable housing is well known. In this piece, I have set out to make sure that the importance of capacity and land supply are seen as equally crucial parts of establishing a sustainable largescale council homebuilding programme.

Investing early in homebuilding capacity and dampening speculation on land values are important components of a largescale council homebuilding programme in their own right. But they also help to make public money go much further by reducing the amount of funding that is spent poaching talent or acquiring land at a large speculative markup.

Fixing the housing crisis needs a large and sustainable council homebuilding programme. To scale up in a sustainable way does not simply mean doing more of what we are doing now. As I have set out, taking a different approach to capacity and land are key steps in building the decent, affordable, and secure council homes we need.

Taking every opportunity in North Tyneside

By Steve Cox

For far too long as a country we have failed to deliver homes at a sufficient rate to give people a true choice as to the type of housing they need and want. This has created a situation where there is a huge shortage of genuinely affordable homes. The problem goes back 40 years and covers all political parties in government.

The Current Situation in North Tyneside

In North Tyneside at present we have about 4,604 applicants on our housing list, made up of 3,263 on the housing register and 1,325 transfers. This may represent about 10,000 people, taking into account families. We currently turn over about 1,400 properties per year of all types: 2-bedroom bungalows are amongst the highest demand properties but we have demand for all types of properties.

Our sheltered housing schemes total about 1,000 properties which are 95% full. We rebuilt or refurbished all our sheltered housing properties a few years ago through a PFI scheme. They are extremely popular: we operate an over-60s policy in our schemes but often have requests from residents under 60 who would like to move in.

We are confident that if we could build more of the type of properties people want, in the areas they want, we could let them at an affordable price, which would be a benefit for the tenants but also for the taxpayer – if they get Housing Benefit the rents are lower than the private or registered provider sectors. We are currently working on updating our strategic housing market assessment which will give us a much better view of the housing needs and demand in the area.

Several years ago, as with other authorities, we looked at the options available for our housing stock. We consulted with our tenants and looked into the options available, and we decided to retain all our housing stock under direct Council control. At its peak in the past, we had something in the region of 30,000 properties. We currently manage 14,413 properties.

As a council we operate two arm's-length trading companies, which can take on some projects which we cannot deliver through our housing budget. They can carry out some regeneration work and deliver affordable homes in a different way. They can also deliver a different type of property to a different market, which may not count as affordable but help economic development and regeneration. The council's own trading companies, Aurora Affordable Homes and Aurora Properties (Sale) Limited have also contributed to the borough's housing growth.

Aurora Affordable Homes provides an affordable alternative to privately rented properties. At the end of March 2021, the company has created or is in the process of

developing 68 affordable homes, with plans to create 100 homes by 2022. These homes are matched to housing need and have been built in areas of the borough where they are most needed. They are let on renewable assured shorthold tenancies.

Aurora Properties (Sale) Limited is dedicated to regenerating sites for housing where developers have not been able to. It builds and sells homes at no cost to the council – with profits being reinvested in council services. Successful projects include sites and buildings that had stood empty and derelict for many years. The company has returned almost £3.5m to the council to date and is projected to generate further returns in future years.

Housing is a key element of any town centre regeneration initiative as it breathes life into them and provides opportunities for growing and diversifying the town centre economy. Having good quality housing on the doorstep of a town centre provides an economically active resident population which can help support local shops and services, thus improving its economic resilience. The residents of new housing also help to give ‘ownership’ to an area, and this can lead to a reduction in antisocial behaviour in both the local centre and the surrounding area.

Future plans

We are currently looking at future opportunities and are exploring how to maximise outcomes for our places and our residents. These are a few options we are thinking about:

- opportunities for new build (across a range of tenures)
- opportunities for conversion and repurposing
- working with the existing housing stock
- working with landlords in the private rented sector

We are also looking into the opportunities for developing housing to support the adult social care sector and provide new accommodation for older residents. This will support the adult social care budget which is under huge pressure.

To increase the pace of delivery we are buying up properties owned by private landlords and want to do more. Recently, for example, we bought several flats at auction which had previously belonged to a private landlord who had been declared bankrupt. The area and local residents had suffered for a long time from anti-social behaviour partly because of these properties and there was a risk that another private landlord may have bought the properties at the auction and the problems would have continued. We acted for the long-term benefit of the area.

Led by North Tyneside’s Elected Mayor Norma Redfearn, we have a commitment to drive forward with plans to create thousands of more affordable homes in the borough. With help from partners, the project has already seen 1,650 homes built in recent years,

including 550 that the council has developed itself. Sadly, there have been significant delays to delivery caused by the Covid-19 lockdowns.

As demand continues to grow in the borough, the council has set its sights even higher, with ambitions to create another 2,350 affordable homes with its partners by 2032. This will also see the council invest around £50m creating a further 350 much-needed council homes across the area.

The Council's drive to create more affordable homes focuses on providing the types of homes that are most in demand, including high-quality one-bed properties, bungalows, and family homes. The work particularly supports those who haven't got the means to buy or rent a home on the open market.

“We must as a country come up with a way of delivering more genuinely affordable homes.”

Affordable homes are springing up right across the borough, including state-of-the-art bungalows sensitively adapted for residents with additional needs; hundreds of new or updated retirement apartments; and old industrial units, a police station and social club making way for family homes.

Despite the issues in relation to Covid-19, the market for housing remains strong across North Tyneside, and delivering affordable housing through planning obligations is central to meeting the need for affordable housing in the Borough. 'Section 106' agreements are used by the Authority to secure 25% affordable housing on most relevant sites (11 or more units). We are expecting 50 new affordable homes will be delivered through s106 agreements in 2020/21 and that the numbers will rise when existing strategic sites commence development.

Future challenges in building new council homes

We are continually looking at any opportunities or funding packages that come up that would allow us to increase our delivery of affordable homes, particularly direct Council build properties. When HRA debt was redistributed a few years ago our authority was allocated extra debt which, when added to our own HRA debt, took us above our debt cap, but we were deemed to be able to afford it due to the way we had managed our properties and our debt.

We have now paid down some debt and, given the change to the debt cap nationally, we could use that available borrowing to fund more building. However, there are a number of risks and problems which prevent us from doing that at the moment. One problem is a simple lack of land in our area. We are a small compact authority where development land is in short supply and the cost of purchasing it would increase the cost of the new homes. One risk, amongst other things, is that there is no guarantee that government grants will be available. As the HRA is funded by rents, any change to government policy on rent levels and the rent formula will have a dramatic impact on long term funding, as was shown when the Government introduced the rent reduction policy a few years ago.

There is also no guarantee of the Government policy on the Right to Buy scheme, as each time the Government changes the incentives (to encourage RTB sales), there is an impact on the long-term stability of funding in the HRA.

To conclude, we must as a country come up with a way of delivering more genuinely affordable homes. While the current Government continues to invest taxpayers' money in various schemes such as Help to Buy and the home buyers' ISA scheme, the cost of properties to buy continues to rise partly due to these schemes. This in turn prices out of the market more and more people who are then either prevented from having a property of their own to live in or are forced to rent in the private sector at often very high rents and sometimes in poor condition. Also, those who can purchase a property are forced to spend an ever-increasing percentage of their income on mortgage payments. While mortgages are at record low interest rates, they can manage to pay them but if they rise to more normal rates the cost will rise substantially. Ever-increasing house prices are in effect taking more and more cash out of the economy - which should be helping to support economic growth and creating jobs - but instead is simply going to pay higher and higher mortgage payments.

This document is not created as a Council document and does not in any way either represent or reflect our Council Policy. It is a general overview of the situation and looks at how we got to where we are and how we may look to improve the situation going forward for our current residents as well as giving opportunities and better life chances to future tenants and residents.

Building high quality and environmentally friendly homes in Cambridge

By Mike Todd-Jones

Context

Despite its reputation as a centre of international education, research and business, Cambridge City faces the same issues confronting many UK cities - inequality, a housing 'affordability' crisis, a growing number of people on the council's Housing Needs Register, and an overall lack of affordable housing for a rapidly growing population.

Recognising the challenges that come with a lively city growing at pace, and understanding that our ageing social housing stock would be insufficient to meet future demand, a 2015 review by the City Council aimed to address the situation facing the city.

Negotiating a £70m grant and collaborating with Hill Investment Partnerships in 2017, the Council committed to delivering 500 new council homes by 2022. A hybrid team of council staff and experts from Hill began creating unique, environmentally-friendly estates and regenerating existing council-owned communities.

Four years on, the partners have not only exceeded their commitment a year early but also initiated a building programme of 934 mixed-tenure homes – offering housing for nearly double the original target.

The Housing Challenge

The social housing sector is facing a period of rapid change. According to the National Housing Federation, an estimated 8.4m people in England live in an unaffordable, insecure or unsuitable home. Add to that the growing concern regarding the spiralling costs of homes on the private rental and residential sales market, and you are left with a serious housing crisis touching all parts of the UK.

Whilst Cambridge can boast about many success stories, we also have to meet the housing crisis. The population of the Greater Cambridge Area (including South Cambridgeshire) is expected to grow by 26% between 2011 and 2031 and a critical issue is the lack of affordable housing supply available.

The City is an attractive destination for businesses, and developers are highly interested in investing in the area. However, with average house prices reflecting those in London, a house in Cambridge can cost as much as 13.5 times the average salary, and most developments do not supply enough affordable options. To remain in the area, many people have no choice but to consider social housing options.

There are approximately 1,900 adults on the Council's Housing Needs Register and there has been a marked increase in the number of rough sleepers and homeless people all over the city in the past few years. As mentioned, following the review in 2015, it was clear that Cambridge's ageing social housing stock and the supply through traditional routes of s106 agreements with developers wasn't sufficient to meet future demand within the City. To create a significant impact, a social housing step-change was desperately needed.

Taking Action

In 2015, although the Council's existing housing programme and the contributions of Housing Associations were producing additional affordable homes to help manage some of the demand, the overall annual contribution was low. Cambridge City Council stepped up to make the case that, without additional funding, the government's targets for affordable housing in Cambridgeshire would be impossible to meet.

In 2016, the Council successfully negotiated £70m grant funding for affordable housing through the Cambridgeshire & Peterborough Combined Authority – providing the opportunity to design and build new homes and neighbourhoods at scale for the first time in over 20 years.

This crucial additional funding now gave the authority the freedom to meet the government's targets and build high quality, sustainable homes, allowing housing to be accessible to residents in all areas and stimulate the growth of new communities.

Cambridge Investment Partnership (CIP)

In March 2017, Cambridge City Council ambitiously committed to delivering 500 new council homes, completed or started on site, by 2022. However, to achieve this number of high-quality, sustainable homes at the pace required was a challenge that could only be realistically met through a partnership approach with a commercial housebuilder.

In 2017, Hill Investment Partnerships and the City Council formed CIP as a Joint Venture LLP to build developments across the city – providing high-quality new council homes and market sale homes, along with commercial and community facilities. In addition to the immediate benefits of the 500 new council homes, the City Council also aims to use the relationships built through CIP as a stepping-stone for future housing growth and a potential model for other local authorities in the region.

However, to even get the Council House initiative out of the starting blocks, the partners had to overcome two major land development challenges:

1. Space for scale – The scale of development required a lot of land, something the Council did not have readily in its own portfolio. Looking to the market for opportunities, the partners managed to secure a significant site on the open market at Cromwell Road in the east of the city. Through this and similar land assemblies, the Council has been able to deliver a higher proportion of council

housing in larger schemes than normal conditions allow and ensure long-term stewardship of the finished developments.

2. Restrictions on use – Cambridge is highly restricted in terms of land, the majority of the city being developed or protected open space. CIP undertook a land audit of all sites and quickly established professional teams and tailored strategies to bring forward individual sites. This process ensured that deliverable locations were prioritised while accelerating the development phase.

Leadership and governance

As a new venture for the Council, and as a high-priority objective, strong leadership and robust governance to support the political decision making has been vital. The Council has ensured that there is an effective governance structure and transparent processes that align both with CIP's commercial needs and the Council's own governance through the Housing Scrutiny Committee.

The Housing Scrutiny Committee also includes tenant and leaseholder members alongside councillors, the only Authority in England to extend its membership in this way, ensuring that crucial opinions from those living in the homes are directly fed into the decision-making process. Reports approved at the scrutiny committee were further submitted to the Combined Authority to assure the Authority as accountable body for the £70m grant.

Outcomes

Four years on from forming the equal partnership, CIP has already exceeded its commitment to building 500 new council homes by March 2022 – a year early. This impressive feat is made even more remarkable when the uncertain, ever-changing backdrop of the global pandemic is considered.

Since securing the funding in 2017, the Council has built a programme of 618 new council homes (542 brand new, with the rest provided as modern sustainable homes) in a range of locations in the city. To date, 130 homes have already been handed over to residents, with 336 more keys to be given by the end of the year.

What started as a mission to build 500 new council homes has swiftly become a building programme of 934 mixed-tenure homes across the city – offering housing for nearly double the original target. All homes are due to be completed by March 2023.

“Strong leadership and robust governance to support the political decision making has been vital.”

Highlights - regeneration

Today, CIP has a mixed portfolio of sites from large city-centre brownfield sites. The sites provide:

- Market and council homes (Mill Road and Cromwell Road).
- Estate regeneration schemes with existing communities and businesses that need to be moved to another location (e.g. Anstey Way and Colville Road).
- Infill schemes, utilising under-used parcels of council land to provide council homes.

Campkin Road will see the replacement of 32 post-war ageing council homes and garages with four new council houses, 71 council apartments and a new fully accessible community centre. Campkin Road has been designed to be in keeping with the local area and will meet high standards of sustainability.

It is gas-free, four years ahead of government legislation, with air source heat pumps, solar thermal, solar PV and wastewater heat recovery, green roofs and electric vehicle charging points. The development will also include an area of protected open space to the east of the site, which will be retained with other open spaces created, including private gardens for the houses, a communal garden, and the provision of play equipment to the north-western part of the site.

Work has also just started at The Meadows and Buchan Street sites, where the two existing community facilities will be replaced with a single modern, BREEAM Excellent community hub, along with 100 brand new council-rented apartments (some specifically catering to wheelchair users), newly created or improved open space, a public plaza, and retention of a café and shop space.

Highlights - innovation

As a forward-thinking authority, Cambridge City Council is always looking to find innovative ways to use space and provide housing driven by the needs of residents. With the homeless population growing, it was imperative to address the availability of housing for this vulnerable community, while considering the very real issue of limited space within the City.

In a project that ran alongside the council homes initiative, council-owned sites were also developed as innovative 'pod' schemes, supported by JV partner Hill's Foundation 200 modular housing project (a £12m pledge to rehome homeless people). 16 pods were planned on three

“Cambridge pods are effectively being used as a leading blueprint for pods in other cities in the UK.”

small sites in council ownership as housing for applicants on the housing register with a history of homelessness. The Council are proposing to purchase a further ten.

Cambridge pods are effectively being used as a leading blueprint for pods in other cities in the UK. Location and logistics of the sites have been critical, ensuring enough room for transport and installation. Each home weighs approximately 9.5t and is delivered on a flatbed lorry and lifted into location with a mobile crane. With a maximum of eight homes on each site, such homes can be stacked to two units in height. All homes, staircases and balustrading for upper floors are uniform in design, meaning they can be removed and reinstalled in any order or form – on any site.

Highlights - sustainability

The environmental impact of new buildings and the inefficiencies of older buildings were essential aspects of the development programme. Cambridge has its own Sustainable Housing Design Guide. Sustainability has been woven into sites to the highest standard within site constraints, with:

- All new developments offering high levels of sustainability, with their community hubs designed to BREEAM Excellent (within the top 10% of non-domestic buildings in the UK).
- The Cambridge Local Plan targeting 19% carbon reduction on 2013 Building Regulations. The latest sites at Meadows and Buchan Street, for example, will achieve around 60% in carbon reduction, significantly exceeding local plan requirements. In addition, there will be electric charging points for cars, 230 cycle spaces across the two sites, underground recycling bins and green roofs, with solar photovoltaic panels and gas-free heating acting as the primary energy sources.
- The Council has responded positively to concerns raised in both voluntary and statutory consultation processes. As part of the approved plans, 93.6% of open space will be retained, instead of 85% proposed under the first consultation and 92% in the second. Enhanced meadows and woodland areas will also mean an overall improvement of 65% in biodiversity for the open space.
- A net total of 109 new trees planted, as well as seeking to retain the zip wire and trim trail, a new MUGA (multi-use games area), an improved free-draining FA-approved football pitch, new play areas, and a new skate ramp within the recreation ground, replacing the current provision.

The future

Building on the current programme's aspiration, commitment and success, the Council has initiated an even more ambitious programme over the next period. In Autumn 2020, a proposed programme was submitted to the Housing Scrutiny Committee and approved

by the Executive Councillor for Housing, to develop another 1,000 new council rented homes for council tenants, with the overall programme targeting close to 2,000 additional homes in total.

The Council has committed over £400m for this programme, which will also see a mixture of funding from market home receipts and possible grant funding. The ambition is to

**“The clearest
measure of progress
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off residents.”**

make a major contribution to the City's climate change objectives, with funding currently based on Passivhaus-level development and aspiration to develop net zero-carbon homes where possible.

The partnership has already submitted two planning applications to pilot the first eco-home 'Passivhaus' council home projects in Cambridge. Located at Fen Road and Ditton Fields, they will provide 18 low-carbon new council homes as part of Cambridge City Council's new programme. These homes will be built

using off-site timber frame systems, with highly insulated walls and gas-free heating to deliver low energy use and heating costs.

The full lifecycle housing development role was a completely new one for the Council, requiring investment in skills and formal knowledge. This is where the true benefit of a strategic partnership delivered clear results – allowing the Council to tap into an experienced and expert team.

Two years on, CIP has a joint investment team, a shared office, and actively supports skills transfer across the development lifecycle between the programme's public and private sector sides. Problem-solving and teamwork to achieve outcomes has enabled the numbers to be achieved. This improved skillset has become evident, with the construction of six of the new homes in the programme now being led by the Council's own team (two completed and handed over to tenants to-date).

The Council's housing programme has contributed significantly to our vision of 'One Cambridge - Fair for All', which states: The clearest measure of progress is the dignity and well-being of its least well-off residents, which prioritises tackling poverty and social exclusion, recognising that greater social and economic equality are the most important pre-conditions for the City's success.

With thanks to Cambridge City Council Housing Development Agency as the source for much of the information.

What type of homes do we need? The Southampton experience

By Satvir Kaur

Would you live in it?

Housing is at the top of the political agenda but often this debate focuses on numbers, rather than the quality and type of new homes being built.

We know the housing crisis is a much more complex problem. Yes, we need to increase the number of new homes being built but we also need to build the right mix of new homes. Unless we get this balance right between the types of new homes built, we will never solve the housing crisis.

Housing for too long has been viewed as just an asset or commodity. In reality, it plays a central role in all our lives and has a profound effect on our educational, employment and health outcomes. The recent pandemic highlighted the importance of our home, transforming it into a workplace, a classroom, and where most of our leisure activity was spent. It emphasised the necessity to put design at the heart of future delivery of homes, because a quality home leads to a better quality of life.

Rather than designing homes which limit people's lives, we need to design and build homes that seek to liberate them. This concept isn't new. When council housing was first built to replace inner-city slums, there was a clear focus on design to address the issues of the day. 'Homes Fit for Heroes' was the first generation of social houses to feature electricity, running water, bathrooms, indoor toilets and gardens. These homes addressed tangible issues, yet sadly we have seen the quality of homes diminish, as regulations on design have eased.

Inspired by Lloyd George, until May's local elections led to a change in control, Southampton's Labour-run council were taking the principles of 'Homes Fit for Heroes' and using this to address modern-day problems for our next generation of council housing. The acid test once again was "would you want to live in it?"

As part of our £144m investment into delivering 1000 new council homes in Southampton, our plan for the next generation of council homes was not only that it would be 100% affordable but also that it would be focused on addressing both the social and the housing needs of our communities today. To tackle these issues, we launched the Southampton's Designers Manual, which embedded 5 fundamental principles into the design of our new council housing.

- Be a Home for Life
- Be Comfortable

- Be Safe
- Be Efficient
- Be Part of the Community

Our design and fundamental principles not only addressed community needs but were flexible enough to allow tenants to take an active role in the design and act as a starting framework for private developers in the city.

It is important to stress that designing better council housing can help address many societal challenges. Below are just three examples: adult social care, climate change and mental health.

Adult Social Care

The crisis in adult social care is pushing many local authorities to breaking point, financially and morally. The financial pressure being placed on local authorities to respond to the demands of an ageing population is tremendous. This leads to the situation where local authorities provide a 'core' or statutory service rather than care which responds to people's needs and provides the dignity and security they deserve. This current situation is failing our older generations before we even consider the growing needs of young adults with learning disabilities for example.

However, through design and building more purpose-built homes that are suited to the needs of an aging population, we can not only address the growing demand in social care but also provide better outcomes while saving the taxpayer money.

The opportunity is enormous. There are currently over 3 million households containing people aged 55 and over who are looking to downsize in the UK; they sit on a housing stock worth £1.2 trillion and, more importantly, an additional 6.2 million spare rooms, which is the equivalent of over 2 million much needed three-bed family homes¹⁸. Many choose not to downsize due to there not being an alternative option that meets their needs, while in places like Southampton, local families have to wait for an average of 7 years to get a 3-bedroom home.

As a Council, under Labour Southampton was investing in extra care housing as part of its 1000 council homes programme. Our purpose-built homes, that were specifically designed to meet the needs of older people and can be easily adapted, are delivering the following benefits:

- Better quality of life for the resident

¹⁸ L&G, *Last Time Buyers Report*, April 2018:

<https://www.legalandgeneralgroup.com/media/2437/30042018-lg-ltbs-draft-v9.pdf>

- A huge reduction in health costs
- Reduced care costs
- Tackling the loneliness epidemic
- Generating long term investment and employment within the local economy
- Boosting housing delivery with a multiplier effect by not only increasing new build supply, but also releasing additional unoccupied bedrooms through downsizing.

This final point on the positive effects on the wider housing market is highly significant. Making more homes available in both the private and social sector benefits both older people moving into purpose-built accommodation and younger people moving into the houses released, resulting in a better allocation of our housing stock across the housing spectrum.

Savings to the taxpayer are another positive outcome to such an intervention, with studies showing a 50% decrease in GP visits and 40% reduction in NHS spend¹⁹. In Southampton, our most recent 83 home extra care council housing development (Potters Court) is forecast to save the council over £330,000 annually in its adult social care budget alone. Easing pressure on older-age social care also enables the council to re-focus and invest in providing suitable accommodation for all adults.

Too often younger adults with specialist needs are forced to live in supported housing designed for older people, which not only does not meet their needs but has an impact on their physical and mental wellbeing as they are surrounded by people they cannot relate to. Those living with learning difficulties often want to live as independently as possible within mixed communities. This is why we were designing purpose-built homes for those with learning difficulties within general needs developments.

However, the UK falls considerably short of the international benchmark for providing housing with care, averaging at only 0.9%, while countries like the USA, Australia and New Zealand are well over 6%²⁰. Current estimates suggest that the delivery of housing with care numbers is far too low at just 3,500 units per year. England and Wales must deliver at least 45,000 (13 times more) new purpose-built homes each year to meet the growing demand in this area²¹.

¹⁹ ARCHA and Extra Care Trust, *Longitudinal-study-of-health-and-wellbeing-in-extra-care-retirement-communities*, May 2015:
https://www.researchgate.net/publication/282325621_Collaborative_Research_between_Aston_Research_Centre_for_Healthy_Ageing_ARCHA_and_the_ExtraCare_Charitable_Trust_Principal_Investigator_Carol_Holland_Co-applicants_The_final_report

²⁰ British Property Foundation, *Housing & Care for Older People*, 2020:
<https://bpf.org.uk/media/3305/bpf-housing-and-care-for-older-people-report.pdf>

²¹ *Ibid.*

Climate Change / Sustainability

Climate change is the biggest threat facing our planet; we are the first generation to truly acknowledge the dangers of it and the last generation to be able to limit its impact. However, if government wants to achieve its target to become carbon neutral by 2050, it must focus on the sustainability of our housing stock. We must start building greener homes with sustainability designed in from the start.

Like many other councils, Southampton declared a climate emergency with an aspiration to become carbon neutral by 2030. New council homes being built in Southampton adhere to the RIBA 2030 Climate Challenge, reducing energy bills (by up to £35 a month) for our residents as well as their carbon footprint. Alternative greener energy sources are being used in our housing developments, with everything from under source heating pumps, district heating and solar energy.

We also invested more in Modern Methods of Construction (MMC) to help deliver our 1000 council homes target. This is where parts of the home are constructed in factories and brought together on site. This method does not only deliver more energy efficient homes, but are faster to construct, while diversifying the workforce in construction, with housing factories attracting more women into construction and helping to tackle the skills shortage in the UK. In Southampton, we have particularly found MMC useful to convert often difficult sites for traditional methods of construction, like garage spaces and car parks.

In addition, we were taking the opportunity while building greener homes to create greener communities. Open green spaces for all ages and backgrounds were what local people told us they value most. With our communities, we were co-designing a new park within an estate regeneration project to include everything from a children's play area, outdoor gym, to allotment spaces for people to grow and share their own food, encouraging more active and sustainable lifestyles.

“Open green spaces for all ages and backgrounds were what local people told us they value most.”

However, delivering greener homes and communities comes at a cost, this being the trade-off between good quality, sustainable design costs and numbers of new homes delivered. However, reductions in long term maintenance costs are often not taken into account, plus MMC and the reducing cost of green technologies will help with capital costs. Once again, the test should be would you want to live in it? But to achieve anything like the numbers needed, government subsidy is essential as we have seen with the recent Goldsmith Street development.

Mental Health and Wellbeing

The one area in our lives that experts agree has had the biggest impact during the pandemic is our mental health and wellbeing. With 1 in 4 people experiencing mental

health problems each year, the UK is in a mental health crisis. Mental health charities such as Mind argue there are strong links between suitable housing and mental and physical wellbeing. A focus on this throughout the design process when delivering new homes would improve health outcomes.

A recent study conducted by the National Housing Federation shows nearly a third (31%) of adults in the UK – 15.9million people – have had mental and physical health problems during lockdown, directly as a consequence of the condition and lack of space in their home. Currently 3.7 million people are living in overcrowded homes, including a record 1.6m children²².

A lack of space is the number one reason given for why people have struggled at home throughout the lockdowns. For over a year, many people who didn't have a dedicated 'office room' had to work from a bed or off the sofa; many parents had to convert the kitchen table into a classroom; and those without gardens similarly suffered from a lack of outdoor space.

The UK has some of the smallest minimum space standards in the developed world, which many private developers often use as a maximum, of just 37 square metres. While local authorities could set their own minimum space standards, this process is long and complicated, often meaning councils have to wait for a review of their local plan before implementing.

The issue of a lack of space is compounded by 'permitted developments', which do not need to adhere to minimum space standards and are able to bypass local planning laws. Currently only 22.1% of homes built under permitted development meet national minimum space standards²³. This has resulted in converted office accommodation and shops in Southampton, where new homes are no bigger than the size of a carpark space.

As part of Southampton's new council homes programme, we intended to ensure the homes we built were high quality and spacious. We acknowledged that providing high-quality and spacious homes may have limited the number of homes that can be delivered on a specific site. However, we knew that, by focusing on the wellbeing of those that live in our future homes, we could have offered better outcomes for

“There must be a recognition that the right homes are worth investing in from both an economic and social perspective.”

²² NHF, *Poor housing causing health problems for nearly a third of brits during lockdown*, July 2020: <https://www.housing.org.uk/news-and-blogs/news/poor-housing-causing-health-problems-for-nearly-a-third-of-brits-during-lockdown/>

²³ MHCLG, *Research into the quality standard of homes delivered through change of use permitted development rights*, July 2020: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902220/Research_report_quality_PDR_homes.pdf

individuals and families, in turn leading to stronger communities.

In addition to space, a focus on mental health and wellbeing leads to homes that are designed to provide enough natural light, are made to feel safe and have sufficient access to green spaces and community infrastructure.

Feeling safe is fundamental to our mental and emotional wellbeing. However, whether it is living on the top floor of a high-rise block post Grenfell, taking the rubbish out to the communal bin area at night, or letting your kids play outside, many residents no longer feel safe where they live. In Southampton, we prioritised safety by ensuring new council blocks had fitted sprinkler systems, communal areas are bright and welcoming, and there is safe and easy access to shared facilities.

To add to this, it's important to design in access to green shared spaces that bring people together of all ages and backgrounds, helping to create a sense of community, which aids healthier lifestyles to improve our mental health and wellbeing.

Conclusion

Overall, when discussing how to fix the housing crisis we cannot afford to look solely at the number of homes being built. It is essential we build the right mix of homes that are designed to match the needs of our local communities. If we do this, we can confront the major challenges posed by ageing populations, climate change and society.

Too often we treat the symptom rather than the cause of society's problems. However, as we showed in Southampton, if we tackle the root causes, we can achieve better outcomes and a real return on public investment.

Just like the first generation of council housing, we were using design to tackle the central issues facing modern society. I am excited that a new generation of council homes fit for the 21st century will put people and their needs at the heart of what is built.

Looking ahead, there must be a recognition that the right homes are worth investing in from both an economic and social perspective. However, in order to deliver the step-change that we need to see, we also require real leadership and investment from government. Only a Labour Government can provide this. In the near future, Labour will also look forward to taking back control of Southampton to continue this important work to address local need.

The challenge of land supply in Tower Hamlets

By Rachel Blake

Introduction

In a city where every Councillor and activist will have met families in desperate need of a more suitable place to call home, we are sadly familiar with the phrase ‘London is facing a housing crisis’. This situation is an everyday experience for families struggling in insecure, unaffordable or overcrowded homes. London’s housing crisis is holding Londoners back, disrupting education and damaging health and life chances. Reducing inequalities is a core value for the Labour Party and addressing the housing crisis will play a fundamental role in our mission. Labour Councils across the country are innovating to deliver genuinely affordable homes for rent.

The local housing crisis in Tower Hamlets is one particular aspect of the national housing crisis. We are home to one of the largest economies in the UK – Canary Wharf – while having the 7th highest housing waiting list nationally. We also have the 7th highest number of households in temporary accommodation in London and half of this temporary accommodation has had to be found outside the borough.

ONS research estimates that 39% of housing in the borough was privately rented in 2017. Between September 2014 and March 2019, private rents increased by 17%. Rent in Tower Hamlets is more than double the average rent in the rest of the country, and while average incomes are also higher, there is huge divergence in income levels. Our crisis of housing availability and affordability is driven, in large part, by a reduction in the number of affordable homes through the Right to Buy, increasing land values and property prices.

Land values affect the development viability of affordable housing schemes (particularly where those schemes are reliant on level of market cross-subsidy), high values can make it difficult to deliver genuinely affordable homes. That’s because it becomes difficult to purchase developable land at a low enough price to ensure projects can support affordable homes even at a 0% profit without more public subsidy than is currently, or maybe ever, available. It also raises the serious question about the role of public subsidy plugging a gap between over-inflated land prices and realistic affordable housing values. With such high land values constraining the delivery of genuinely affordable homes, the benefits from the sale of high-value land assets are not seen by the local community.

This means that, as well as the issues experienced across the country stemming from historic underinvestment in current stock and over a decade of rising homelessness, in Tower Hamlets we face a

“Labour councils across the country are innovating to deliver genuinely affordable homes for rent.”

particularly acute challenge when it comes to supply of land for affordable residential development.

Even if land were more available, as a council we would face multiple challenges for delivering new homes, in addition to sustainable funding. The delivery pathway, from site identification to handing over keys to a new home, includes a range of skills, including legal, surveying, planning and procurement, which are scarce. There is competition between local authorities for these skills alongside continued pressure on revenue budgets and the need to deliver statutory services to an increasing number of vulnerable residents.

However, alongside Labour Councils around the country, we are finding ways to innovate in this complex landscape, and to deliver affordable homes with the resources we have. We're doing this through optimising delivery on land the council already owns, by working closely with residents on selected estate regeneration schemes, by supporting Housing Associations committed to delivering genuinely affordable new homes and by leveraging planning policy to make high density living work for our residents.

Optimising delivery on council-owned land

Faced with limited land availability and high-and-rising land values, a key pillar of our approach in Tower Hamlets has been to use council-owned assets to best effect. In 2016, Tower Hamlets completed an Affordability Commission, assessing the affordability of local rents. The Commission concluded that only Social Rents or Tower Hamlets Living Rents, set at 33% of average local housing incomes were affordable for local residents²⁴.

The council has 3 main methods for site identification: an informal audit of council-owned land assets, a 'build homes here' tool on our website where residents could suggest locations for new homes, and an ongoing process of considering opportunities on our estates. We developed a range of interventions focussed on our own land and designed to optimise affordable housing delivery.

First, we designed and are implementing a programme of infill development on Tower Hamlets estates and land. Following a full programme of resident consultation – including residents' workshops and ongoing engagement on estate-wide investment - we submit planning applications for new council homes and in many cases public realm improvements to the estates. Our commitment for each of these developments is to deliver genuinely affordable rented homes, a range of bedroom sizes, quality design and high sustainability specification. We have also been able to design bespoke homes to meet the needs of people with disabilities. I am proud that several of these early sites are now completed and occupied with Tower Hamlets residents who were previously on our waiting list. We have introduced a 'local lettings' policy so that residents of the estate are

²⁴ LB Tower Hamlets Affordability Commission Report, May 2016, <https://democracy.towerhamlets.gov.uk/documents/s86171/5.4%20Affordability%20Commission%20Report.pdf>

able to bid to move into these homes. We are also working on policies which would support under-occupiers on the neighbouring estate to move into these homes, enabling larger homes to become available for overcrowded families.

Second, we consider estate improvements and additional benefits in our new build programme. These have included new community space, new community garden investment and new workspace. We believe that these wider community benefits are an important part of connecting the programme to the estates and areas where the new homes are being built.

Third, we have focussed on the potential of innovative construction methods. We are learning from Housing Associations active in Tower Hamlets about the benefits of steel-frame modular construction, and the quality of the homes it can produce. These methods can render difficult sites developable in new ways. For example, we have introduced modular homes onto a former car park site creating new homes in a shorter time than using traditional methods of construction.

These approaches, coupled with our estate regeneration programme, mean that we are on track to meet our manifesto commitment of 2000 council homes in delivery.

Estate Regeneration

In Tower Hamlets, another way that we have sought to deliver affordable housing is through carefully considered estate regeneration.

Estate regeneration programmes bring additional costs. While the council may already own the land, the cost of purchasing leaseholds, ensuring our residents are supported before, during and after building works, establishes high costs. This means that that site selection needs to be undertaken carefully. There must be a genuine benefit of estate regeneration over and above any other intervention: where conditions are such that refurbishment would need to be so comprehensive that there are greater benefits for redevelopment such as the quality of homes or the level of new affordable homes provided; where there can be new affordable homes delivered alongside improvements to public realm and local amenity; and where the benefits of infill development are marginal by comparison. In 2020, we introduced new planning policy which established a requirement for additional new affordable homes within estate regeneration schemes.

Plans need to be developed in conjunction with local communities. The Mayor of London's rules on ballots for estate regeneration schemes make that a project imperative, but community consultation – consultation that listens rather than tells – has always been an essential ingredient for a successful estate regeneration.

In Tower Hamlets, we recently held a ballot of residents on one of our estates which returned a result of 98% in favour of the regeneration. The project includes re-provision

“A key pillar of our approach in Tower Hamlets has been to use council-owned assets to best effect.”

of community facilities as well as delivery of around 450 new homes. So it is absolutely possible to undertake viable estate regeneration which delivers significant density uplift with the support of the local community, and I look forward the completion of the new homes which will be built.

Partnerships

The council is not the only organisation in Tower Hamlets which struggles to maximise affordable housing delivery as a result of site scarcity and high land values. Housing associations active in our borough face very similar challenges. Building open relationships with these organisations means that we can work with them to deliver new homes, while holding them to account when and if necessary on the management of their existing stock.

Tower Hamlets has a Development sub-group of the Tower Hamlets Housing Forum, making space for housing associations to come together to share best practice, but also as an opportunity for borough officers to listen to and learn from the experiences of the sector.

We have a Right to Buy receipts grant programme – allocating our own Right to Buy receipts to housing associations. This supports housing association delivery and enables us to step in and increase the proportion of affordable housing on schemes, where the partner is willing.

We have worked closely with housing associations on the issues they face in the Section 106 (s106) market, and introduced guidance around the expected quality of s106 homes so that housing associations are at least partially protected from poor quality delivery by private developers. We have also brought in additional expertise to our s106 team, to support s106 negotiations. High land values also contribute to the sometimes extraordinarily high expectations of some developers when it comes to the price they believe housing associations should pay for s106 units. In order to accelerate delivery – because of the availability of homes – Tower Hamlets has also purchased units which were developed as part of a Section 106 agreement for private housing in the borough. As set out above, the costs of Section 106 homes are driven up because of the high local land values.

Planning Policy

The past thirty years has seen the population of Tower Hamlets double, and by 2031 our population is forecast to grow to 400,000. That means that more people will live in Tower Hamlets than currently live in Stoke-on-Trent.

Sticking with Stoke-on-Trent as a comparator highlights the issue of land availability (and therefore land values) in Tower Hamlets. The approximate area of the Staffordshire city is 36 square miles. The approximate area of Tower Hamlets is 7.6 square miles. So, by 2031 we will have to accommodate the same number of people as currently live in Stoke-

on-Trent in just 21% of the land area. We have to find ways to ensure that this growth is planned for and managed, so that physical development happens in a way that enables everyone to share in the benefits of growth.

Planning policy is one of the ways in which we can most effectively determine outcomes across the built environment, including housing. It is time consuming, detailed work, but the Tower Hamlets Local Plan 2031 (adopted in January 2020) seeks to ensure that we can strike an appropriate balance between the quantum, affordability, quality, safety, deliverability and sustainability of residential development, as well as that it can come forward alongside physical and social infrastructure.

In Tower Hamlets, that means carefully managing density of development. In order to build the homes that we already need in the borough, let alone those that we will need in the future, a range of tenures must be provided in tall buildings. In acknowledgement of that challenge, in December 2020 we adopted a Supplementary Planning Document (SPD) on High Density Living.

The SPD provides developers a clear, comprehensive guide to delivering and managing high density residential and mixed-use buildings. It aims to make sure that communities have enough communal and outdoor space to thrive. This design guidance provides clarity and certainty to developers about the standards expected in high density homes. The SPD is the product of extensive research and consultation with residents, and I am proud to have played a role in its development.

Conclusion

It is only by using all the tools available – partnerships, thinking creatively about our own assets, working with residents and thinking strategic planning policy – that we can influence the market in a way that responds to high local land values and ensures that changes to the built environment have broad and deep positive social impacts. Local authorities are best placed to understand their communities and their available assets in order to make best use of all available partnerships and resources.

Along with other city centre councils across the country, we are rising to the challenge of affordable homebuilding in evermore difficult circumstances. Our progress is hampered by the combination of rising land values and regressive central Government policies which fail to take into account the long-term benefits of genuinely affordable housing – for the public purse as well as for individuals, families, neighbourhoods and our cities as a whole. The experience of delivering this positive programme in Tower Hamlets highlights the core changes needed at a national level to address these challenges. These include a long term sustained grant programme, long term investment in local authority skills to support delivery programmes, land reform and review of the planning policies on viability.

Rachel Blake is writing in a personal capacity and this chapter does not reflect Council policy.

Section 3:

Governance issues



The need for a strong government framework

By Sharon Thompson

What is the right relationship between councils and other tiers of government (regional or national) in public homebuilding and what balance of devolution should be sought? In this chapter I argue for a rebalancing of power, risk and responsibility between national government and local authorities to increase the rate of public housebuilding and call for a national framework to enable councils to take on ambitious housing projects.

As the Cabinet Member for Housing and Neighbourhoods at Birmingham City Council I am deeply aware of the desperate need for more public housing to be built in England, and of the failings of successive governments to tackle this issue in a comprehensive manner.

There is a sensitive balance of power that exists at the heart of the public housebuilding system in England. On one side there is a desire to see public housing being built, which is shared by the Government and local and regional authorities and on the other there is the responsibility and risk for building public housing, which falls mainly on local councils.

Getting this balance of power, responsibility and risk correct is crucial if the country is to build enough public housing to meet its needs. Whilst some changes in recent years have been beneficial to the public housebuilding sector, there remains an inherent imbalance that needs rectifying.

I believe that councils need the power to set a housebuilding agenda that is responsive to the needs of their existing communities. A one-size-fits-all approach does not work in housing, and devolution of power to councils is crucial to get houses built in a sustainable way, providing the homes needed for the community in question. Councils know their communities the best, and unlike developers, have a greater duty of care to ensure that any new housing makes a positive impact on the community that it is built in.

Like many of my colleagues in local government, I applauded the removal of the borrowing cap on the Housing Revenue Account in 2018. This move freed up councils to borrow to fund housebuilding and has undoubtedly had a positive impact on public housebuilding.

However welcome this was, it has not tackled the imbalance that still exists within the sector. The risk of housebuilding still lies with local councils, and even taking the removal of the cap into account, there remains a funding gap. I believe that this has contributed to a cautiousness among local authorities, all of whom are struggling under the weight of a decade of austerity. This cautiousness is, in some cases, exacerbated by a lack of political will at a local level.

The devolution of responsibility for public housebuilding from central to local government creates a situation where council leaders have to share the ideological drive

to build public housing and be willing to show innovation and take financial risks, otherwise the houses will not get built.

I am proud that Birmingham City Council has shown bold leadership in this field, forging on with ambitious public housebuilding plans through the Birmingham Municipal Housing Trust, the Council's public housebuilding arm.

There are lessons that can be learned from Birmingham's experiences that can be shared with other councils across England, but Birmingham's example also demonstrates the imbalance of power between national and local government and the risk that councils must shoulder in order to build public housing at the rate required to provide homes for all.

Birmingham's Successes

Birmingham City Council set up the Birmingham Municipal Housing Trust (BMHT) in January 2009 to lead the development of the Council's new build housing programme. BMHT is not a housing company but simply a brand name for the new build programme within the Council.

In 2019, we published our plans to build 2,708 new homes by 2029, covering an estimated £346m of housing sites across the city, including large regeneration projects to replace unpopular housing right through to smaller sites and stand-alone homes.

Birmingham City Council is by some distance the biggest public housebuilder in England, and one of the great successes of BMHT has been its flexibility in delivering new housing at a range of scales. From catalysing major interventions that had stalled as a result of the credit crash, to building developments of two to three houses on former garage sites, BMHT has shown innovation and flexibility in building houses to suit the local communities and capitalising on all available opportunities.

This is how BMHT will deliver the plan to build 2,708 new homes by 2029, and this approach will also allow us to tackle the specific housing shortage that we face in Birmingham. There is a particular shortage of larger 4-, 5- and 6-bedroom homes, and so BMHT will focus on delivering family homes, but again showing flexibility, also delivering apartments to suit smaller families and couples.

As with many Councils across the country, BMHT will also deliver a supply of two-bedroom bungalows to support older people in downsizing from larger Council homes, freeing them up for families. These dormer-style bungalows offer flexibility for older adults, allowing them to maintain their independence for longer.

"Birmingham's example demonstrates the imbalance of power between national and local government and the risk that council must shoulder."

The Challenges

Whilst this is undoubtedly a success and will provide a vital boost to the public housing stock in Birmingham, there is a funding gap within the programme that can only be plugged by selling some of the houses once they are complete, renting others, and keeping the remainder as social housing.

Each new home costs on average £180,000 to build, and much of this is funded through the Housing Revenue Account, which is already very stretched and cannot cover all new build costs.

The resulting costs need to be topped up. One option is grant, but this normally covers a maximum of only £25,000 per home. Additionally, Right to Buy Receipts can help to fund new build homes, but these can be no more than 40% of the costs. Crucially though, these options cannot be used in conjunction with one another, and the inability to cross-subsidise places further financial pressure on bringing forward viable development.

This leaves a gap which can either be filled through other planning obligations such as Section 106 agreements, borrowing more money through the HRA, or selling the homes once they are built.

The way that we have been able to sustain our high levels of activity is through building a high level of for-sale housing. This has allowed BMHT to plan for the future and take on new developments, assured that there will be sufficient funds to finance them.

BMHT has completed 3482 homes to date, of those 58% were retained within the HRA either on a social or 'Affordable Rent' basis, the remaining 42% have been delivered for outright market sale in order to subsidise the build programme.

The reality of this situation is that councils have to build market sale properties, and fewer properties remain under local authority control. This trade-off can however work in councils' favour, as we have seen in Birmingham where we have been able to use market intelligence to build new homes on sites that had not previously attracted traditional housebuilders.

This is not necessarily a solution that will last in decades to come. Once the low-hanging fruit has been picked, councils will be left to take further risks on sites that are perhaps less financially viable, or require much more complicated community consultation, to keep the model working.

“Council leaders have to share the ideological drive to build public housing and be willing to show innovation and take financial risks, otherwise the houses will not get built.”

These more complex projects come with a higher cost and a higher risk to councils. This returns us to the key imbalance in the devolution of powers from national government to councils: councils have to be willing to accept a higher level of risk if they are to deliver the public housing that we need.

Structural challenges remain

Alongside the immediate financial and risk-based challenges outlined above, structural challenges remain in the housebuilding sector that have been an issue for decades. The construction sector in England has shrunk since the 1970s, and the impact of Brexit may see this trend increase in the next decade.

The amount of land available for development is greatly reduced in comparison to the 1970s, with protected land and greenbelt meaning that housebuilders have a smaller pool of land on which to build. This remaining land is therefore of high value, greatly adding to the costs that are borne by councils, and their HRA funding, when acquiring land to build houses.

The increasing costs of land and construction can be seen when considering an example, cited in an Inside Housing article on social building projects, of the Becontree Estate in Dagenham. A century ago, the estate was created when 27,000 council homes were built in a 12-year period under the Addison Act. In today's money this estate would cost around £18bn – which is double this Government's entire affordable housing grant programme for 2016 to 2021.

Solutions require Government to step in

There is no overnight fix to the structural problems outlined above, and local councils cannot solve them on their own. They will require the Government to step in with a long-term plan to boost the country's construction sector, ensuring that there is a sufficient pool of talent of people willing to work in the construction trade.

As we look to the future, and the need to combat the climate emergency that we face, our housebuilding will have to become much greener. There are wonderful examples of local initiatives relating to green housing, including in Birmingham, but the Government needs to provide the investment to make this possible on a greater scale.

We have seen great successes in public housebuilding in Birmingham, and I hope that our success can be shared with councils across the country to allow others to follow in our footsteps. However, the Government must acknowledge that there remain huge challenges and imbalances in risk and financial commitment for many local councils which they are not able to overcome.

The current level of devolution gives councils the freedom to assess need in their area, and devise suitable housebuilding plans, but until the Government provides a framework

to give Councils the confidence to develop larger, riskier projects, then we will continue to see low levels of housebuilding.

Existing powers at a local level are not sufficient to overcome structural issues, and in local government we must make our voices heard on this. By removing the borrowing cap on the HRA the Government was seen to have taken a bold step to revolutionise public housebuilding in the country, but we must not let the Government pass all responsibility for housebuilding to local authorities.

We need a government that ensures councils have the funding, the knowledge, and the talent necessary if we are to ensure that there are sufficient homes, that meet our sustainability needs, for everyone in the future.

As the voice of local government, we have a responsibility to lobby Government to bring in the changes that we need, beginning with a framework, based on the successes of councils across England, to enable local authorities of all sizes to develop their own housebuilding schemes.

Councillor Sharon Thompson is Cabinet Member of Homes and Neighbourhoods at Birmingham City Council, writing in a personal capacity.

Governance and council housing

By Ed Turner

Introduction

There are myriad different governance structures that allow council housing to be delivered. The landscape is complicated. In part, it is the product of national political choices, such as the decision to introduce the Housing Revenue Account (HRA) as a ring-fenced account: Conservative Minister Christopher Chope in 1989 told²⁵ Parliament this was to prevent “ratepayers’ money from being used as a discretionary subsidy to council housing”. Analogously, the Labour Government’s Green Paper of 2000²⁶ endorsed the separation of “strategic” and “landlord” functions, paving the way for an increase in large-scale, voluntary stock transfers (LSVT) of council housing to housing associations. In part, different structures represent a pragmatic local response to particular pressures, such as establishing local housing companies to lever in investment that, until 2018, would have been barred due to the HRA borrowing cap, or to reduce exposure to the Right to Buy. Sometimes, different structures are deliberately created because they appear the best option to deliver local policy goals, for instance in setting up a Joint Venture to access specific landholdings or lever in specific expertise.

“Council housing has the ability to increase the supply of housing of all tenures, but especially affordable ones.”

All this has led to a truly varied landscape. Morphet and Clifford (2019²⁷) point variously, in the construction of new council housing, to the purchase of existing units, the purchase of new units provided under Section 106, new build inside the HRA, new build by local housing companies, community interest, and community benefit companies, new build under council powers outside the HRA, and many different partnership and joint venture models. An important distinction they draw is between councils with, and without, an HRA: with just one exception, those with an HRA are those which did not transfer their stock to a housing association, although they might have set it up as an Arm’s Length Management Organisation. This discussion considers structures in the light of three sets of question. First, what should the objectives for any governance structure be? Secondly, how can delivery against those objectives be monitored? Thirdly, what advantages and disadvantages do different governance structures bring? It concludes with some policy recommendations.

²⁵<https://api.parliament.uk/historic-hansard/commons/1989/nov/07/duty-to-keep-housing-revenue-account>

²⁶<https://webarchive.nationalarchives.gov.uk/ukgwa/20121029133758/http://www.communities.gov.uk/documents/housing/pdf/138019.pdf>

²⁷<https://www.rtpi.org.uk/media/2043/local-authority-direct-delivery-of-housing-ii-continuation-research-full-report.pdf>

In discussing this, we should not lose sight of two good reasons to turn to councils to deliver housing. The first is the democratic accountability provided by councils as elected bodies: clearly identifiable politicians can be held responsible both for the objectives they set (such as building more homes, keeping rents down, or maintaining homes properly), and for their delivery, in a way in which housing associations or private landlords cannot. Secondly, council housing has the ability to increase the supply of housing of all tenures, but especially affordable ones. Councils can correct areas where the market fails to deliver (such as delivering only at the pace at which homes can most profitably be sold) and increasing financial and delivery capacity. We should also not lose sight of the risks: the wrong governance structures can result in poor outcomes, financial losses, or failure in delivery.

Objectives of governance

There are a number of objectives that councils might wish to see council housing achieve. Regardless of the structure chosen (and the choice of structure may depend on what the objectives are), clarity about what is to be achieved is important. Such objectives could include:

- Development of new homes at social rents
- Development of new homes at intermediate tenures or for private sale (for instance, to generate a financial return, to have security about timely delivery, to deliver a site or a particular type of housing that market mechanisms would not bring forward, or to drive quality)
- To achieve regeneration of existing council housing stock or other regeneration objectives
- To bring a financial return, either to the Housing Revenue Account (for instance, to increase the number of homes compensating for those lost under Right to Buy or to spread overheads over a wider number of properties) or to the general fund
- To achieve a high-quality product, in terms of build quality (including energy standards) or the quality of management
- To allow for a high level of democratic accountability in the management of housing
- To reduce exposure to the Right to Buy.

These objectives may be complementary, but in other cases there will be trade-offs to be made, for instance between regeneration objectives and maximising the level of new build, or between achieving the highest level of social housing development and maximising financial returns. The local authority will also have to consider its appetite for risk, its need to draw on outside expertise to realise its objectives, and the extent to which it wishes to assert day-to-day control over developments or is content to share that responsibility or operate at arm's length. Whatever is chosen, it is for a council – and ultimately that means its elected members – to set clear objectives, and work

through trade-offs that result. Utopian visions that claim to deliver everything, without any compromises, are unlikely to succeed, and will instead see those trade-offs happen but in an unplanned, and potentially chaotic way.

Monitoring delivery of objectives

There are different ways of monitoring delivery of a council's objectives, some more direct than others. At one end of the scale, direct development and management of stock can see decisions taken by a cabinet member (or committee where that system has been adopted) and council officers under delegated powers. These can incorporate an element of scrutiny through the council's processes (for instance, there may be a designated housing scrutiny committee or panel), and tenants can find their voice either in the scrutiny structure or through a separate challenge function.

Such very direct monitoring may not be appropriate in all contexts, however. In a local housing company, there should be a board of directors (which may or may not include elected members – and recent reports focused on Nottingham and Liverpool point to the disadvantages of members as directors), who will ultimately be accountable to the shareholder but also have obligations to the company under company law; these could include non-executive directors to bring in additional expertise and offer appropriate challenge. Councils then need to consider how to oversee the activities of directors and exercise their duty as shareholders. As part of that, they will consider who the directors should be accountable to (e.g. cabinet, scrutiny, wider stakeholders including tenants), and will have to grapple with the classic balance between “steering” and “rowing”, avoiding getting bogged down in day-to-day issues of management, while ensuring that objectives are being met and the company's activity is aligned with the council's expectations. The same issues arise with different joint venture and partnership arrangements: choices need to be made on *who* from the council engages (members, officers, other stakeholders), and *how* the council monitors what is happening, with the right balance between detailed scrutiny and operational independence. Where the management of existing stock is involved, the position of leaseholders should also be considered, and there may be moments which demand further public input (such as ballots on estate regeneration, now required as a condition of funding from the Mayor of London). In considering the involvement of tenants, consideration will need to be given to changes in the nature of tenants, and how to ensure that the increasingly diverse range of tenant voices can be heard.

Morphet and Clifford (2019) strongly argue for a “Housing Delivery Board” to engage with development across a council. This is a sound recommendation, but there may be a need for particular governance arrangements for council housing.

What is the right model for council housing development?

Rather obviously, there is no single right model for housing development: the right choice will depend on what is being developed, on the local context (for instance, is a Housing

Revenue Account already in place? What local capacity exists to support delivery?), and in the weight given to different objectives. The table below points to some of the advantages and disadvantages of various delivery models:

Table 1: Advantages and disadvantages of delivery models

| Model | Advantages | Disadvantages |
|--------------------------------------|---|--|
| Direct build in HRA | <p>Democratic accountability and control enabling quality of build and management</p> <p>Control of pace and form of development, reduced reliance on limited leverage through planning</p> <p>Access to finance at PWLB rates</p> <p>Enables spreading of overheads across HRA, boosting financial sustainability</p> | <p>Maximum HRA exposure to development risk, potential for contagion across stock</p> <p>Possible lack of skills to develop at scale</p> <p>Exposure to Right to Buy</p> <p>Funding trade-offs between investment in existing stock and new build</p> <p>Risk of council “rowing” not “steering”</p> |
| HRA acquisition of new property | <p>Democratic accountability of management</p> <p>Enables spreading of overheads across HRA for management</p> <p>Early deals to take on stock could help development proceed</p> <p>Access to finance at PWLB rates</p> <p>No need to set up in-house development function so can help overcome capacity constraints</p> | <p>Less control over what is built</p> <p>Risk of being “social landlord of last resort” if taking on lower-quality stock</p> <p>In most circumstances, no net addition compared to another purchaser</p> <p>Exposure to Right to Buy</p> |
| HRA acquisition of existing property | <p>Increases supply of social housing</p> <p>Enables spreading of overheads across HRA, boosting financial sustainability</p> <p>No need to set up in-house development function so can help overcome capacity constraints</p> | <p>Doesn’t add to overall housing stock</p> <p>Risk of oddly shaped portfolio leading to higher management costs</p> <p>Exposure to Right to Buy</p> <p>Potential need to invest in purchased stock, questions of financial sustainability</p> |
| Local housing company | <p>Potential for “best of both worlds” – operational independence but overall accountability to council</p> | <p>Potential for “worst of both worlds”: not as independent / agile as private sector but less control than through council</p> |

| | | |
|---|---|--|
| with sale to HRA | <p>Some democratic accountability and control enabling of build, full accountability of management Overall democratic control of pace and form of development, reduced reliance on limited leverage through planning</p> <p>Access to finance at PWLB rates via local authority loans</p> <p>Enables spreading of overheads across HRA, boosting financial sustainability</p> <p>Autonomy compared to direct HRA build may help assemble expertise</p> <p>Ability to assemble company board with range and depth of experience</p> <p>Some insulation of local authority to financial risks</p> | <p>Potentially difficult relationship between company and local authority (steering v rowing, accountability v independence) Some HRA and general fund exposure to financial risk</p> <p>Need to assemble skills from scratch, potential difficulty in competitive market</p> <p>HRA exposure to Right to Buy</p> <p>Funding trade-offs between investment in existing stock and new build</p> |
| Local housing company retaining stock | <p>Potential insulation from Right to Buy risk</p> <p>Greater flexibility e.g. around rents (e.g. more space to innovate on heating costs)</p> <p>No financial risk to HRA, some insulation of general fund to financial risk</p> | <p>No direct contribution to HRA sustainability</p> <p>Complexity of local management arrangements</p> <p>Potential for reduced affordability if rents increased, or reduced security if no security of tenure</p> <p>Some financial risk to general fund</p> |
| Other partnership models (e.g. Joint Venture) | <p>Potential to share risk</p> <p>Potential to lever in additional expertise</p> <p>Potential to lever in additional plots of land</p> <p>Potential to lever in additional investment funding</p> | <p>Potentially complex (and costly) legal framework, lack of transparency and accountability</p> <p>Risks shared but so too rewards</p> <p>Major governance problems if values of partners not aligned</p> |

| | | |
|--------------------------------|---|---|
| | Greater local control than in privately led development | |
| Direct development outside HRA | <p>Benefits of direct development and management in terms of democratic control, adding to capacity</p> <p>Ability to have some council development in area without HRA</p> <p>Access to PWLB finance</p> | <p>General fund exposure to financial risks from development</p> <p>Potentially challenging legal basis if over >200 units</p> <p>In-house management may prove costly if not HRA locally</p> <p>Some legal restrictions on ability to offer Assured Shorthold Tenancies</p> |

As can be seen from the above discussion, there is no single right answer as to which governance framework can best deliver new council housing. Local circumstances will play a role: for instance, the options of an area without an existing HRA will be different to those in a local authority area with a large amount of retained stock. Direct development in the HRA may be more suited to a small scheme (for instance, small former garage sites) than a very large regeneration project. A Joint Venture might be essential if it is the only way to bring a particular landowner to a development scheme or may be attractive if there are insufficient development skills at the local authority. Joint Ventures face a particular dilemma when it comes to the balance between control and flexibility: tying every aspect of a scheme down in advance may reduce the risk of partners subsequently disagreeing, but also reduces flexibility: a better scenario would be partners being aligned on their aims and values and working through challenges together rather than reverting to a pre-agreed contract. For models with quite direct council control, there remains the ‘steering v rowing’ challenge. Morphet and Clifford²⁸ noted that while Local Housing Company planning applications were sometimes refused, they were not aware of any such schemes going to appeal, and they tended to commit to policy compliant schemes: this may be laudable, but imposing such constraints will put them at a disadvantage compared to a commercial developer and may make it harder to bid successfully for sites as a result.

Policy recommendations

Flowing from this discussion, there are some straightforward recommendations that stem from a desire to ensure local authorities can choose the right governance model for the right reason, rather than to circumvent particular rules. In particular:

- There should be local discretion on the availability of Right to Buy, and discounts offered, so that governance models are not chosen to circumvent this

²⁸ <https://www.rtpi.org.uk/media/2043/local-authority-direct-delivery-of-housing-ii-continuation-research-full-report.pdf> p93

- Legal restrictions on the amount of stock to be held outside the HRA should be lifted as should the ability to offer Assured Shorthold Tenancies
- The necessity of an HRA ringfence should be reviewed, and the rules clarified if it is retained
- International Financial Reporting Standards should be applied to the Housing Revenue Account by HM Treasury

In addition, to enable sufficient capacity to allow local authorities to maximise the opportunities to develop new council housing, I would recommend:

- Establishment of a portal for those interested in becoming Non-Executive Directors of Local Housing Companies, or in other ways supporting local authority housing governance
- Making available bespoke support from Homes England in establishing new governance structures
- Refreshing peer review and support networks at member and officer level to support good housing governance
- Encouragement of engagement in Joint Ventures by other public sector landowners and making timely and affordable development a cornerstone of public land disposal.

Section 4:

Quality homes, quality communities



Building is Just the beginning...

By Aileen Evans and Alison Inman

As two of the co-founders of the social housing campaign group SHOUT, it will come as no surprise that we fully endorse the aspiration to massively increase council housebuilding. Only when local authorities have built at scale has this country produced the numbers we need to ensure that everyone has access to housing that they can afford. Instead of repeating the arguments for a building programme that will provide the numbers needed to end the housing crisis, we want to make the case for construction being merely the starting point for what really matters: a secure home that is safe, warm, comfortable, and genuinely affordable; a place from which people can lead happy and fulfilling lives.

It is not enough to only build the numbers that are needed, we also need the next generation of council housing to be genuinely fit for the future. We must learn the lessons of lockdown, such as the importance of sound insulation, and access to green space where children can play safely and older people can get some fresh air in peace and quiet.

Defining what is properly affordable so that all the costs of living in a home are identified is crucial – too many homes are not energy efficient and whilst the rent may be affordable, the cost of heating it may not be. Renewable energy will provide some of the answers and help reduce carbon emissions, but it needs to save money for tenants as well.

In a world of extreme temperatures, keeping homes warm is not enough. It has been estimated that over 4.5 million homes in the UK ‘overheat’ and in future it is likely that more people in Europe will die early as a result of excess heat than from hypothermia. Our SHOUT colleague Colin Wiles has argued cogently for better insulation, reflective paint, green roofs, and protection for large windows. Good design has never mattered more, and we need to be nurturing a generation of architects and planners who value municipality and wish to emulate some of the greats of the past.

The pandemic has highlighted the great digital divide, and the cost of data poverty is hitting communities hard. Access to broadband must be considered during the planning process: digital inclusion not only provides access to shopping, government services and banking, for example, but has made remote education possible. Council housing, if we choose, can help create a modern and connected world for the many.

The pandemic has also seen a massive rise in mental health issues, reports of anti-social behaviour and cases of domestic abuse. Councils are well-placed to demonstrate best practice in supporting individuals and communities facing these issues, as demonstrated by landlords including Southwark Council and Hull City Council being amongst the first to gain accreditation from the Domestic Abuse Housing Alliance.

There is little as depressing as seeing people finally being offered social housing, which should be a silver bullet, only for them to have to move in with little or no furniture, no floor coverings and with bin bags or sheets up at the windows. Not only is this deeply distressing for them, but it also adds to the pervasive stigmatisation that exists for what too much of the media, and too many politicians, insist on referring to as the tenure of last resort. There needs to be a proper discussion around what is included in the specification for new homes, with floor covering and blinds or curtains a minimum requirement.

The campaign group 'End Furniture Poverty' makes a compelling case for the mainstreaming of consideration of what makes a home, and we would also recommend that Councils take a look at the Newcastle Furniture Service, set up by the Labour Council's ALMO.

We both began work in the days when Britain had a system of social security, rather than welfare, and this was a vital part of the support available to people moving into council housing. The means to cook a meal and make a cup of tea should be standard – the disgrace of Food Banks having to provide boxes for people with no cooker is a stain on us all. We need a system of housing and social security that makes this a thing of the past.

Joining up housing policy with other parts of the economic system is vital and building the homes we need is only part of the solution. Economic inequalities have soared since 2010 and the 'End Child Poverty' coalition estimates that 30% of children in the UK are growing up on poverty. In-work poverty continues to grow and the end of a tenancy in the private sector is now the leading cause of homelessness. The Bedroom Tax and the benefit cap continue to cause misery whilst playing well in the Daily Mail. We must develop a compelling and robust narrative around the need for investment in council housing and that must include a renewed confidence about who it is for.

All forms of social housing have been increasingly rationed since the 1970s, leading to what some commentators have termed the residualisation of the tenure. When housing is rationed, we quite understandably make it available to those in the greatest need. This sends very clear messages about who the tenure is for. One of the biggest benefits of a programme of mass council house building will be the beginning of a return to the days when renting from the council was open to everyone who needed it.

What greater way to thank those that have put themselves in harm's way during the pandemic than building homes that they can genuinely afford to live in? Homes for nurses and carers, delivery drivers and supermarket workers, should be provided for as long as they need it at a price they can afford. So many families living in the private rented sector, with high rents and insecure tenancies, could put down roots and thrive in a new generation of council housing. And moving people from the PRS into a new generation of

"We need the next generation of council housing to be genuinely fit for the future."

council homes will free up properties for those who want to own their own homes. Building council housing will not only help the 135,000 children living in temporary accommodation but providing genuine affordable housing is one of the surest ways of enabling people to save to become homeowners if that is their wish.

It is not enough to talk about new homes though. Councils in England own over 1.6 million homes and we desperately need a new Decent Homes Standard that takes into account more than kitchens and bathrooms, roofs and boilers. It should be clear about standards for communal areas and the quality of neighbourhoods and estates.

Of course, we recognise that social landlords have difficult and competing priorities and a finite pot from which to achieve them - building safety, carbon reduction, building the homes we need. Properly funding these activities will ensure that existing tenants also have safe, warm homes let at a rent they can genuinely afford to pay. This must remain as high a priority as building a new generation of attractive, high quality council homes.

Home is where we start from, so we need to start things right, co-creating with the community and being open to different forms of ownership and management. Councils must welcome and act upon the insight, feedback, and scrutiny of their tenants, regardless of where they are in the electoral cycle. The strategic decisions needed to facilitate building the numbers we need are, of course, deeply political. But housing management and the provision of great services should never be at the whim of politicians of any party. We know that the most important things to tenants are being safe in their homes, repairs, and the wider neighbourhood. Councils and communities working together, listening to and learning from each can create the next generation of Municipal Dreams, to borrow the title of John Boughton's wonderful history of council housing. Let's make it happen.

High quality homes in high quality neighbourhoods

By Jenny Hill

The Association of Retained Council Housing (ARCH) represents councils which have chosen to own and manage housing directly. Our 69 members manage over 600,000 homes. ARCH has a Tenants Group which consists of 23 members elected by tenants' representatives from ARCH member authorities. Our Chair and Vice-Chair are members of the ARCH Executive Board.

Public perceptions of council housing and council tenants

Too often in the past, policy discussions about council housing have failed to give due attention to the views of tenants. Following the Grenfell tragedy, the Government organised a series of engagement events so that Ministers could hear the views of council and housing association residents about their homes and the experience of living in them. Our members participated in several of these events. The views expressed were summarised in the Green Paper A New Deal for Social Housing²⁹ published in 2018:

“Stigma was the most consistent theme raised by residents at the engagement events. Residents told us they were made to feel like “second-class citizens”. They reported being treated as “an underclass” and “benefit scroungers”, rather than hardworking and honest people. Some residents told us of a “demonisation” of social housing and their communities in the media...

These experiences are not unique to the residents we spoke to. Research by Shelter shows that 24% of families in social housing feel looked down on because of where they live, compared with only 8% of families who are private renters or homeowners. 90% of social housing residents say the media portrays a stereotype of them.” (p 47)

The problem of stigma took up a whole chapter of the Green Paper. The follow-up White Paper A New Charter for Social Housing Residents, published in November 2020, hardly mentions the issue.

We believe that negative media and political attitudes towards council housing are a major obstacle to the expansion of council housebuilding. Too many people with power and influence believe either that too much council housing is of poor quality and that councils cannot be trusted to build better, or that those in need of council housing do not deserve good quality homes, or both. To win the argument for a new large-scale council housing programme, these attitudes must be tackled head-on.

²⁹https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733605/A_new_deal_for_social_housing_web_accessible.pdf

Denigrators of council housing paint a false picture of the sector by ignoring the large number of well-built and still popular homes and exaggerating the extent of the sector's failures. In relation to the failures, they ignore the fact that government policies of the day bear a large share of responsibility for them. To give two examples: (1) in 1963 the Conservative Government stipulated that 25% of council homes should be built using industrialised methods; the proportion was raised to 40% by the Labour Government in 1964. Councils received extra subsidies to build high-rise; if they chose not to, they had to give reasons why. (2) the subsidy system in force from 1980 until the introduction of self-financing in 2012 consistently failed to make adequate allowance for the costs of maintaining the stock.

“A new programme of large-scale council building should be designed with an eye to the longer term, not the next election.”

However, in whatever way blame is shared, it remains the case that too many council homes constructed in the 1960s and 1970s were poorly designed or poorly built and too many of them were poorly maintained in the 1980s and 1990s. In planning a new era of large-scale council homebuilding, we cannot assume that this experience has been forgotten. We cannot afford not to learn the lessons and must make sure that the mistakes of those years are not repeated.

We believe there are particular lessons for design standards, building methods and building quality and the planning and location of new council estates.

Aneurin Bevan is quoted as saying in 1946 when he was the Minister responsible for housing: “while we shall be judged for a year or two by the number of houses we build, we shall be judged in ten years’ time by the type of houses we build”. In 1951, his party lost the General Election to Conservatives who promised to build more homes, but to lower standards, although they did not say this in their manifesto. Seventy years on, we can judge Bevan more favourably – the homes built on his watch were of higher quality and have lasted better than many of those built later. A new programme of large-scale council building should also be designed with an eye to the longer term, not the next election. We must aim to build homes that will last.

Design standards

We would expect all new council housing to minimise reliance on fossil fuels and meet energy efficiency standards consistent with the goal of a zero-carbon economy by 2050. To achieve this, the present Government plans to introduce a Future Homes Standard, probably from 2025. However, tenants and prospective tenants need a bigger say in developing the new Standard and deciding how it should be applied in particular new housing schemes.

Choices around fuel and home heating and cooking arrangements have huge implications for residents’ enjoyment of their homes and for their energy costs. Among

many possible examples of the issues involved, past experience with district heating systems has shown what is apparently the cheapest and most efficient way of providing heat may not always prove satisfactory for residents.

We also believe that the experience of the Covid-19 pandemic has highlighted the need to look again at dwelling standards more generally, including space standards. In 1961, the Parker Morris Report based its recommendations for better space standards on the fact that the purpose of council housing was no longer simply 'to provide shelter and a roof over their [the tenant's] head' but had to reflect 'the changes in the way in which

“What makes for a thriving community should take precedence over what comes cheapest.”

people want to live, the things they own and use'. And it must be 'something of which they can be proud'. Those aspirations remain relevant today, but, sixty years later, there have been many changes in the way residents live and work, and in the 'things they own and use' which point to the need for new and different standards.

Much of the best council housing was built to the Parker Morris standard in the 1960s and 1970s, but following the Thatcher Government's decision to scrap it, dwelling sizes and standards more generally slipped. Minimum space standards reintroduced in recent years apply to all new homes but fail to take account of the higher occupancy of council homes when first let. A couple can only expect a one-bedroom dwelling; a family with children may not even be entitled to a bedroom for each child. For comparison, homes sold privately are often bought to allow for at least one 'spare' bedroom. These differences have had a big impact on the ability of households to weather the pandemic. They affect the ability of family members each to find a separate space to work - or study - from home, and to self-isolate or shield from others.

Although restrictions on social interaction imposed during the pandemic will soon be lifted, it is likely that the world of work will be changed permanently, with many more people choosing or being expected to work from home for at least part of the week. The size and internal arrangement of new council homes must make adequate provision for this.

During the pandemic, the importance for health and mental well-being of access to an outside space, whether a garden or balcony, has also become much clearer, and this too needs to be recognised in the design standards for new council homes.

Building methods and build quality

We agree that new building methods have the potential to increase the speed of construction, by-pass the need for building skills in short supply, such as bricklaying, and improve build quality through greater use of off-site construction. But there are also risks associated with the use of new and untried technology, as the experience of industrialised construction in the 1960s makes clear. These arise from both the

technology employed (such as the inherent weaknesses of the large-panel system used to build the Ronan Point tower block which collapsed in 1968) and shoddy workmanship in construction.

The Grenfell Tower tragedy illustrates the same point. The fire at Grenfell spread so fast not only because the cladding panels were made of flammable materials, but because they had been negligently installed with large gaps behind them which enabled the fire to spread. In response, the Government is about to introduce a new building safety regime, based on the recommendations of Dame Judith Hackitt, which is intended to ensure that nothing like Grenfell could ever happen again. We believe that the Hackitt review raises wider issues about housing design, construction, and subsequent management than building safety alone and that the principles that underly Dame Judith's recommendations should be used to assure the build quality of new council homes more generally, whether or not new building methods are used in its construction.

The principles in question include:

- Public accountability of a named person for compliance of a home with required standards throughout each stage of its design, construction and subsequent management;
- This accountability to include responsibility for:
 - ensuring that all relevant information is collected, retained and passed on to the next accountable person;
 - keeping residents informed about these issues and responding to their questions and complaints.

Strengthening accountability will help to clarify responsibility and focus attention on the quality of design and construction, but it will not by itself solve the problem of shoddy construction. At the post-Grenfell resident engagement event held in London in 2016, there was also an opportunity for landlords' representatives - drawn from housing associations as well as councils - to meet the Minister. The one issue they unanimously chose to raise was the poor standard of construction of new homes being handed over to them by developers and builders. Accountability for poor quality was said to be hard to pin down because of the near-universal reliance on subcontractors. There are continuing problems with labour shortages in key skills, which are likely to have been exacerbated by the combined impact of Covid-19 and Brexit.

If councils once again become major providers of housing they will also become - directly or indirectly - major employers of construction workers. That means assuming a large part of the responsibility for ensuring that those they employ are adequately trained and adequately paid for the jobs they are expected to do. This will mean ensuring the provision of apprenticeships, as some councils already do, often as part of a wider strategy to maximise local employment opportunities by requiring use of local labour on council construction sites. Wider use of such arrangements is as important a part of developing local construction capacity as the development of council design and commissioning capacity.

Building estates or building communities

Large-scale council homebuilding in the last century predated introduction of the Right to Buy. The 1949 Housing Act removed the requirement that council housing was provided only for the working class and for the next thirty years the expectation was that it should be made available at affordable rents to a broad range of households, not only those on the lowest incomes. An end to large-scale council building and forty years of Right to Buy have changed that. Suburban cottage estates are now pepper-potted with privately-owned homes, some owner-occupied, some let privately; most council-owned blocks of flats are now occupied by a mixture of council tenants, leaseholders, and private tenants.

The departure of more affluent tenants via the Right to Buy and the restriction of the reduced number of new tenancies to households in the direst need has played a big part, over the last 40 years, in creating the public perception that council tenants are mostly poor or unemployed. A return to large-scale council building creates the possibility, not immediately, but over time, of widening access to include a broader range of households, as used to be the case half a century ago. This could go a long way towards changing perceptions and ending the stigma currently associated with council housing.

Councils, however, now have a choice about how to approach large-scale new development. There is broad agreement that the aim should be to create or sustain successfully functioning communities with good access to employment opportunities, shopping, schools, health services, leisure, and other amenities. Examples of failed council housing of the past include estates remote from urban centres without amenities or good transport connections. Those mistakes must not be repeated.

In general, this also means providing for mixed communities that include households with and without children, older and younger, with low and higher incomes, without excessive segregation of one group from another. But councils have choices about how to approach this. At one extreme they could build exclusively for social rent, hoping in time to make such accommodation available to a greater variety of households. At the other, they could devote a proportion of their housing output to homes for sale, another to shared ownership and another to homes for social rent. There may appear to be sound financial reasons for taking the latter course, and many councils have gone down this route - particularly on estate regeneration schemes - to make schemes financially viable. We believe that, for the future, the downside of this approach - in terms of the reduced availability of social rented homes, segregation of households, 'poor doors', and similar forms of discrimination against tenants - needs to be considered alongside the alleged - and mostly short-term - financial benefits. What makes for a thriving community should take precedence over what comes cheapest.

Local councils at the forefront of a housing design revolution

By Julia Park

Designing a home for someone else is an enormous privilege. Yet, for as long as I can remember, most new-build housing in England is, at best, mediocre. The problem is not that we can't do it – our best new housing is among the best in the world – it's that we don't do it.

Who's getting it right? There are some very good private developers and housing associations, but much of today's best new housing is commissioned by councils. Why is it better? Because they take a long-term view. Local authorities have a direct and long-term interest in three things: people, places and the planet. Motivated by social value rather than instant profit, they understand that 'patient capital' pays dividends over time.

New council housing is one of the few bright spots in what has been a difficult decade for housing, social housing in particular. My first experience of working directly with a council was in Enfield. One of the first London boroughs to start building again, they commissioned a bespoke design brief, a document that would set some over-arching principles, backed up by a set of standards that would deliver the quality and longevity they were looking for. Through a series of themed workshops, which involved a wide range of staff from planners to housing maintenance personnel, we teased out their priorities.

They showed us sketches of the handful of new projects that they had already commissioned. Du Jardin Mews, a small, but perfectly formed, mews-style, affordable housing development designed by Karakusevic Carson Architects, was among them. Discussing their goals, I (rather clumsily) suggested that one of their aims might be to become the first council to win a much-coveted 'Housing Design Award' for this scheme. I was politely told that their goal was to build decent homes, not win prizes. Three years on they had achieved both.

Enfield has gone from strength to strength since then; assembling land, managing the steep learning curve of becoming a client and finding innovative ways to side-step the political hurdles they faced; getting around the borrowing cap (which has since been relaxed) and forming a housing association as well as a development company in order to extend the time-limit on spending Right to Buy receipts. They were followed by Southwark, Lambeth and others. While the majority build mixed tenure housing, social housing is their priority, and often what motivates them.

In terms of built projects, Vaudeville Court in Finsbury Park was the earliest, 'second wave' council-led project we were involved with. Won in a two-stage competition in 2011, the London Borough of Islington invited ideas about what 21st century, affordable, family housing could look like. The site was an underused set of garages serving a tower block

at the end of two terraced streets. Completed in 2015, the new building has provided 13 new homes in a mix of maisonettes and apartments. A communal garden, designed for food-growing, has been a huge success; shared with the residents of the tower block, it is run by the local gardening club.



Vaudeville Court: A multi-phased regeneration project which has transformed a deprived part of the capital to provide much needed and much improved homes, facilities and streets for the local community.

This phase was completed in 2014 and provides a mix of 1, 2, 3 and 4 bedroom homes evenly split across affordable rent, intermediate (keyworker and shared ownership) and private sale tenures

The density is close to 700hr/ha, approximately double what was on the previous site, within six new buildings, ranging in height from two to ten storeys.

Photo credit: Levitt Bernstein

New council housing has steadily increased since then, but not nearly at the rate we need. What has been built has generally been of good quality – a phrase that has recently found its way back into the lexicon of politicians. As Covid took hold, and Boris Johnson promised to ‘Build Back Better’, I was hopeful. But the proposed planning reforms and relentless expansion of Permitted Development Rights that have resulted in ‘homes’ with an internal area of just 10m² (smaller than a typical double bedroom) have already raised doubts about the sincerity of the message and the motives. Build Back Better quickly mutated to ‘Build, Build, Build’ and the new-found obsession with ‘beauty’ suggests that, so far, quality is seen as something that is only skin deep.

Housing has never felt more important. Serial lockdowns have meant that over the last 15 months, many of us have spent more time at home than at any period since starting school. The virus has exposed severe housing inequality as well as shortcomings in basic attributes – simple things such as daylight and sunlight, natural ventilation, air quality, internal and external space and accessibility; things that we should be able to take for granted, particularly in new homes. While it’s fair to say that today’s new homes are generally safer and more energy efficient than ever before, we’re not where we need to be.

Covid has coincided with the realisation that climate change really is at a tipping point. If we are serious about reducing embodied carbon (and we have to be) every new home must be designed and built to last at least 200 years. Nothing less makes sense. Just think for a moment about what that means. Over two centuries, a typical home will be home to perhaps 20 households and 70 occupants. Between them they will have thousands of

visitors. These will be people of all ages and ethnicities; people with a wide range of needs and hopes. The implications are profound: all new homes need to be resilient, age-friendly, flexible and adaptable, suitable for occupation under any tenure and for working from home.

Our starting point with clients is to hope that they share our ambition to achieve net zero now. Many of them do, and councils are often the keenest. They realise that their role in policymaking is critical to what happens next, and that they need to practice what they preach. Levitt Bernstein has always advocated 'good policy' and played an active role in shaping it. Co-producers of the LETI Climate Emergency Design Guide (London Energy Transformation Initiative, published in 2020) we are working with a number of local planning authorities who want to understand what net zero really means and how best to achieve it – not least in the homes they commission directly.

Plasht Road, a scheme we are designing for the London Borough of Newham, is a good example. It will provide 65 new homes for social rent (over half of them family homes) alongside a nursery. On a sensitive site, surrounded by mature trees, the building will be green in more ways than one. Ambitious in terms of biodiversity and ecology, it is designed to achieve Passivhaus 'Classic' certification. That means it will minimise future energy costs for residents and reduce maintenance costs, without adding harmful emissions.

As we come to terms with the prospect of living with Covid and accept that working from home is here to stay, mitigating climate changes and personal wellbeing must be our top priorities. It starts with the attributes I mentioned earlier. Taking cues from the new London Plan 2021 and the Housing SPG (expected to be published soon) local planners across the country, can, and should, demand that future homes are spacious and accessible, are dual aspect (have windows on at least two sides) and have some private outdoor space – if only a balcony. Family life can be tough. People need internal spaces that allow them to come together, and spaces that allow them to be alone. We can decide that every bedroom must have space for a desk, improve soundproofing between rooms as well as between homes and provide utility rooms – as we used to do.

Designing for a 200-year life home implies more choice and flexibility too. Our lives change in ways we can, and can't, predict. Open-plan living is great – until it isn't. The ideal arrangement for many families is a sitting room and a separate, but connected, kitchen/dining room; each with a window. As long as the dividing wall is not structural, it can be removed to create an open plan space. Because the partition can be reinstated at any time, successive households will be able to decide which configuration works best for them.

“If planners stick to their guns and building regulations are clear and ambitious, developers will step up.”

There are things we should avoid too. Let's stop using cheap trussed rafters that make the roof space unusable as a study, or even for storage. Let's stop building studios: I don't know anyone who wants their bed in the same room as their kitchen, do you? How depressing then, that the National Housing Federation (NHF) reported that 30,000 people spent the first lockdown in one room and more than 3,600 children spent it in a home with just two rooms.

And while traditional families are probably here to stay, there are other ways to live. We should build purpose-designed Houses in Multiple Occupation (HMOs) that give sharers bigger, sound-proofed bedrooms, more shower rooms and more cycle storage. We need to build more co-housing and more purpose-built, Covid-secure, multi-generational homes. There is huge demand for these alternatives among people of all ages. Living with, or close to, friends, family or others in a similar situation can be life-changing for people who find themselves living alone but not from choice. There are obvious benefits in terms of mutual support and alleviating loneliness, and it's an efficient use of land. Many councils are already exploring these ideas; the Royal Borough of Kingston-on-Thames has just commissioned an intergenerational development with a view to 'building-in' initial choice and long-term flexibility. We can't wait to get started.

We all know that our home can make a huge difference to our mental and physical well-being. Most of the suggestions advocated here are not difficult or expensive. Even those that are, (and zero carbon isn't easy) are worth it; we know what we need to do and how to do it. If planners stick to their guns and building regulations are clear and ambitious, developers will step up. With a decent lead-in, any extra build cost will come out of land value. The sooner we start to raise the bar, the sooner we'll all reap the benefits. Local councils can, and should, be at the forefront of the quiet, but profound, housing revolution we urgently need.

Section 5:

Getting the financials right



The economic and fiscal case for council housing is unanswerable

By Steve Hilditch

Snatching defeat from the jaws of victory

Just imagine: there was a time when people talked about our country being on the brink of 'solving' the housing crisis. By 1975 the massive post-War effort to build more homes, and especially more council homes, was paying dividends. For those 30 years, under both Labour and Conservative Governments, building council homes was seen as an economic as well as a social priority.

In 1975 councils produced nearly 120,000 new homes and municipalised many more, housing associations were focused on buying and rehabilitating run-down private landlord properties while also inching into new build, and the demand for home ownership was gradually being met by conversions from private renting, a buoyant private housebuilding sector, and a liberalising mortgage market.

The country's housing strategy was meeting needs and aspirations across the income range, gradually replacing the rotten old private rented sector with both social rented and owner-occupied homes, and rapidly adding to the total stock of homes. Compared to now, they were halcyon days.

And then it all went wrong. The cuts to social housing investment started after the 1976 IMF intervention. Completions slipped to less than 75,000 in 1979 (still a huge achievement by today's standards), but then plummeted towards zero due to the new Tory Government's ideological hatred of council housing. The numbers have scarcely recovered since. Despite all the talk, the output of new homes by housing associations and the private sector did not expand to fill the gap in supply that was created.

Under Margaret Thatcher the narrative that became dominant was that public spending and borrowing were an egregious dead weight around the neck of the economy with no upside. All cost and no benefit. Added to that, it proved easier to postpone investment than to cut revenue spending. Housing investment suffered unduly, and today's housing crisis was born. As a country we lost the understanding that social housing is a public asset that, once built, is available for many generations to come with an income stream that means it will pay for itself over time.

Until Covid came along we have suffered from an irrational fear of debt – but only public, not private, debt - from which, as a long-term investment good, housing suffers disproportionately. The national economic discourse has fixated on public borrowing and deficits, and the supposed need for austerity, with the highly complex public finances often reduced to trite assessments like 'maxing out the credit card' and other inappropriate household analogies.

Labour's post-1997 housing policy included a significant increase in government investment, but the job of building new social housing was given to housing associations. They borrowed most of the money to build, but it was defined as private borrowing - therefore off the public balance sheet and not contributing to the deficit or the national debt. After 2010, the dominant austerity narrative hit housing hard with the first Osborne budget cutting housing investment by 60%.

Challenging economic orthodoxy

Proposals to massively increase the building of new council homes crash into the wall of this ingrained orthodoxy. It has been so dominant, amongst politicians and in the media, that it has been an uphill struggle to get a hearing for alternatives. So, would a massive council homebuilding programme have a beneficial or a detrimental effect on the economy?

In 2014 the social housing campaign group SHOUT and the National Federation of ALMOs (NFA) commissioned the global macroeconomic research company Capital Economics to independently and robustly test SHOUT's core argument that building 100,000 new social rented homes would offer not only the best housing solution for people on low incomes but would also be beneficial for the wider economy, reduce the requirement for Housing Benefit, increase work incentives, and be positive fiscally.

The Capital Economics report was unequivocal:

'The economic and fiscal case for building new social rent housing is unanswerable'.

'Investment in new social rent housing offers a solution that is fiscally sustainable and economically efficient'.

CE concluded that the current emphasis on higher rents and a growing private rented sector meant that 'the overall bill for Housing Benefit is set to accelerate - worsening the government's structural deficit now but also into the longer term'. Housing Benefit costs would become unsustainable, projected to rise towards £200 million by 2065.

Building 100,000 social rent homes a year would reduce public sector net debt as a share of gross domestic product but in a long timeframe (although still within the horizon for the Office for Budget Responsibility's long-term fiscal projections).

To keep rents genuinely affordable, the necessary investment, financed by borrowing by social landlords (councils and housing associations), would have to be underpinned by a substantial upfront contribution from the state in the form of grant. Once built, no further subsidy would be required as the servicing of the debt, management and maintenance of the properties, and other costs would be covered by rent. Over an even longer time

scale – as most homes last even longer than the debt – the homes would make a return. There would be a long-term positive trade-off between ‘bricks’ and ‘benefits’.

‘A social asset is created which will endure for decades, if not centuries’.

Building council homes also works as an economic stimulus. The Chartered Institute of Housing estimated that each pound of investment stimulates an extra £2.84 of economic output through the supply chain and the extra spending of employees. Each £1 would stimulate an additional 56p of new tax revenues for the exchequer. The net cost is so much lower than the gross cost. Other beneficial knock-on effects are harder to estimate and were not included in the fiscal arithmetic but are tangible. Significant savings would be made due to improvements in physical and mental health, well-being, education, and energy efficiency.

So where is the downside? At the start of the programme, the social security savings and new tax receipts will be less than the money needed in grant to fund the new homes – so initial additional public investment is required. CE estimate that this would peak in the fifth year of a new programme at no more than 0.13 per cent of GDP and the policy would create a net surplus to the public finances by the mid-2030s.

Building a consensus

Similar studies have endorsed the beneficial effects that housing investment has on the broader economy and the ‘payback’ in terms of economic growth, increased tax revenues and reduced Housing Benefit costs in the long term.

- In 2019 the National Housing Federation and Crisis estimated the capital grant required to meet social housing need in England in the period 2021–2031. They concluded that it was necessary to build 145,000 social and affordable homes each year, including 90,000 for social rent. This contrasted with the 47,000 ‘affordable’ homes that were completed in 2017/18, with less than 6,000 for social rent. Across England an average grant per social rent home of £183,000 would be needed. Although investment on this scale would be a major departure from existing policy, it would merely return affordable housing spend to levels that had been achieved in previous eras.
- Shelter’s Housing Commission, launched in the aftermath of the Grenfell Tower disaster, concluded that we need to deliver 3.1 million more social homes over 20 years (an average of 155,000 a year) to meet defined needs. Their economic assessment, also undertaken by Capital Economics, concluded that the 20-year programme will provide a return on investment in 39 years, with a cost of £10.7bn a year on average – reduced to £3.8bn when savings in benefits and increased taxes are considered.
- The Affordable Housing Commission, supported by the Smith Institute, backed the call for at least 90,000 additional homes let at social rents. They called for a new

definition of affordability linked to incomes to tackle the growing problems of rent arrears, personal debt, and financial exclusion, so that housing costs should not exceed 33% of net income. Government grant towards new homes had fallen to around 15% of costs and needed to rise again to meet half the costs of building.

- In its Building More Social Housing report (July 2020), the House of Commons Housing, Communities and Local Government Committee also concluded that rents are only affordable when they do not exceed one-third of household income, effectively endorsing traditional social rent levels but calling for them to be linked to incomes. They also supported the analysis that at least 90,000 social rent homes are needed each year. They believed that the 'cross-subsidy' model (whereby surpluses from other activities help fund new build) had reached its limit and "If the Government does not increase grant funding, social rent housebuilding will not increase and may drop even further."
- The Local Government Association's (LGA) June 2020 report Delivery of council housing: Developing a stimulus package post-pandemic calculated that investment in a new generation of social housing could return £320 billion to the nation over 50 years, and that the arguments for investment in social housing as an economic stimulus will grow stronger in a post Covid-19 world.
- A report on Building Post-Pandemic Prosperity based on research by Pragmatix, for ARCH, LGA and NFA in October 2020, demonstrated the vital contribution that building 100,000 new council homes a year could make to economic recovery as well as the 'levelling up' agenda.
- Other studies by bodies such as the Joseph Rowntree Foundation, the New Economics Foundation, and the Royal Institute of British Architects (RIBA) supported the same broad conclusions. RIBA went as far as to say: "We believe the solutions are clear: councils need to get building again and do so in a way that raises standards of design, quality and sustainability across the built environment."

Land

The price of land is a major factor in the economic and fiscal arithmetic around building social rented homes. Land reform would further strengthen the case for a large-scale new programme of social housing by significantly cutting its cost. The HCL&G Select Committee estimated that land reform could reduce the cost of the programme by up to 40% and that better use of existing public land could reduce the cost further.

The Labour Party commissioned its own report on 'Land for the Many'³⁰ which proposed ways to 'capture' the windfall gains arising from planning permission while avoiding a destabilising sharp reversal in land values. It also called for comprehensive changes in

³⁰ <https://landforthemany.uk/wp-content/uploads/2019/06/land-for-the-many.pdf>

property and land taxes (well beyond the brief of this report) and a major extension of community land ownership.

The pivotal point in the land argument is that when the public grants planning permission there can be an unreasonable gain in value which benefits landowners and people who trade in land rather than the public. One estimate³¹ suggested that the current system – using ‘Section 106’ agreements and the Community Infrastructure Levy – captured only one-quarter of the increase in land value for public benefit, leaving three-quarters as windfall profits, largely accruing to landowners/traders. Even so, in some years s.106 has contributed more than half of all affordable housing, showing the paucity of the government’s grant programme. The current ‘planning reforms’ proposed by government are not likely to bring about much improvement.

Many different methods have been proposed to ensure that more of the gain is ‘captured’ by the public, reducing the cost of providing homes, ranging from a land value tax to rules allowing councils to buy land at pre-planning permission values. Policies to control land prices have a wide measure of support and would underpin plans to substantially increase council homebuilding. Councils should be enabled to resume their vital role of identifying and assembling larger sites for homebuilding, buying land as well as using their own.

“Public land should be ringfenced predominantly for social housing.”

Policies to release public land for housebuilding have been in place for many years but have often been ineffective in tackling genuine housing priorities. Crucially, selling to the highest bidder has benefitted the selling body but has meant that little of the land has been used to provide genuinely affordable social rented housing. Public land should be ring-fenced predominantly for social housing.

Stemming losses of social rented homes

The need to add to the social rented housing stock is great, but it is so much greater because the new programme must also overcome the impact of a large annual loss of social rent homes caused by Right To Buy, voluntary sales, and ‘conversions’ to a higher rent tenure. If borrowing for new homes is so difficult, as some seem to believe, why make the problem worse by getting rid of existing stock?

The Affordable Housing Commission stressed the need to stem the loss of existing social rent homes, estimating that over 25 years a further 400,000 social rented homes might be lost, shrinking the sector from a peak of one-third of all households to a mere 11 per cent. The practice of converting homes from social rent to much higher Affordable Rent when they become empty should be abandoned. There is a compelling case for ending the Right To Buy, or at least ending generous discounts, and the Treasury practice of

³¹<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/housing-communities-and-local-government-committee/land-value-capture/written/79510.pdf>

taking a large share of receipts centrally should also be ended: all receipts should be reinvested in replacement homes.

Externalities

The economic case for a council homebuilding programme is strengthened even further if 'externalities' - the costs incurred or the benefits received by third parties - are considered. We have already seen that building social rented homes will lead to long-term savings in Housing Benefit, but these savings accrue to a different department and are not taken properly into account in determining housing spending levels. In a rational world these savings should be reapplied to support the investment programme.

The 'externalities' of bad housing are severe and expensive to deal with. The close links between housing deprivation, poverty and poor school attainment have been well documented, by the Joseph Rowntree Foundation and others. High housing costs create poverty and material deprivation, but also reduce work incentives. Housing is well accepted as a key social determinant of ill health, both mental and physical, costing the NHS billions a year. A warm, dry, safe, and secure home brings huge health benefits, helping avoid illness ranging from cardiovascular and respiratory disease to depression and anxiety. The NHS has supported a 'healthy homes' policy where maximising health and well-being are at the core of housing and building standards, which also take full account of the needs of vulnerable people and the ageing population³².

In addition to health benefits, council housing investment could support a wide range of positive policies, from helping to ensure a 'climate smart' recovery to helping repurpose town and city centres.

Public borrowing is good

It is an increasingly discredited narrative, but 'public' borrowing by government and councils is still seen to be bad while 'private' borrowing is seen to be good. There is a growing body of opinion that deficits are not the problem economically that they have been made out to be by those who believe that austerity is a solution to economic failure. The degree of essential additional public borrowing following the 2007 global financial collapse and in response to the 2020 pandemic has brought a strong focus on the issue because the dire predicted consequences of deficits have not come to pass.

Public deficits have been commonly misunderstood and the wrong policy conclusions drawn. Modern economists, like Stephanie Kelton in her book *The Deficit Myth* (2020), challenge the notion of austerity and the perceived need to reduce public spending to control the deficit in a time of low inflation and low interest rates. On the contrary, they posit that deficits are the best way to promote growth by generating spending in the real economy, thereby creating jobs, supporting infrastructure investment, including housing, and increasing tax revenues. The country's economy is nothing like a household budget:

³² <https://researchbriefings.files.parliament.uk/documents/CDP-2019-0046/CDP-2019-0046.pdf>

borrowing by issuing gilts to the Bank of England is not remotely like a household taking on credit. No household controls its own currency or money supply, nor can they undertake quantitative easing. The downside is clearly stated: it only arises when the economy is at full capacity and there is a severe risk of inflation, which is not the contemporary position.

Austerity or not, the Tories of course like to bend the rules to suit their ideological preferences. Since 2010 they have massively expanded public support for the private housing market, so it is now significantly greater than for affordable housing. Many of the Government's schemes are demand-side subsidies to bolster short-term demand for home ownership rather than direct support to improve supply. Most economists conclude they will be counter-productive and eventually work through into higher prices. There is however considerable potential within the public finances to redirect existing resources towards new social housing and to start the job of reducing the waste of resources on Housing Benefit to meet high rents and temporary accommodation.

In a global context the way the UK manages public investment remains out of step with international norms, putting councils at an additional disadvantage. Borrowing by councils to build housing remains controlled as part of the broad public sector, effectively putting it in competition with all other public programmes. As the Government has partially acknowledged by lifting the HRA borrowing caps, council housing is a 'self-financing' trading activity which generates its own income stream and, like housing associations, councils should have the certainty of being able to borrow to invest under prudential rules. As we have pointed out, council housing 'washes its own face' once it is built, with rents covering the cost of borrowing, management and maintenance and cyclical repairs. The element of spending that is correctly counted as public spending is government investment or grant: put in, to councils and housing associations alike, to make the initial development viable and to enable rents to be genuinely affordable.

Locally, councils must overcome many factors that can make development unviable: land in some places is prohibitively expensive, in others it is the cost of remediation of former industrial land that makes development difficult. In some areas building homes for sale to achieve cross-subsidy for new council homes is not a strategic priority, while in others

“As a self-financing investment, new council housing will reap rewards for generations to come.”

the value of homes built for sale is simply not sufficient to achieve the degree of cross-subsidy that is required.

These local variations are not impossible to resolve within a national framework. Some argue persuasively that writing off the initial 2012 debt would clear the decks and make both investing in the current stock and new homebuilding more viable (and Labour in 2019 committed to a review),

others emphasise that a substantial increase in social housing grant would be more precisely targeted. In many parts of the country there is a compelling case for a specific grant to help cover remediation and the costs of sites where substantial infrastructure is

required. The answer may be a combination of these approaches. If both are committed to removing these real barriers, central and local government working together will be able to find the most flexible way forward.

The summary case

Council homebuilding has fared badly under the fiscal and economic policies of the last 40 years. Keeping a steady course from 1976 onwards, and especially from 1979, would have solved the housing crisis. Instead, millions have been left homeless or in housing need and many have not been able to form their own household. Like a national game of whac-a-mole, the supposed savings from not investing in council housing have popped up as other costs to the state – Housing Benefit for expensive private rentals, temporary accommodation, additional costs arising in mental and physical health services and education, and so on.

The economic and fiscal case for building new council homes is unanswerable. Government should genuinely prioritise housing investment, lift impediments to councils borrowing prudentially to build, provide sufficient grant to make a large-scale new programme viable, encourage councils to grow their capacity to procure the homes needed, proceed with land and planning reform to reduce the cost of provision, and reinstate genuinely affordable traditional social rents linked to incomes. As a self-financing investment, new council housing will reap rewards for generations to come, increase growth and the tax take, provide savings to the Treasury from many other programmes, and make a huge contribution to well-being and the climate. It will substantially, and possibly wholly, pay for itself.

Harnessing the HRA to deliver council housing at scale

By Steve Partridge

One of the first things you learn when dealing with the Housing Revenue Account (HRA) is that you can't really understand the present without knowing the past. So much of the debate around the HRA is caught up in the history: Addison, the "golden age" of council housing, how council housing appears in the national accounts, how a subsidy system that had been around for decades generated years of surpluses, becoming a form of additional taxation on tenants, and years of debate about ending the national system that controlled council housing.

The Labour Government commenced the process towards 'self-financing' - offering councils real local control of their housing - drawing cross-party support in the 2010 election so that the £29billion debt-adjusted self-financing settlement delivered in 2012 was implemented without any significant opposition - changing the council housing landscape forever.

There were two significant counterbalances to the good-news story of the 2012 settlement. The first was the imposition of the debt cap through a misplaced concern that councils would use newly released rental surpluses to borrow unsustainably. The second was the extension of Right to Buy discounts. These two taken together created an environment of caution in taking forward the new self-financing freedoms.

Then... 4 years of rent cuts, without changing the debt settlement, took £billions out of future revenues. The 'high value voids levy' and 'pay to stay', though ultimately not implemented, also contributed to a sense of caution. It all felt rather like self-financing was 'a false start'.

The HRA debt cap was finally overcome in 2018, following years of lobbying by the sector. In reality it could never be sustainable for anything other than a short period - it was inconsistent with the principles of councils' local financial management and ran counter to government priorities towards affordable housing.

Despite the ongoing debate around the Right to Buy, and the level of discounts, it is possible to say that the HRA is now in just about the strongest position since before 1989 to support borrowing for investment in new and regenerated housing at scale.

Progress since 2018

A number of authorities with headroom beneath the debt cap from 2012 had begun to use that capacity to start council house building programmes. However, this never exceeded more than around 3,000 new homes per year.

The Government estimated that a mid-term target, post debt cap, would be 9-10,000 homes per year. But the abolition of the cap did not lead to an immediate rush to borrow to build more. Partly this was because authorities were still in the middle of rent cuts, but more importantly this is the nature of development. It takes time to bring schemes forward, get them through planning, deal with consultation and arrange for all the advisers and contractors to line up to start on site. Average times from planning permission to practical completion are well beyond 3 years. For complex regeneration schemes, the delivery of homes can be many years down the line.

HRA business plans developed since 2018 suggest that 3 years post-cap, notwithstanding Covid, authorities are now showing more ambition to embrace opportunities within the HRA, with a growing number planning development at scale.

Borrowing capacity in the sector

With colleagues I have worked closely with authorities, trade and professional bodies to build a database of information supporting an evidence base for investment. This evidence is rooted in the principle of local financial viability, linked to the prudential borrowing system, but drawing on the experience of 40+ successful years of private finance for housing associations during which time there have been no defaults on any lending to the sector.

The approach draws on the metrics that have worked well for HAs and their funders, applying principles that are familiar in the private sector and making them work for the HRA.

This highlights that there is enormous capacity, now and in the future. Some key features:

- Interest cover, measured after taking into account HRA revenues which pay for major repairs to the existing stock, is above similar measures for HAs – 1.7 in 2019.20 and way above what a funder would require as a “banking covenant” (typically 1.1)
- Revenue surpluses (income less operating costs less major repairs), are 22%, comparable to HAs, but based on a much lower rent and income base
- Debt is less than £17k/unit compared to nearly £30k/unit for larger Housing Association (HA) providers.

Based on current low Public Works Loans Board rates, and the kind of minimum levels of revenue cover required for private finance, the estimate of additional borrowing capacity now is above £10billion, and as net rents increase over the next few years, this increases to £15billion. This is a sector-wide average – taking local factors into account, the actual figure may be closer to £20billion.

Some authorities have already committed to significant investment programmes. Many that have not are, in my experience, getting there.

What could that mean for new council homes?

The weight of evidence from HAs suggests that increased investment can be readily sustained – yet we know that many councils' chief finance officers are relatively risk averse, and work to advocate the benefits of investment must not be overlooked.

Council housing is a sustainable investment: physical assets that generate net income, with income generally going up over time; providing it is maintained properly, it will provide income for decades. Demand is massive. Put simply, a new council house is just about as low risk an investment as you can find.

This fact is not lost on the pension funds that are clamouring to find ways to invest in affordable housing. It does appear to be lost on Treasury however with the continued insistence on treating HRA borrowing like any other public sector net debt.

For borrowing to be even more sustainable, and to keep rents affordable, we will need extensive additional subsidy to supplement local financial capacity. Work undertaken for the shadow ministerial team a couple of years ago, with which many councils engaged, highlighted that:

- On average, capital grant funding at a rate of between 30-50% of development costs is required to ensure that new homes are sustainable – for regeneration schemes, grant needs are higher
- Releasing existing capacity in the HRA necessarily uses the rents of some properties to subsidise the building of others – taking this on a stage further, as stock starts to grow again, there is the opportunity to realise greater economies of scale.

Put another way, we can realise current capacity to kick start council house building at scale, but if it is to be sustained over time, we will need more grant funding and local authorities will need to commit to realising efficiencies from growing HRAs.

This could represent the basis of a 'partnership deal' between central and local government.

If the right blend can be found, my research suggests that it is realistic to set out an ambition of a minimum 20,000 new council homes annually from those with existing HRAs. Any programmes above this level would need more grant funding, as the ability to cross-subsidise from the existing stock would have been used up.

Where would such new homes be built? Land will be an issue for many - existing sources could be quickly used up. Local authorities already have the necessary powers to acquire

land into the HRA for the purposes of providing housing. It is difficult to conceive of programmes at this kind of scale without a form of central government commitment to promoting HRA land acquisition, perhaps by paying grant at acquisition, repayable if not used for building within a set time.

Rent policy

The self-financing model for the HRA, in common with HAs, is likely to need to be predicated on steadily rising inflation-linked rents – at least at CPI.

Rent policy is at the heart of this – ultimately rents cover borrowing costs: the lower rents are, the more there will need to be a reliance on central government capital grant support; the higher rents are, the more there will be reliance on Housing Benefit. Social rents in London are well below 50% of market rents; in lower value areas, CPI+1% increases could take social rents above market rent levels within 10 years, CPI-only increases may have a similar impact albeit over a longer term.

Thinking about council housing at scale, we will need to reconsider two macro policy points:

- What is the right balance between ‘bricks and mortar’ and ‘benefits’ – perhaps recalibrate back to focus more on the former as was the case in the post-war period? But whether it’s capital grant, the write-off of historical debt, government guarantees or cheap debt, retaining the benefits of local financial management seems essential to protect council housing from a future re-run of the 1980s.
- Whether there is a case for differential rent increase policies between local areas, returning to a time when local authorities determined rent policies, not the government via the Regulator?

Both have challenges but need addressing for a longer-term programme at scale to be supportable.

Non-HRA authorities

From the late 1980s on, around half of local authorities transferred their stock to HAs. The focus at the time was on the existing stock reaching the decent homes standard, and a key driver for many was to get out of the old subsidy system.

Post-2012, a handful have transferred, generally for locally specific reasons. Since the abolition of the debt cap in 2018, there have been none.

There is a growing number of authorities actively exploring reopening their HRA now that the challenges of holding HRA stock are gone. At least 20 have either already reopened, resolved to at cabinet level or are actively considering.

Partly, this may be a result of challenges in relationships with local HAs, although excellent examples of LA/HA partnerships are in place and growing in number.

More importantly, this trend is likely to be because local authorities are simply best placed to shape the affordable housing offer in their local area, whether that is to acquire land, enable development, or to facilitate the delivery of new communities at scale.

A new HRA is self-financing just as any existing one, not affected by any 'legacy' stock issues but also not able to draw on economies of scale from the existing stock.

An offer to authorities prepared to reopen their HRA would be an essential component of an expanded build programme: the need for grant is a given, but also potentially supplemented by additional funding to enable growth in the housing management function, perhaps a form of 'working capital loan' repayable to government over a medium-term period.

Challenges remain

The locally self-financing HRA continues to be affected by national legislation: for example, we still have a rigid accounting and tenancy framework from the 1980s.

The first challenge remains the Right to Buy – this policy has scarred the delivery of affordable housing for decades and is a key driver of the huge shortage of affordable housing we have now. Former Right to Buys are also a huge barrier to regeneration and better land use.

As well as the level of discounts, why does the Treasury still seek to 'recover' the original investment into council housing through capturing receipts from housing built over 80 years ago? Right to Buy receipts from new homes built since the mid-2000s are not affected by the need to hand some money to central government. If the Right to Buy is not to be abolished, it really is the time now to allow authorities to retain all proceeds, no strings.

And why should the Right to Buy apply at all to homes built since 2012? The key word is 'right' - local discretion is essential as there may always be a local case for selling homes to tenants and reinvesting all of the receipts.

The second challenge may be the HRA as a 'creature of legislation' itself – that the focus is on housing at social rent. Whilst shared ownership and affordable rent is deliverable in the HRA, many authorities provide a wider affordable housing offer through HAs or their companies. Yet the demand for "intermediate" housing, sub-market but not at social rent, is enormous. Whether it's termed keyworker or targeted toward low income working households, allowing the HRA to make a substantial and flexible offer of this type of housing feels an important opportunity to diversify provision, reach a wider group of people from the housing register, address some of the challenges around under-

employment post-Covid, and generate additional affordable rental revenues to help reduce the need for subsidy.

Modernising tenancy legislation from the 1980s would be a key step on the way to underpinning the HRA becoming a wider affordable housing provider.

A third challenge arises from the results of austerity in the General Fund over the last decade. As HRAs have been placed on a sounder footing, so we have seen increased reliance on contributions from rent payers to overall council costs.

The delivery of a much-expanded council housing programme would need a new look at the ring-fence. Some good work was undertaken in the run up to 2010 on what belongs in the General Fund and what in the HRA, the principles of which have been adopted in Wales (for example), and a fresh look at that guidance feels an important component in ensuring that rental revenues are reinvested in new housing rather than to subsidise the council tax.

Summary

The HRA has come a long way since the dark days of the late 1980s, the old subsidy system and the promotion of stock transfer. All the main components of a viable and sustainable HRA system are in place, and many authorities are already taking the opportunity to invest. All should be encouraged to take advantage of the capacity that is already there post-debt cap.

The right balance in central and local subsidy taking account of trends in land and development costs, with the ability to retain all revenues and receipts including from the Right to Buy, with an affordable and sustainable (perhaps even local) policy towards rents, with an effective means to ensure that housing revenues are properly ring-fenced for housing, and with legislation tweaked to allow the HRA to deliver on a wider range of affordable housing, these feel like some of the key things required to facilitate the delivery of a wider offer of council housing at scale over a longer period.

And for those without an HRA, all of the above apply, but with additional shorter-term support that could pump-prime their local ambitions, smoothing the path to growing a platform for future delivery.

Rents in social housing

By Martin Wheatley

There are two main types of rent in social housing currently:

- Social rent or “formula rents”, the traditional type of social housing rental, typically substantially below market levels.
- ‘Affordable Rent’, up to 80% of market rent.

Table 1 below shows the housing stock in 2019-20 by rental type.

Table 1: Housing stock by rental type

| | Council | | Housing Association | | Total | |
|------------------------|---------------|------|---------------------|------|---------------|------|
| | Homes ('000s) | % | Homes ('000s) | % | Homes ('000s) | % |
| Social rent | 1,534 | 96.8 | 1,857 | 71.9 | 3,391 | 81.4 |
| Affordable Rent | 26 | 1.6 | 516 | 20.0 | 542 | 13.0 |
| Other | 24 | 1.5 | 211 | 8.2 | 235 | 5.6 |
| Total | 1,584 | | 2,584 | | 4,168 | |

Sources: MHCLG and RSH

Traditional social rent therefore remains the rental for almost all council housing. Not so in the housing association sector, a fifth of whose properties are now Affordable Rent. Across social housing as a whole, around one property in six is now Affordable Rent.

Social rent

Current social rent levels are a product of history. The current formula dates to 2000-01. Exactly how it works in detail is explained in MHCLG’s Rent Policy Statement³³, but, in short:

- Formula rent varies according to: local housing markets in 2000-01; local labour markets in 2000-01; and the size of property.
- So, compared to the national average, rents in areas with higher property prices and wages are higher, rents in areas with lower property prices and wages are

³³ MHCLG: Rent Policy Statement 2019

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/781746/Policy_Statement.pdf p20-24

lower. Rents on three- and four-bed properties are 10% and 20% higher than those for two-beds. Rents on one-beds are 90% of two-beds.

- The rent for the current year is the 2000-01 rental adjusted by a fixed amount in each subsequent year. From 2001-02 to 2015-16, rents were increased by inflation plus 0.5% or 1.0%. From 2016-17 to 2019-20, rents were decreased by 1% in cash terms. Rents for 2020-21 onwards are being increased by inflation plus 1%.

The justification for increasing rents by more than inflation over most of this period has been that earnings typically increase faster than inflation; and that real terms increases in rent generate more income for landlords to invest. The rent cuts in the four years from 2016 were a savings measure to reduce spending on Housing Benefit.

Whatever the merits of the rent formula in 2000-01, the variables on which it was based have changed significantly over the last 20 years. Both rentals and wages have increased differentially across the country.

Affordable rent

'Affordable Rent' was introduced by the Coalition Government from 2011. Almost all new social housing commissioned since then has been let at 'Affordable Rent'. In addition, new build has in part been financed by the 'conversion' of rents on re-lets of previously social rent properties to Affordable Rent. Not all Affordable Rents are at the full 80% of markets: especially in London, landlords often constrain rents, so they remain within the Local Housing Allowance rate for the local area.

London

The position in London is somewhat different. The Mayor's programme to 2022 includes starts on at least 10,000 new council rent homes. Rather than Affordable Rent, the Mayor's 'London Affordable Rent' is a compromise negotiated with the Government based on traditional social rents. It is aimed at households on social housing waiting lists. He also supports 'London Living Rent' homes, set at a third of local median income and aimed at middle income households who want to move on to buy a home.

Assessment of current rent regime

Social rent

Compared with Affordable Rent (see below), social rents are affordable across most of the country, with the ratio of lower quartile earnings to social rent being below 33% in over 85% of areas.

However, differential changes in earnings and property prices over the last 20 years have led to considerable inconsistency in the relationship between social rents and earnings in different places (Figure 1 below). Even setting aside some outliers, the ratio of rents to

lower quartile earnings varies from around 20% to 40% – though in over two thirds of areas, it is between 25% and 35%.

Figure 1: Social (council) rents and earnings

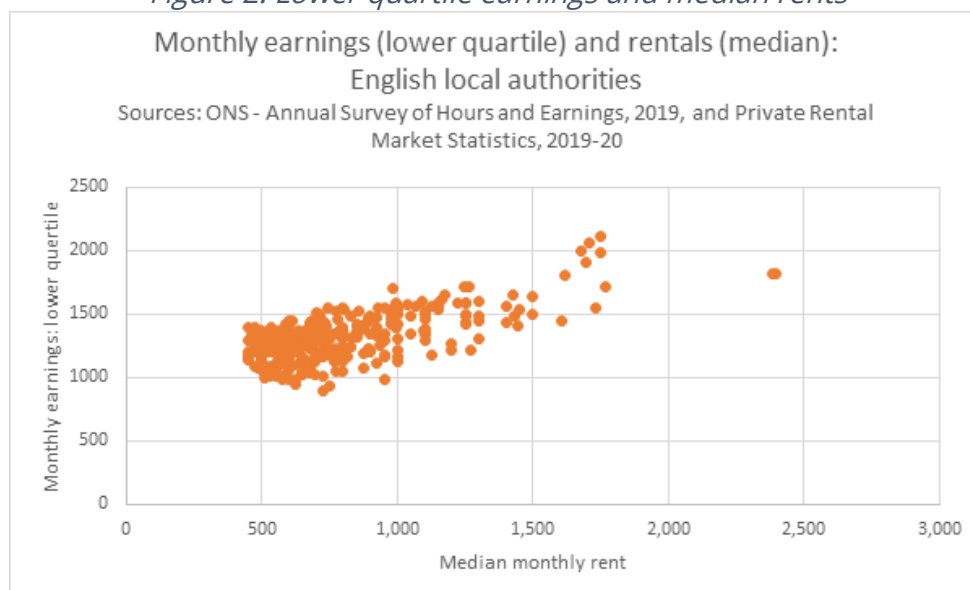


The differentials between properties of different sizes may be on the small side: in the private sector, the median rental on a three-bed property is 15% more than a two-bed.

Affordable Rent

The main issue with Affordable Rent is that it is often not affordable. The linkage to market rents means that, with earnings varying widely between places with similar rental levels, affordability varies widely. As a broad measure of affordability, Figure 2 below shows monthly rentals and earnings in 316 areas in England (excluding the City of London and Isles of Scilly). There are very wide variations in earnings between places with similar rental levels.

Figure 2: Lower quartile earnings and median rents



For example, lower quartile earnings in the 10 areas closest to the median rent of just over £700 a month vary by nearly 50%, from just over £1,000 a month to nearly £1,500 a month. Rents range from under a third of lower quartile earnings to 131% of lower quartile earnings and exceed lower quartile earnings in seven areas (all London boroughs). Rents are at or below 40% of lower quartile earnings in just 23 out of 316 areas, and over two thirds of earnings in 93 areas, nearly a third of the total.

The 2020 Affordable Housing Commission³⁴ found that Affordable Rent exceeded its benchmark of a third of household income for nearly a third of households not in receipt of benefit, compared with 18% of households paying social rent.

At the very best, therefore, Affordable Rent is only affordable in a minority of places in the UK, and is, in fact, highly *unaffordable* across much of the country. Rents linked to market rents, even at a fixed percentage below them, are not therefore a workable basis for genuinely affordable housing.

Rents and benefits

There have been two main arguments for charging higher rents than traditional social rent:

- The significant difference between social and market rents in most parts of the country is a windfall benefit to those tenants (the minority) whose incomes are significantly above benefit levels. According to this argument, it is unfair that better off social tenants should pay significantly lower rents than private tenants with similar incomes. Supporting only those households who cannot afford full rents is better value for money than providing capital grants for homes, a proportion of which will be occupied by better off tenants. If higher rents were charged, the poorest households would be protected through the benefits system.
- Higher rents can support higher levels of private borrowing by landlords than social rents, so that lower levels of government grant are needed for a given number of new homes.

These arguments are highly questionable:

- Social tenants able to pay their rent without benefit support are not recipients of some kind of windfall gain. They are paying their way, meeting their share of management, maintenance, renewal and borrowing costs, plus a margin. The real problem is that two million low-income households are struggling to pay unaffordable rents in the private sector (Affordable Housing Commission 2020). We need more housing at genuinely affordable rents, not less.

³⁴ Affordable Housing Commission, final report
<https://www.affordablehousingcommission.org/news/2020/3/23/making-housing-affordable-again-rebalancing-the-nations-housing-system-the-final-report-of-the-affordable-housing-commission>

- The housing element of Universal Credit is withdrawn at the rate of 63p for every additional pound earned. The higher the rent, the more a household has to increase its earnings before it “escapes” the Universal Credit taper, undermining incentives to work and earn more.
- It is simplistic to envisage working age social tenants in two distinct groups, workless and receiving benefits, and working and not receiving benefits. Aside from the fact that some low-earning households receive benefit, and partial support with their rent, households’ circumstances change: household members move in and out of work, and, in work, earnings fluctuate. This has become truer over the last 20 years as work for many has become less secure, and earnings less predictable with the growth of zero-hours and other “flexible” employment terms. Genuinely affordable social rents are a vital protective factor for households who cannot bank on being employed, or, if employed, predict their earnings.
- Analysis by Capital Economics for the SHOUT social housing campaign (2015)³⁵ and Shelter (2019)³⁶ has demonstrated that meeting the housing needs of low-income households by investing in homes at genuinely affordable rents is better value for the taxpayer than pay-as-you-go subsidy through the benefit system.

Rents in social housing: overall position

Taking social and affordable rent together, the current position is anomalous and unfair. One social housing household in six is paying (often unaffordable) Affordable Rent. Because Affordable Rent is charged on some re-lets, as well as new properties, two households living next door in very similar properties, one paying social rent and one paying Affordable Rent, following the ‘conversion’ of the property to Affordable Rent, may be paying very different amounts.

While the disparities between households paying social rent are not as extreme, they are still substantial, and do not even now have a particularly strong association with local earnings, which might be a reasonable basis for some differentiation.

Charging tenants rents substantially higher than social rents is likely to increase poverty, undermine work incentives, and is very poor value for the taxpayer.

Future policy

The case for renting most social housing at substantially below market rates, certainly in higher cost areas, is overwhelming. However, there is a sensible debate to be had about

³⁵ Building New Social Rent Housing: An Economic Appraisal <http://www.almos.org.uk/include/getDoc.php?did=7238&fid=8364>

³⁶ Increasing Investment in Social Housing https://assets.ctfassets.net/6sxvmndnnpn0s/4MyjTqj7WcqcwllcOa5ybB/025ce96b7a5fe550f6bac5d59b58a6bb/Capital_Economics_Confidential_-_Final_report_-_25_October_2018.pdf

how exactly to define social rents, since the current formula is so much the product of history and does not lead to a consistent or fair pattern of rents across the country.

There are two principal sets of questions:

1. What should be the base, starting, level for social rents? Should it vary across the country, and on what basis? Should landlords have some flexibility to vary rents, at the margin?
2. What should be the basis for increasing rents over time? Should they increase by a margin over general inflation, as they have tended to, 2016-2021 aside?

Objectives

There are several objectives which need to be taken into account in designing future rent policy. There are trade-offs between them:

- Rents need (at a minimum) to provide for the costs of management and maintenance, major repairs, and renewal over the lifetime of a property, and the costs of servicing landlords' borrowing.
- Rents should be (genuinely) affordable. The 2020 Affordable Housing Commission suggested a benchmark of 25-33% of household income.
- Rents should offer reasonable incentives for tenants to trade off what they pay against characteristics of properties, notably size, but perhaps also such features as access to private outdoor space, parking, and other amenities.
- Though individual landlords should not be able to adopt significantly different rent policies, and should consult tenants about them, there is a case for limited flexibility to set rents on specific properties, to support sensible local housing management objectives.
- There should be stability in national rent policy, to enable landlords to set their individual policies, and plan with certainty.

An additional, potentially more contentious point is the extent to which rents paid by existing tenants should contribute to the financing of new homes.

What should be the base, starting, level for social rents?

Because housing and labour markets vary so much across the country, there is a strong argument for locally variable rents, set according to a national formula which produces the right levels in different places. That was the principle behind the current formula: the reason it does not now produce defensible results is because of differential changes in housing and labour markets over the last 20 years, and the twists and turns of decisions on yearly changes.

The Affordable Housing Commission has proposed an approach based on the principle that rents should be affordable for anyone in work without having to claim Housing Benefit. It is set at 30% of the bottom decile of local earnings. It produces rents ranging

from £70 per week for a one-bed home in the North East to £125 per week for a four-bed home in London.³⁷

Such an approach looks along the right lines. However, the differentials between properties of different size seem modest: the two/three bed differential being well under the typical 15% differential in the private sector. There is also a case that, rather than a rigid formula setting rents for different types of property at a precise level in a locality, landlords should have some flexibility to vary rents within a band. This could enable them, for example, to reflect differences in location and condition between properties, and to widen or narrow somewhat differentials between different sizes of property according to demand among their tenants.

In order that such flexibility does not lead to landlords setting all rents towards the top of bands, a couple of safeguards could be put in place:

- That while landlords have flexibility about rents on individual properties, there should be an overall cap on their rental income equivalent to all properties being set at the centre of the permitted range. That would mean any rents which were at the top end of the range would have to be offset by others being set in the lower part of the range.
- That the greatest levels of flexibility are only allowed to landlords who provide a strong voice for tenants in their governance arrangements.

What should be the basis for increasing rents over time?

The justification for increasing rents by more than inflation for most of the time since the current formula was introduced has been that earnings increase faster than general inflation. However, the Affordable Housing Commission found that, in practice, earnings at the lower end have remained close to static in real terms. This has resulted in the relationship between formula rents and earnings shifting, with the ratio of rents to earnings shifting adversely for tenants. The rent reductions between 2016 and 2020 have not compensated for earlier real terms increased materially.³⁸

In the future, it seems inescapable that rents should be increased by no more than the change in local earnings at the lower end of the range. A formula based on a set percentage beyond general inflation will lead to the relationship between rents and earnings shifting over time, either adversely for tenants or in their favour. However, as the Affordable Housing Commission suggests, rather than yearly adjustments, the Regulator should set assumptions for five-year periods to enable landlords to plan with more certainty.³⁹

³⁷ Affordable Housing Commission, p 232-235

³⁸ Affordable Housing Commission, p 149-150

³⁹ Affordable Housing Commission, p 153

Consequences of future policy for landlords' financial position

Adopting a new formula of the kind proposed in this paper, even if it led to no significant change in landlords' rental incomes in aggregate, would certainly result in winners and losers, with the latter likely to have to reduce services and investment compared with current assumptions. It could even be that in certain cases, landlords' financial viability or ability to meet the Homes Standard would be jeopardised.

Following the suggestion of the Affordable Housing Commission, it would therefore seem sensible to phase the new formula in over, for example, five years, with any gap between current rents and the new formula rents being closed in stages.⁴⁰

It could also be that landlords' rental income in aggregate reduces. The Commission's model certainly results in lower rents across most of the country. That would mean either a reduction in investment in new and existing homes, or an increase in government financing. While unwelcome, as argued earlier in this paper, substituting higher than sustainable rents for tenants in order to reduce the need for government capital investment is a false economy, resulting in higher public expenditure on benefits over the medium to longer terms, poverty traps and other adverse impacts of poverty.

⁴⁰ Affordable Housing Commission, p 153

Conclusions



Council homebuilding for the 21st Century: Principles and priorities

This collection of essays and commentary makes the strong case for the restoration of a major programme of homebuilding by councils in England.

Building many more council homes makes sense not only because providing secure, affordable, rented homes in an accountable setting is the best and most direct way to meet the country's urgent housing needs, but also because it would be highly effective in financial, economic, employment, community, and social justice terms. It could also make a big contribution in the struggle to mitigate the climate crisis. Only ideology – an irrational hostility to public provision and council borrowing and a warped sense of priorities – stands in its way.

Many of the policies discussed in this report could be implemented now, and there are many non-Labour as well as Labour councils who want to build high-quality well-designed council homes to meet the needs of their communities. We strongly welcome the fact that councils of all shades are willing to consider a bigger programme and to get on with it as fast as they are able.

We also acknowledge that the government has made a few faltering steps in the right direction – lifting the HRA 'cap', restoring a small amount of grant for social rent, and allowing the London mayor's programme of new council homes – but these changes alone will not deliver anything like the scale of what is needed. Nor will they create the confidence that councils require to plan an expanding programme, build up their capacity, and assemble the sites.

We hope the government will do more to deliver the promise of a 'new generation' of council housing made by Theresa May when she was Prime Minister: it would be good for the country if there was a bi-partisan cross-Party consensus in favour of councils building homes again. We encourage the incumbent government to rekindle the spirit of Harold Macmillan – the 1950s Tory Housing Minister who wanted to outbid Labour in building council homes – to whom Winston Churchill once said, 'every humble home will bless your name if you succeed'.

At the same time, we hope the Labour Party will take forward ideas in this report to develop a radical but practical plan to get councils building that can be implemented as soon as Labour returns to office. There will be no time to waste.

Many more homes of different tenures and types are needed around the country. In focusing on council housing, we are not minimising the importance of either private housebuilders or housing associations in housing provision, although we share the serious misgivings that many have about the growing dependence on private renting for those on low or moderate incomes. We especially support any organisation that provides

homes that are genuinely affordable and not just cynically badged as 'affordable' when they are not. We appreciate that some of the arguments made in this report apply equally to housing association investment in social rent homes: we would like to see more of those too, but our interest here is in utilizing the potential of councils to build many more.

The essays in the report are the personal views of the authors and they have not been edited to toe a particular line. Not all authors agree on all points, but there is a strong sense of common purpose across all the contributions. The essays are the authors' own views and not necessarily the views of their organisations or the Labour Housing Group or the Labour Party.

We set out below for debate some of the principles and priorities that should guide council homebuilding for the rest of the 21st Century. These draw on all the report's contributions, with the most relevant chapter referenced in brackets.

1. Council homebuilding is 'the Missing Solution'

- Learning the key lesson of history: the failure to build enough homes in this country over the last 40 years stems from the virtual ending of the council homebuilding programme after 1979. The evidence shows that the private sector and the housing association sector have not been able to expand to fill the enormous gap that was created. (Hackett, Hilditch)
- Need and demand for council homes is huge: many people need a social rent home and many more would choose a council home if one was available. Estimates consistently suggest between 90,000 and 150,000 social rent homes are needed each year. These homes will not be built, and the housing crisis will not be solved, unless councils are brought into the mainstream as providers again. (Introduction, Blake, Hackett, Hilditch)
- The only way to meet extreme housing need is to build genuinely affordable homes directly for the people who need them. Growing reliance on private renting is a much more expensive alternative in the long run. 'Trickle down' in housing is wholly discredited: building market housing may meet other housing objectives, but it does not and will not benefit those on low incomes. Councils should build market homes for sale where this is a strategic priority, but they should not be forced into sub-optimal options due to funding constraints and the need to generate cross-subsidy. (Hackett, Hilditch, Thompson)
- Good housing underpins social progress in other areas: Bad housing creates costs across other services, especially health, social care, and education. The costs of housing investment are offset by long-term savings elsewhere. Housing investment creates enormous opportunities to improve outcomes for people, often while saving money. (Kaur, Blake, Evans and Inman)

- Councils have many motivations to build homes at social rent: It's more than just housing: councils want to improve social care and special needs provision, to alleviate poverty, to contribute to regeneration and renewal, to overcome a lack of private sector interest in an area, to support local businesses and employment. These are all laudable local objectives that add to the drive to build. (Blake, Cox, Morphet)
- Housing is on the critical path to mitigate climate change: the recent new wave of council housing has generally been of high quality. Most of the changes needed to make homes more resilient and adaptable to the needs of possibly dozens of generations of tenants who could live there are not difficult or expensive but need to be built in. Where there are costs, for example to achieve zero carbon, they are worth it. If plans and building regulations are clear and ambitious, developers will step up, and in the long-term extra costs will come out of land value. (Park, Hill, Kaur, Todd-Jones)

2. Council homebuilding is an economic good

- Helping the transition to a new and fairer economy: Public investment in housing has declined across all advanced economies in recent decades. Housing wealth has become grossly unequal, especially in the UK during austerity. Investing in genuinely affordable council homes could help solve the housing crisis but it could also be a major driver behind the transition to a new and fairer economy and delivering on Labour's equalities objectives. Securing housing market stability and sufficient public investment in housing should be a central objective of economic and fiscal policy. (Hackett, Hilditch, Blake, Swain)
- Public borrowing for housing investment is good policy: borrowing by councils under the prudential code should be freely undertaken so councils have confidence to plan their programmes. Council housing is a trading activity that generates an income stream which covers its revenue costs and leads to long-term savings in other public spending. HRA borrowing for investment should not be treated like any other public sector net debt. Government's key role should be to focus on maximising grant to make the building of council homes viable. (Hackett, Hilditch, Partridge)
- Housing investment is an excellent economic stimulus: building extra social rent homes at large scale requires significant upfront public investment and borrowing, but it is fiscally sustainable and economically efficient. Even in the short term the net cost is much lower than the gross cost as employment is created across the supply chain, tax revenues increase, and the costs of other social programmes are reduced. One credible estimate put the cost to government of an average of 155,000 social homes a year for 20 years at £10.7 billion a year reduced to £3.8 billion when savings are taken into account. (Hackett, Hilditch, Swain)

- Switching from 'benefits' to 'bricks' is the right thing to do: the model of letting rents rise to market levels then providing Housing Benefit to enable people to afford them has massively increased the amount of Housing Benefit going to landlords – while having cruel impacts on tenants as Housing Benefit/Universal Credit has subsequently been cut. Market rents are irrelevant in social housing, which is a socialised system which 'washes its own face' at much lower rent levels. (Hackett, Evans and Inman, Partridge)
- The austerity myth: money has been available for housing just not social rent: since 2010 support for social housing has been slashed, with new funding for additional social rent at one point reduced to zero. Most government support has gone to high-cost schemes to support the private market, which most economists believe will eventually just add to prices. Money has been available but has been targeted on the wrong things. This was a political choice. Investing in social rented housing would have produced much greater social benefit. (Hackett, Hilditch)

3. Affordability is at the root of the crisis

- Social rent is the key to future affordability: most existing social tenants' rents are still determined by the formula developed by Labour in 2000/01. These social rents are broadly at the right level but the formula needs updating to better reflect incomes – 25% to 33% of income seems an appropriate limit – and regional variations. We should never forget that tenants pay their way, including covering the cost of borrowing. Charging high rents to substitute for government capital investment is wrong. (Wheatley, Partridge)
- Rent policy is in chaos. Tory rent policy is chaotic, with people in equivalent homes paying hugely different rents. Linking social rents to market rents is the wrong benchmark: it leads to unaffordable housing, poverty, high Housing Benefit costs and disincentives to work. Social rents are better long-term value than pay as you go subsidy through the benefit system. Once set, rents should increase by no more than the change in local earnings. (Wheatley, Partridge)
- Affordability means more than just the rent: even if rent is affordable the cost of heating or service charges or even setting up home might not be. New tenants often need help with items such as floor coverings, curtains and white goods and new homes should include them where possible. In planning new schemes, council should look at the affordability of 'whole house' costs to the tenant. (Kaur, Evans and Inman)

4. Councils can do the job but need confidence to plan

- Councils are keen and able to use their self-financing freedoms to expand council homebuilding: one contributor estimates councils' additional borrowing capacity at above £10 billion and possibly as high as £20 billion. An ambition to produce

20,000 new council homes a year is realistic using cross-subsidy, but anything over this level would require substantial additional grant. Land would also have to be bought and a system for supporting this activity would be needed. Confidence to grow requires certainty on rent, grant, and support for land purchase and infrastructure. Councils are inevitably risk-averse but there is growing realisation that council housing is a sustainable investment in physical assets that generate rising net income. (Partridge, Morphet, Blake)

- Councils' strategic role and housing delivery role go together: For some years central government forced councils to separate their strategic and delivery roles. This was an error. Councils are well able to assess the housing needs of their areas and their strategies will seek to increase the supply of housing in all tenures and to correct market failure while balancing this priority against the requirements to invest in the existing stock. Direct control over the delivery of the council's own housing makes it possible to target resources to the highest priorities. (Murray, Todd-Jones, Cox, Kaur, Turner)
- Councils are pushing ahead all over the country: most councils are making plans to provide more council homes. Councils are finding varied solutions suited to their local circumstances; some are constructing new council housing, others are purchasing s.106 units, others buying on the open market. Some are building inside the HRA, others have set up housing companies, housing associations, and community interest companies or have followed a wide range of partnership and joint venture models. Vital experience and knowledge are being gained; the issue is how to scale it up. (Morphet, Murray, Cox, Todd-Jones, Kaur, Blake, Thompson, Turner)
- Councils should invest in building their capacity: to undertake development to the necessary scale, councils will face major capacity issues, for example the availability of highly skilled project managers, land negotiators, architectural and procurement expertise. Some councils are seeking to build this capacity by creating multi-disciplinary teams or through joint ventures with developers or housing associations. Councils need to work together to share experience and knowhow. (Murray, Morphet, Todd-Jones, Turner)
- Keeping governance under review and transparent: There is no right or wrong governance structure for new council housing: councils are pursuing a range of options, working solo and working in partnership, building just council homes and building mixed tenure. However, clarity over objectives is vital. Councils bring democratic accountability to projects and governance structures should involve tenants and potential tenants where possible. (Morphet, Turner, Thompson, Todd-Jones, Blake)
- As programmes expand, risks will increase, especially where cross-subsidy or contractual partnerships are essential to delivering schemes, and they should be

closely monitored. Government should do far more to reduce and share risk, but councils need to be conscious that the wrong governance structure can lead to poor outcomes and financial losses. Training and support for people serving on boards is essential. (Thompson, Turner, Blake)

- Right To Buy causes more homes to be lost to the sector each year than are added through new building. It has been hugely expensive; discounts have cost £50 billion over 25 years and much of the receipt has been transferred to Treasury not reinvested locally. Government promises to replace homes lost through RTB have not been met. Councils need to know that homes will not be sold off at a loss. Contributors variously support ending RTB or giving councils discretion, but support any receipts being reinvested locally. Other losses of social rented stock through 'conversion' to high rent tenure have compounded the problem, leading to a serious decline in lettings to people in housing need. (Hackett, Morphet)
- The HRA ring fence should be reviewed: although HRA 'ring fence' rules are in place, councils' HRAs are often better funded now than the General Fund after years of austerity. Temptation to fund central services disproportionately from the HRA should be resisted. The financing of homes being provided outside the HRA in various corporate structures should also always be transparent. (Partridge)
- More councils should set up a new HRA: around half of councils closed their HRA when they transferred their housing stock to housing associations. Several have re-opened their HRA again to enable future development of new homes, with the advantage of not being encumbered by legacy stock issues. More should do so because this could make an important contribution to a new programme of council homebuilding. (Partridge)

5. Reform of land and planning are vital too

- Land reform is essential: land is scarce and should meet society's wider needs. More of the increase in value coming from planning permission being granted should be captured for the community. Simply paying more to acquire land at higher values driven by speculation is not desirable or sustainable. The Select Committee estimated that land reform could cut the cost of providing new homes by 30-40%. There are many options for reform, but the aim should be to prevent speculative gain on land holdings. (Hackett, Blake, Murray, Hilditch, Thompson)
- Councils should seek to be patient investors: councils are often using their own land, but this supply is finite and holdings will not support much bigger programmes. Some are buying land and need to become patient investors because development may take years to crystallise. Councils should do all they can to dampen land values through clear planning policies, especially on affordable housing requirements. Skills in land assembly and compulsory purchase are needed to create workable sites and to make the most of larger-scale opportunities. Spending on infrastructure and expensive remediation may

be essential to unblock sites, especially in areas requiring regeneration of former industrial sites. (Murray, Morphet, Blake)

- Planning reform is needed, but not the current proposals: current government policy would reduce community involvement in many planning decisions and risk severely reducing standards in 'permitted developments'. Positive planning to improve outcomes in the built environment – to support the public good not just developers' interests – is urgently needed. Clearer guidance should be given to developers about councils' expectations in relation to quality and councils should aim to maximise the amount of social housing delivered by private developers through s106 planning gain agreements, helping to contain land costs. (Murray, Blake, Hill, Park)
- Planning authorities should be able to use a clear definition of housing affordability: councils should be able to specify how many social rented homes should be provided in a development. The system for determining 'viability' in planning applications has been abused and we need policies that will put pressure on land values not on community benefit. (Murray, Blake)

6. Quality must be the watchword

- High quality standards are essential not a luxury: Many councils are building to the best quality standards possible at present. Post-Grenfell and post-Covid, new standards are needed, with strong guarantees, to ensure that new homes are carbon-neutral, have internal space standards compatible with modern living, have access to external space and green communal space, are accessible, and are of the highest safety standards. These aims can be achieved through excellent design, and extra costs should be seen as investment. If plans and building regulations are clear and ambitious, developers will step up. With a decent lead-in to a long-term policy, extra costs will come out of land value. (Park, Hill, Kaur, Evans and Inman, Todd-Jones)
- We must build communities not just homes: building homes and creating communities should go hand in hand. Communal spaces, community assets, play space, education and health provision must be planned in from the beginning. Most developments are likely to be mixed tenure, but council homes should be indistinguishable from other homes and abominations like 'poor doors' should be planned out. Successful functioning communities need good access to employment, shopping, public transport, schools, health, leisure, and other amenities. (Hill, Kaur, Evans and Inman)
- Construction standards matter more than ever: the construction industry is going through a major period of readjustment, especially post-Brexit. Councils will need to evaluate the supply of labour locally and develop skills through training and apprenticeships. Councils should insist on the highest employment standards in construction in terms of pay, conditions, safety, and workers' rights. They should

also adopt clear policies on the use of materials and off-site manufacture, all within the context of achieving substantial carbon reductions. Accountability for poor quality building should be improved with much greater control over subcontractors. (Swain, Hill, Park)

7. Citizens of equal worth

- We should be clear who council housing is for: Council housing should aspire to be 'the living tapestry of the mixed community', as Aneurin Bevan said. For the immediate future it is proper that council housing should aim to meet the greatest housing needs in the community. But as supply expands and more needs are met, its role should be to offer choice to a much wider range of people who need or want council homes. (Introduction, Blake)
- We must all challenge stigma: the case for council housing has been deliberately undermined by years of demonisation of council tenants and council estates. Critics have been shamed by Grenfell and the arduous work done by tenants themselves to promote a positive image of the sector is paying off. Sometimes council housing has let itself down by poor build quality, inadequate repairs, inadequate tenant involvement and bad management and there remains a burden on the sector to improve in every aspect. (Introduction, Hill, Blake)
- Building and managing homes for all our citizens: A major new programme of council homebuilding will have a positive impact in Labour's pursuit of equality and social justice. There is a better understanding now of the pressures that lead to some groups being discriminated against in the housing market. Council housing must be equally available to all groups and barriers to access must be tackled. When planning new development councils need to understand the needs of their diverse community and to build this knowledge into the design of their overall programme and of individual homes. (Blake, Hill, Park)
- Active participation by tenants has a major positive impact: Tenants must be given new rights and protections so decisions cannot be made without their involvement and consent. Security of tenure should be restored to ensure council housing is seen as a permanent and not a transitory option. An effective voice for tenants, locally and nationally, will help ensure that new homes reflect tenants' concerns and priorities and that homes are professionally managed. (Introduction, Hill, Swain)
- The whole sector should welcome effective external regulation: The Tories' removal of Labour's pre-2010 regulatory system for social housing has been a disaster, with evidence of standards of management and maintenance slipping. Building as many new homes as possible should never lead landlords to take their eye off the ball of managing what they have well, and they should welcome clear standards, external regulation, and inspection. (Hilditch, Hill)

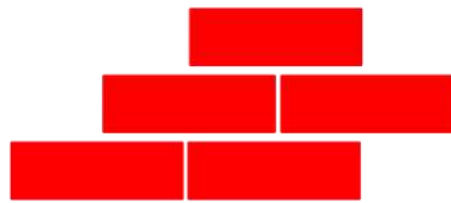
The last word

The desperate shortage of genuinely affordable homes that we now face can be traced back to the ending of council housebuilding 40 years ago and the destructive policy of running the sector down. Other providers, private enterprise and housing associations, have not been able to fill the huge gap that was created.

The housing crisis can be most effectively tackled by reinstating council homebuilding at scale. Despite its faults, the model of council housing has been tried and tested and it works.

Council housing simply means homes that are commissioned, owned and managed by democratically accountable local authorities, acting in the context of locally defined needs and locally designed housing strategies. It involves targeting grant at building homes in the first place, with no subsidy for subsequent running costs: this is the most efficient use of resources. It is economically efficient and socially and environmentally well targeted. It will save money in benefits and other social programmes.

Council housing is the wheel waiting to be reinvented.



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