

Local Government Association Briefing
Adjournment debate
Government policy on local authority housing
House of Commons
Wednesday 20 December 2017



Key messages

- The national housing shortage is one of the most pressing issues we face. The last time this country built more than 250,000 homes a year, councils built more than 40 per cent of them. Only an increase in all types of housing will ensure we can reach the target of 300,000 homes a year. A genuine renaissance in council housebuilding would play a major role in increasing overall supply.
- The Autumn Budget has taken a step forward by lifting the housing borrowing cap for some councils.ⁱ We welcome this announcement, but it does not go far enough. The cap should be lifted for all areas in order to free councils from restrictions on borrowing to build homes. Councils should also be allowed to use 100 per cent of receipts from Right to Buy sales to invest in new homes.
- The shortage of housing supply is contributing to an affordability crisis. The LGA has found that one in seven private renters spends over half their income on rent. A new wave of affordable housing must now be built, linked to a new definition of affordable housing as costing 30 per cent of household income or less.ⁱⁱ
- A lack of affordable housing is an increasing cause of homelessness, as rents continue to rise and welfare assistance for low-income households is reduced. Councils are providing temporary housing for over 70,000 households, including over 120,000 children. We are calling on the Government to lift the Local Housing Allowance (LHA) freeze in the private rented sector and remove temporary accommodation from Universal Credit.
- A proactive, well-resourced planning system could do far more to deliver the additional homes the country needs. Councils are currently approving nine out of ten planning permissions, however planning departments are severely under-resourced. Taxpayers are subsidising the costs of applications by around £200 million a year. Councils need the flexibility to raise planning fees locally to meet their local housing needs.

Briefing

Background information

Councils' role in tackling the housing shortage

The national housing shortage is one of the most pressing issues we face. The last time this country built more than 250,000 homes a year, councils built more than 40 per cent of them. In order to build 300,000 homes a year, the Government needs to ensure all councils are given greater freedom to borrow to build new homes of all types and tenures, including social homes for rent.

The Housing Revenue Account (HRA) borrowing cap prevents councils from borrowing to invest in building new homes. The Autumn Budget has taken a step forward by lifting the housing borrowing cap for some councils in 'areas of high affordability pressure', enabling them to bid for up to £1 billion in funding by 2021-22.ⁱⁱⁱ

This is an important recognition of our argument about the vital role that councils must play to provide desperately-needed homes, but this does not go far enough. The HRA cap should be lifted for all councils and HRA borrowing removed entirely from contributing to the national public debt, to free councils from restrictions on borrowing to build homes.

In addition, it essential that councils are enabled to keep 100 per cent of receipts from Right to Buy sales to invest in new housing. Local authorities have lost out on enough homes to house the population of Oxford in the last five years, and urgently need a model of Right to Buy that actually allows councils to build more homes. Current arrangements are restricting councils from being able to replace homes being sold under the scheme.^{iv}

It is positive to see Government investment in building new homes announced in the Budget. The doubling of the Housing Infrastructure Fund is particularly welcome, as is investment in the Affordable Homes Programme. All councils must have a leading role in shaping this investment to ensure that new housing and infrastructure meets the needs of their local communities.

The Government has accepted our argument that councils must be part of the solution to our chronic housing shortage. As our Housing Commission has highlighted, investment in housing has significant wider benefits for communities and the right homes in the right places can boost employment, improve wellbeing and support an ageing population.^v

Homelessness and the affordability of housing

Councils are currently housing more than 77,000 homeless families in temporary accommodation, including more than 120,000 children, and the net cost has tripled in the last three years. In this time, councils have been housing an extra secondary school's worth of homeless children every month on average. The unaffordability of private rented housing is the current leading cause of homelessness.

The measures announced in the Autumn Budget, such as a homelessness taskforce, are welcome, but do not go far enough in tackling the underlying issues. It is crucial that the Government continues to adapt the implementation of welfare reforms to reduce the risk of homelessness. This should include lifting the Local Housing Allowance (LHA) freeze in the private rented sector and removing temporary accommodation from Universal Credit.

Only an increase of all types of housing – including those for affordable or social rent

– will solve our housing shortage and help to make housing affordable for future generations. This is the best way to reduce waiting lists and housing benefit, keep rents low and help more people get on the housing ladder. To help achieve this, councils want the Government to commit to building a new wave of different affordable housing options linked to a new definition of affordable housing as being of a cost that is 30 per cent of household income or less.

The role of well-resourced planning departments

The level of local planning authority resourcing has huge implications for our ability to deliver new homes. Given the Government's recognition in the Budget that changes to the planning system are vital to increasing housing supply, it is more crucial than ever that measures to fund local planning authorities sustainably are put in place.

Councils are working hard to deliver the right kind of homes, and are currently approving nine out of ten planning permissions. However, LGA analysis in 2017 showed that taxpayers are subsidising the cost of processing planning applications at a rate of around £200 million a year, and will reach £1 billion by 2022. Councils face an overall funding gap of £5.8 billion by 2020.^{vi}

A proactive, well-resourced planning system could do far more to deliver the additional homes the country desperately needs. It could also help to deliver them in ways that meet wider national objectives on infrastructure, public health and the environment.

We are pleased that the regulations to enable local planning authorities to raise fees by an initial 20 per cent have been approved by Parliament, and look forward to them coming into force. However, a further 20 per cent increase, which the government have recently consulted on, should be allowed for all local planning authorities, so that councils are fully able to facilitate local housing and infrastructure development.^{vii}

ⁱ HM Treasury, Autumn Budget 2017 (<https://www.gov.uk/government/topical-events/autumn-budget-2017>)

ⁱⁱ Local Government Association (LGA), submission to the Autumn Budget 2017 (<https://www.local.gov.uk/parliament/briefings-and-responses/lga-autumn-budget-submission-2017>)

ⁱⁱⁱ HM Treasury, Autumn Budget 2017 (<https://www.gov.uk/government/topical-events/autumn-budget-2017>)

^{iv} LGA media release, December 2017 (<https://www.local.gov.uk/about/news/lga-responds-latest-government-right-buy-sales-stats>)

^v LGA, Housing Commission Final Report, December 2016 (<https://www.local.gov.uk/lga-housing-commission-final-report>)

^{vi} LGA media release, August 2017 (<https://www.local.gov.uk/about/news/taxpayers-subsidise-planning-application-costs-ps1bn-over-next-five-years>)

^{vii} LGA media release, December 2017 (<https://www.local.gov.uk/about/news/development-deadlock-council-planing-departments-hampered-missing-out-ps70-million-lga>)