

Labour's Housing Green Paper – Part 1

We need 100,000 council homes a year not “affordable homes”

“We have a housing crisis in this country that can only be solved by local government building more. Labour's 2017 manifesto promised to build 100,000 council homes to 'rent or buy'. It called for a 'pause' to the right to buy, and to lift the borrowing cap so councils could borrow to build more.

We need to be bolder. Don't suspend the right to buy, end it. Don't promise to lift the borrowing cap, cancel the debt.”

Doina Cornell, Leader Stroud Council

The Labour Party has published a Green Paper, *Housing for the Many*. This is part one of an analysis of the proposals. The document marks some progress from the Party's general election Manifesto. Labour's “first housing priority” of helping young people onto the proverbial housing ladder - young people it should be said, earning up to £100,000 a year – has disappeared. Yet there is still a big gap between this document and Jeremy Corbyn's original aspiration of Labour building 100,000 council homes a year. The policy in the 'mini-housing manifesto' (*Labour's New Deal for Housing*) was more candid than the housing section in the general election Manifesto. It was firmly rooted in New Labour's housing philosophy with its worship of home ownership. For that reason it was subject to much sharp criticism.

It's quite clear that Shadow Housing Minister John Healey has been under pressure both from tenants and some MPs. The announcement by Corbyn of a social housing review was a clear indication that he recognised the weakness of the policy, whilst John McDonnell has spoken about the need to radicalise Labour's policies contained in the Manifesto.

In the Green Paper there is a significant shift in the language. There are some welcome policies such as the commitment to end “affordable rent” and the conversion of 'social rent' homes to “affordable rent”. *Yet still we find that there is no commitment to building a specific number of council homes.*

The Green paper, instead of abandoning the risible “affordable housing” formula, seeks to redefine it. It identifies three types of “affordable home”. “We propose a new affordability standard with three elements.” These are:

- **Social rented homes.** Unfortunately it proposes to keep the existing formula for setting 'social rent' locally which connects them to property values. It does say that “Homes for social rent will form the core of Labour's affordable housing programme” but with no numbers.
- **Living rent homes.** These will have rents set at no more than a third of average local incomes. They will be “aimed at low to middle income working families, key workers and younger people who want a better alternative to renting from a private landlord, or who want help saving for a deposit for a home.”
- **Low cost home ownership homes.** These will include First-Buy homes where the mortgage will be no more than a third of average local income. Shared ownership and rent to buy will be other low cost options included in this category.

In a speech announcing the Green Paper Jeremy Corbyn said the majority of the 100,000 will be 'social rent' homes. Yet there is nothing in the document to confirm this. Neither is it clear who will build 'living rent homes'. Will they be built outside of the Housing Revenue Account, or inside, in which case they would be council homes charging rents higher than 'social rent'? As devised by the London Mayor 'living rent' is for "middle-income households" who want to save up to buy a property. According to the Mayor's website a "living rent" tenant would pay (depending on where they live) around £1,000 a month for a two bedroom property. This compares to the average two bedroom council rent in the London boroughs of £107 a week, and the highest, in Westminster, of £136 a week. Wouldn't it make more sense to devote resources to building council housing with 'social rent'?

Insufficient grant

The grant¹ from Homes England for "affordable housing" will be for these three types. We are told that £4 billion a year will be available though there is no indication of how this grant will be divided between the three types. Councils, for instance, will have to compete with housing associations for grant. The latter are in a stronger financial position to carry out annual building programmes because of higher rents and because they have built many more homes than councils have. Hence they have the personnel and infrastructure in place to do so annually. We don't know whether there will be any guidance from a Labour government to tell Homes England how it should hand out the grant, in what proportions. If there is no grant specifically for council homes then the danger is that the money will be doled out, as under New Labour's NAHP, largely to housing associations.

£4 billion is the amount that was available 10 years ago. This is completely inadequate when you factor in a decade's inflation. Prior to the housing crash New Labour banned councils from even applying for social housing grant. When it finally did allow them to apply the results were puny. Under NAHP the highest number of council homes built in any year was a paltry 3,080.

Although we are told that Labour will build the largest council homes programme for 30 years, when you check how many were built then it was only 16,000 in England. Beating this would not be a very large ambition. In any case the Green Paper has no target for council homes.

Council or housing associations – does it matter?

New Labour's bias towards housing associations was based on the fact that council housing debt was on the public books whereas housing association debt was not. New Labour set out to eradicate council housing by pressuring tenants to vote for transfer of their homes to housing associations. It set the target of transferring 200,000 council homes a year. It was prepared to write off housing debt just as long as tenants voted the 'right way'. A Parliamentary committee described this as blackmail. There was no debt write off for council tenants. If tenants had not resisted transfer then there would be hardly any homes left today.

The term 'social housing' implies that council housing and HA homes are the same. Does it matter whether it is councils or HAs that build new homes? It does. Despite all the talk of their 'social purpose' HAs are private businesses. Whereas council tenants have the

¹ Grant is money which is not repayable to the government.

chance to vote their landlord out of office they cannot do that with a HA board. Even when there are tenants on the Board they have a legal responsibility to the business. They are accountable to the Board, not to the tenants who may elect them.

Despite New Labour's efforts to drive council rents up to HA levels, council rents are lower than HA rents, meaning the HB bill is lower for council homes.

The Green Paper completely ignores the fact that HAs, led by the National Housing Federation, their industry body, capitulated to the government over the 'voluntary' extension of RTB. They were perfectly happy to accept councils being robbed of receipts for enforced sale of 'higher value' council homes, and to take the money to cover the difference between RTB sales and the market value of their homes (something denied to councils). The Paper also ignores the process of commercialisation taking place. At a recent meeting with Housing Minister Dominic Raab, three groups of housing tenants told him that their HAs had abandoned their social purpose and were turning into businesses. They were all facing huge rent increases and/or their homes been sold off without them being given a say.

For these reasons Labour should concentrate grant for 'social rent' homes on councils rather than HAs.

HRA funding crisis

One major issue which is not addressed by the document is the funding crisis faced by Housing Revenue Accounts. The system of self-financing was actually drawn up by New Labour when John Healey was housing minister. Since Labour lost the 2010 election self-financing was implemented by the Tories. The only difference was that the Tories increased the bogus debt that was imposed on councils (an extra £13 billion of 'debt' was handed out to 136 councils). In the consultation on New Labour's proposals they refused to cancel the debt, an eminently sensible demand given the fact that it was fictitious, the result of creative accountancy by the Treasury. As the House of Commons Parliamentary Council Housing group had shown in its 2009 report, over 25 years council tenants had paid £91 billion in rent but councils had only received £60 billion in 'allowances'. *They had paid more in rent than the actual historic debt for building their homes.* Yet New Labour proposed to carry on fleecing tenants by imposing fictitious debt on them. Council tenants' rent pays for the servicing of this 'debt'.

Since the 'debt settlement' of 2012 when each council was given a certain amount of debt, the Tories have starved council HRAs of funding by changes in the national rent policy (e.g. a 4 year rent cut) and increases in the discounts for RTB sales. As a result of the latter policy sales increased nearly five fold. This has meant that the rent lost from sales is much higher than was estimated in the settlement. Each home sold is rental loss over the course of the 30 year business plan. Individual councils are taking in hundreds of millions of pounds less in rent than was planned for in 2012. The debt they were given was based on income projections which bear no comparison to what councils are actually taking in today.

It is simply extraordinary that Labour's Shadow Housing Minister, despite being appraised of this situation, has *abstained from denouncing the Tories for under-funding existing council housing.* We only speculate as to why this silence has been maintained. I suspect that this refusal to demand that the Tories cut the debt in line with the rent income lost is because Labour could not make that demand without making its own commitment to cut the debt. This the Shadow Housing Minister appears not to be prepared to do. Whether

or not this has been discussed with the Shadow Chancellor we don't know.

However, as Doina Cornell says, and Swindon Tenants Campaign Group has long argued, we need a commitment from Labour to *cancel the debt*.²

Borrowing to build?

Labour's proposal to raise the borrowing cap for local HRAs is made in the expectation that councils can take on more debt in order to fund new building. This is unrealistic given the level of debt with which they are saddled. Stock owning authorities, at the end of the 2016/17 financial year still had £26 billion of this bogus debt to service. Given the under-funding of HRAs the cost of servicing any additional debt will eat into their resources for maintaining and renewing existing stock. The Green Paper suggests that councils have the resources to build between 60,000 and 80,000 new homes. Yet this takes no account of the financial crisis they face as a result of the debt settlement and government policies since then. These authorities are losing billions of pounds in income compared to projections in 2012. As a result they are cutting back on the scale of necessary work renewing key components. We have shown the connection between the funding crisis and the disaster at [Grenfell Tower](#)³. More generally, the starvation of HRAs will result in a deterioration of the standard of tenants homes. Expenditure by all HRAs on debt and service charges is around 25% of their income. Hence debt cancellation would increase their income by £2 billion a year; significant extra resources for maintaining and renewing their existing housing stock.

RTB – end it “full stop”

When interviewed in the first leadership election Jeremy Corbyn said he wanted to end RTB “full stop”. But even his campaign organisers were too nervous to break with New Labour's RTB shibboleth. We know that there was a debate in his campaign team, but they ended up talking only of 'mitigating the impact' of RTB.

Labour adopted the policy of suspension of RTB when John Healey had resigned from his Shadow Housing post as part of the organised attempt to force Corbyn to resign. The policy has remained a dead letter. Even when Housing Minister Gavin Barwell announced that RTB was only “politically justified” if homes sold were replaced, Labour failed to demand that the Tories suspend given that they were not being replaced.

The Green paper says that RTB will be suspended immediately and councils will have the right reinstated “only if they have a proven plan to replace homes sold one-for-one and like-for-like”. It would seem unlikely that any council would be in a position to prove that, so why not simply end RTB sales? In fact there are plenty of indications of majority support amongst Party members and supporters for ending RTB. At a recent Labour housing conference in Leicester, (Sir) Peter Soulsby, City Mayor said that suspension wasn't sufficient, it should be stopped. In a recent article by the Labour Leader of Stroud Council, Doina Cornell, she called for ending RTB as well as debt cancellation⁴.

If Labour wants to significantly increase the numbers of council homes available (there are only 1.6 million left in England) then it should end RTB and not leave open room for manoeuvre by any councils who would want to reintroduce it.

² STCG has published a pamphlet in November 2016, “The case for cancelling council housing 'debt'.”

³ <http://keepourcouncilhomes.files.wordpress.com/2017/06/underfundingandgrenfell.pdf>

⁴ <http://labourlist.org/2018/04/labour-needs-radical-ideas-to-solve-the-housing-crisis-so-lets-scrap-right-to-buy/>

'Social rent'

Finally, the question of the level of 'social rent' is not dealt with in the Paper. It simply says that a Labour government will consult on setting a new and longer 10 year rent settlement "to support sustained investment in a new generation of genuinely affordable homes". This issue cannot wait for the election of a Labour government it needs to determine a policy before then. Currently we have heard no Labour response to this government's proposal to introduce 5 years of above inflation rent increases, CPI+1%. I wrote to John Healey on this asking what Labour's policy was yet, as yet have received no response.

Labour needs to oppose this government's above inflation rent increases and make a commitment that they will not introducing such increases. It should be remembered that one of the drivers of the increased HB bill was New Labour's policy of 'rent equalisation'. This was designed to push up council rents to the higher level of HA rents. It was partly motivated by the hope that if council and HA rents were at the same level then tenants would not bother voting against transfer of housing stock to HAs.

As a result of these above inflation increases council rents are too high for some tenants and people on the waiting lists. This is not just in London where rents are highest. In Swindon the Tory council, by way of a new allocations policy, is turning down people who have come top in bidding for a tenancy, because they(i.e. council officers) believe the applicant earns too little to afford to pay the rent. This is the "Greenlight for Housing" process which has been borrowed from HAs where it is widespread.

There are other issues in the Green Paper which I will look at in Part Two. Suffice it to say here that the document does not constitute the "radical action programme" which Jeremy Corbyn said was needed in housing. Although we don't know the time-scale yet there will be consultation on the Green Paper. It's important that the pressure which has seen some improvements in Labour's proposed housing policy *is stepped up* to radicalise it further. We need a commitment to build 100,000 council homes a year not 100,000 "affordable homes". Councils will be unable to build on any scale unless they have the prospect of grant, without having to compete for it. The same level of grant as 10 years ago is insufficient. We believe that £80,000 a property is required⁵. Without grant specifically directed at building council homes then councils will not have the resources to put in place the teams and resources necessary to begin sustained annual building programmes beginning from a very low base.

Martin Wicks
April 23rd 2018

⁵ This was the grant level which the DCLG said could be available for 'social rent' homes, when May announced an extra £2 billion for "affordable housing".