

Housing Green Paper “damp squib”

These are some initial comments in response to the government's housing Green Paper which goes under the grandiose title of “A New Deal for social Housing”.

The government's housing Green Paper was described by a Financial Times editorial as a damp squib. Somewhat late and disrupted by the annual change of Housing Minister, it has all the hallmarks of a rushed document. Despite warm words about the importance of 'social housing' and the need to tackle 'stigma' attached to it the government offers not a single extra penny of assistance to councils to build the council homes needed to tackle the crisis.

There are some welcome things in it, insofar as the government beats the retreat on some of its previous policies.

- 1) It is abandoning its proposal to force councils to sell off 'higher value' homes to compensate housing associations for the loss of homes via the extension of right to buy to their sector.¹
- 2) It is abandoning the policy to force councils and housing associations to apply fixed term tenancies, though they will still have the power to apply the policy if they so wish.

However, the fundamental contradiction at the heart of the government's policy is expressed in this passage.

“Equally, given high property prices and rents in the private sector, we are mindful that we will need to replenish the stock of subsidised housing for the foreseeable future. The fundamental challenge is to reconcile our ambition to extend the opportunity of home ownership to as many social tenants as possible, with the responsibility to maintain and increase the stock of social housing for those who need it.”

You cannot reconcile these things. You cannot increase stock if you keep on selling it off. Theoretically, if they replaced every one sold with a new one built then the available stock numbers would achieve a standstill. But as the Green Paper and an accompanying consultation on the Right to Buy receipts admits homes sold off under RTB are not being replaced. Councils cannot afford to replace them because there is no government grant available, they are burdened with bogus debt, and government policy is an obstacle to councils building homes on any scale.

Currently the government robs councils of part of the RTB receipts even though in 2012 there was what was called a “final settlement” of council housing debt. Councils are not even allowed to spend all the receipts as they see fit because of central government rules which restrict councils to using RTB receipts to cover only 30% of the cost of building a home. That means they have to find the extra 70% from their own resources or borrow it. The government has now admitted that their policy is a barrier to delivery.

“The government is aware from engagement with the sector that the current restrictions

1 Bizarrely the government is still proceeding with a regional trial of the extension of Right to Buy to housing associations, for which councils were to be fleeced by selling off the higher value stock. Now the government is subsidising it itself with £200 million.

around the use of RTB one-for-one receipts is a barrier to delivery.”²

The obvious conclusion to draw would be to end the restrictions. Even the Local Government Association, which has a Tory majorities, has long been demanding that councils should be able to keep 100% of receipts. But no, the government proposes to slightly amend their restrictions. So it is considering increasing the cap to 50% of receipts for building social rent homes but only “where authorities reach the eligibility criteria of the Affordable Homes Programme and can demonstrate a clear need for social rent over affordable rent”.

There is virtually no government grant available for social rent homes. One of the conditions of applying for grant under the second round of the AHP was acceptance of charging 'affordable rent' (up to 80% of market rents) and also converting existing 'social rent homes to 'affordable rent'. This drives up rents and shrinks the number of 'social rent' homes available. In the 12 months to April 2011 just under 40,000 social rent homes were built. In 2016/17 the number had collapsed to 5,900, less than half the number of homes lost to RTB. The CIH has estimated that around 150,000 social rent homes have been lost. Overall there has been a decline of 184,000 council homes in England since 2010. There has been an increase in 'social housing' units since then but in England the increase has been only 80,000. Given the rise in the number of homes over that period, the percentage of social housing has actually fallen from 17.36% to 16.89%.

The government has committed to an extra £2 billion to 'affordable housing' but we still don't know how much of that will go to social housing for rent. Some will go to 'part ownership'.

Whilst paying lip service to increasing social housing numbers the government is proposing that social housing homes sold off through RTB may be replaced not just by 'social rent' or 'affordable rent' homes, but by 'part-ownership'. *In other words they are proposing to encourage cutting the number of homes for rent.* This stands in complete contradiction to their warm words about increasing the numbers of social housing homes.

The problem is that their definition of “affordable homes” includes home ownership. One of the central reasons for the housing crisis is the shortage of genuinely affordable homes for rent. The crisis cannot be resolved without building new council housing with 'social rent' on a large scale. Even the National Housing Federation has said that spending should be focused on building social rent homes. Rather than doing that the government maintains its infatuation with home ownership. Hence its policy will serve only to produce a decline of council housing homes for rent, making the housing crisis worse. Even the Financial Times can see that

“The lack of subsidy for construction means sub-market-priced housing will continue to be subsidised through rents in the inefficient form of housing benefits. So the state will be paying off the mortgage of private landlords rather than investing in an asset owned either by the state or a non-profit landlord.”

One other thing which merits mention is the question of rents for social housing tenants. The Green Paper reiterates the government's policy of driving up rents above the level of

2 One-for-one delivery doesn't refer to replacement of all homes sold under RTB but only “additional” homes sold. In 2012 when a new council housing finance system was introduced the business plans included estimates of the number of homes each council would likely sell over 30 years. When the government increased discounts for RTB sales there was a big increase of the number of sales. The government committed to replacing the 'extra' sales over and above the original estimates. However, it admits that it is failing to do that.

inflation for five years, at CPI + 1%. This should be rigorously opposed because it will simply drive up the housing benefit bill and place those tenants who don't qualify for housing benefit under increased financial pressure at a time of stagnating wages.

Since this is a Green Paper rather than a White Paper you might question whether much of it will see the light of day. However, since there is a consultation then we need to press for the rejection of some of these proposals which I will look at in more detail in a briefing.

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