

Council housebuilding

Purpose of report

For discussion

Summary

This report provides an update on the Board's recent lobbying and improvement activity in relation to council housebuilding and recent government announcements. It also outlines a number of risks and opportunities for councils seeking to build and asks Members to consider and agree next steps in the LGA's lobbying approach.

Victoria Latham, Deputy Director, Local Authority Housing and Right to Buy at the Department for Levelling Up, Housing & Communities will also be attending the EEHT Board to give an overview of the Department's work on council housing.

Is this report confidential? Yes No

Recommendation/s

That Members:

1. Reflect and provide any comments on the key issues outlined in the **paragraphs 6-10** and provide a steer on any omissions.
2. Comment on the set of proposed actions (**paragraph 12**) for the Board to pursue over the remainder of the current Board cycle.

Action/s

LGA officers to take forward as agreed.

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Background

1. There continues to be central government interest in the role that council housebuilding can play in addressing the national housing shortage and a continued appetite from councils to have the increased powers, flexibilities and funding to enable them to do more.
2. Since the lifting of the borrowing cap in 2018 there have been a number of additional government announcements which have been encouraging:
 - 2.1. Increased Right to Buy flexibilities: increasing the length of time which receipts can be retained from 3 to 5 years; raising the cap on the proportion of the cost of a replacement affordable home that can be financed by Right to Buy receipts from 30 per cent to 40 per cent and the ability to use receipts for shared ownership as well as social and affordable rent properties
 - 2.2. The [Brownfield Land Release Fund](#) delivered by the One Public Estate Programme on behalf of the Department for Levelling Up, Housing and Communities (DLUHC)
 - 2.3. A commitment in the Levelling Up White Paper for an [increased role for Homes England](#) in supporting local authorities and mayors to realise their ambitions for new affordable housing and regeneration
 - 2.4. A recognition in the [Levelling Up White Paper](#) that there is a 'significant unmet need for social housing' and a commitment to review how to support councils to deliver greater numbers of council homes
3. Whilst there have been a number of positive steps in the right direction which offer improved opportunities for councils to step up delivery, there continue to be a range of factors that are impeding their ability to deliver at the scale and the pace they would like. These are outlined in further detail in **paragraphs 6-10**.
4. There are nearly 1.2 million households on [local authorities' housing waiting lists](#) and more than [96,000 households in temporary accommodation](#). Local authorities are also playing a critical role in providing support to new arrivals from Afghanistan and the LGA is also working across government to clarify details of the new schemes which will support new arrivals from Ukraine. This includes the recently announced '[Homes for Ukraine](#)' scheme. Households will be offered £350 per month to open up their homes to new arrivals for at least six months and councils will also receive £10,500 in extra funding per refugee for support services - with more for children of school age. It will be vital that councils, the community and voluntary sector and other key local partners are involved in co-designing this sponsorship scheme so it can move at pace and scale. This ongoing high level of demand for housing means there has never been a more important time for councils to have all the levers they need to play a larger role in direct delivery.

5. Despite the continuing challenges to direct delivery, councils are continuing to proactively plan for and build more homes, across all tenures. DLUHC issued a survey to councils in August 2021 asking local authorities about their building plans over the next 5 years (2021/22 to 2025/26). The primary aim was to get a better understanding on local authorities' future direct delivery plans, with a view to inform future policy decisions around local authority supply. The LGA promoted the survey amongst its members and there was a 45% response rate. The Department has shared the responses with the LGA and they tell a really positive story of councils' continued strong appetite and plans to build. The Department has not yet published the survey results.

Key issues

6. The LGA, through the work of the Board, has been lobbying both publicly and privately on the issues summarised below – notably with DLUHC and BEIS officials and ministers. We are working to extend our reach into Treasury on our key messages – particularly around the fiscal interventions needed. The levelling-up agenda and recent commitments on supporting councils to deliver more homes provide an opportune moment to ramp up our lobbying activity.
7. Mechanics of Right to Buy – the current rules on use of Right to Buy receipts continue to be a significant impediment to delivery of new homes, despite the welcome reforms introduced last year. Specific issues include:
 - 7.1. The proportion of the receipt taken by the Treasury: the Treasury cap (that is the maximum amount of current RTB receipts payable annually to the Treasury by councils) has remained at £183 million since 2015-16, although the actual figures paid are not available publicly
 - 7.2. The length of time which receipts can be retained before they have to be returned to Treasury (although the extension from 3 to 5 years is positive)
 - 7.3. The cap on the cost of a replacement affordable home that can be financed by Right to Buy receipts – now increased from 30% to 40%, but still an unhelpful limitation
 - 7.4. The level of discounts – the LGA has lobbied for discounts to be set locally.
 - 7.5. The rule preventing the use of receipts with grant (e.g. from Affordable Homes Programme) or section 106 money in the same scheme
 - 7.6. Other technical elements including the cost floor and the period from which a tenant can exercise their Right to Buy, which in some cases can disincentivise delivery of new homes through the HRA
8. Uncertainty over future national rent policy – there needs to be a consistent approach to future rents policy and no wider policy changes that would compromise the major investment commitments of councils. The certainty of the [10-year rent settlement](#) announced in 2013 was welcomed but unfortunately short-lived. We are lobbying for a long-term rent deal for council landlords to allow a longer period of annual rent increases for a minimum period of at least ten years. This should include some flexibility for

councils to address the historic anomalies in their rents as a result of the ending of the 'convergence' policy. Any increase in rents will need to be balanced carefully with the ability of tenants to pay, particularly given ongoing cost of living concerns.

9. Uncertainty over future costs and potential implications on financial health of Housing Revenue Accounts (HRA) – there is increasing concern from stock-holding authorities about the financial health of their Housing Revenue Accounts in the face of additional uncertain cost pressures and priorities coming down the line e.g. decarbonisation of homes; building and fire safety requirements; increased construction costs and a potential revised Decent Homes Standard. Without a sufficient resourcing package that will likely need to be delivered through a combination of rents policy, grant subsidy and other flexibilities (e.g. on Right to Buy), there will need to be trade-off decisions made in terms of balancing priorities at a local level. This is likely in some cases to put at risk the ability of councils to deliver on their new build programme ambitions. A recent announcement which is of particular concern is a number of changes to the [Building Safety Bill](#). The changes are significant and will mean that freeholders will be responsible for relevant remediation costs on buildings over 11 metres. Our understanding is that councils will not be eligible for government funding. We are urgently working with DLUHC to develop a shared understanding of the scale of the impact that this could have on local authorities who own housing stock that is over 11 metres that has any fire safety defect. While we support the government's efforts to protect leaseholders from the cost of remediation, we have expressed strong concern that the arrangements currently being considered will mean that the cost of remediating social housing blocks falls on council Housing Revenue Accounts (HRA) – with a knock-on impact on social housing tenants who will ultimately be subsidising the failures of private developers and paying the cost of both remediating council housing and privately-owned housing. Another impact will be possible delays to other scheduled repair and maintenance plans that will affect both private owners and social housing tenants within council owned blocks. Item 3 provides more information on our activity in this area.

10. Minimum Revenue Provision – as flagged at the last EEHT Board meeting the government has recently [consulted on changes](#) to the capital framework Minimum Revenue Provision requirements. We have raised concerns in our [response](#) that there will be significant financial consequences for some councils which will need to be addressed. In relation to council housing, there is a significant concern that in addition to immediate financial consequences arising relating to existing schemes, the proposals will also severely limit councils' options for delivering priority capital investment in the future. Several councils have raised concerns that the proposals will seriously compromise future housing delivery, particularly through companies that deliver housing outside of the Housing Revenue Account, with a concern that such schemes will cease to be viable and those schemes will never be built out (the market will not step into these sites) and therefore national housing delivery will be compromised. We have recommended a number of mitigations in our response, including that any changes to the legislation should only affect future and not existing schemes.

11. Resources for estate regeneration – this issue has come up at a number of EEHT Boards in recognition that in some parts of the country, it is not net additional supply that is needed, but investment in estate regeneration of ageing stock that is no longer fit for purpose. National funding over recent years (e.g. the Affordable Homes Programme) has focused on delivering additional homes, but the levelling-up commitments, including a new role for Homes England in supporting regeneration, provide a renewed opportunity to make potential strides in our lobbying to secure more funding, capacity and capability support in this area. We will be engaging with Homes England to ensure that any changes meet the needs of local authorities.

Next steps

12. Subject to feedback from Board Members, there are a number of potential opportunities to build on the work of the Board to date. Members are requested to give their steer on the following areas for focus for the remainder of the current Board cycle:
- 12.1. Cllr Renard to meet with the new Housing Minister/invite the minister to the Board to discuss the issues set out above
 - 12.2. Cllr Renard to meet with Homes England Chairman and/or invite Homes England to a future Board meeting
 - 12.3. Commission further research to evidence the impact that our proposed policy and fiscal interventions could have at a local authority level in terms of scaling up direct delivery.
 - 12.4. Continue to share local authority experiences and good practice on council housebuilding through our sector-led improvement offer
 - 12.5. Commission further analysis on the cost of decarbonising council housing stock

Implications for Wales

13. Housing policy is a devolved issue.

Financial implications

14. Funding for additional work in this area has already been allocated from existing budgets.