

NFA Press Release - 8 January 2020

What's stopping councils from building more houses?

Serious obstacles still stand in the way of local authorities who want to build new homes.

A report on council house building from the Chartered Institute of Housing, National Federation of ALMOs and the Association of Retained Council Housing, published today [7 Jan 2020], draws on evidence from 11 NFA members and 11 ARCH councils.

It shows that councils and their management companies still lack the stability they need, in both funding and policy, to build with confidence.

In 2018, when the government lifted its cap on the amount councils could borrow to build, then Prime Minister Theresa May said the move heralded 'a new generation of council homes'.

The survey asked councils and council owned ALMO housing companies across England what was still stopping them building the homes their communities need. Respondents range from five London boroughs and several large cities in the midlands and northern England to a number of medium, small and semi-rural authorities.

The findings confirm Treasury estimates that local authorities will soon be building 10,000 houses a year – but councils say they could do more if the government removed other barriers.

While three-quarters of surveyed councils and ALMOs said the lifting of the borrowing cap had been a significant factor in their new-build planning, targets were modest. Many aimed to build, but several said they would only be able to deliver around 50 or fewer new homes a year. Just two had programmes of around 500.

They cited a number of significant barriers to building more.

- Government plans for a five-year rent policy for social housing from 2020 was welcomed, but many said they needed the long-term stability of a ten-year policy.
- Currently no allowance is made for regional differences in housing markets.
- Tenants have a right to buy their homes at a sizeable discount; this is exacerbated by severe central government restrictions on how councils and ALMOs can use sales income.
- Councils and ALMOs need more, and more certain, grant funding
- Solutions to problems of severe land shortages and planning constraints are needed.
- The building industry doesn't have the capacity to deliver all the homes a council or its ALMO wants to build, partly due to shortages of skilled construction workers
- Councils and ALMOs, already starved of finance, also must balance the need for new homes with urgent priorities for old stock, such as compliance with new safety standards and improved energy efficiency.

All those who took part in the survey said the current right to buy policy was a severe disincentive to building. Under current rules, new local authority homes might have to be sold after only three years, perhaps at less

than the cost of building. Few new-build programmes can keep up with right-to-buy losses from council stock, many simply replacing or even being overtaken by sales.

NFA Policy Director Chloe Fletcher said:

“This is solid evidence from the front line of housing demand. It highlights all that we have been trying to put before successive housing ministers over the last five years.

“The lifting of the HRA debt cap was fantastic news for the sector and a very necessary reform of the system but it is not enough on its own. Finding land on which councils can afford to build is a huge concern, as is the current right-to-buy regime which both depletes housing stock and siphons public money out of the system.

“We have been arguing for some years that right to buy doesn’t necessarily have to end. However, it must urgently become a sustainable homeownership offer that sits comfortably alongside the very desperate need to provide more homes that more people can afford to rent.

“With the right support, councils and their housing management ALMOs are ready to do that, but they need the wholehearted support of government. And government needs local authorities - the national housing crisis is a problem that the private sector simply can’t solve on its own.”

The full report is available at [link] http://www.almos.org.uk/news_docs.php?subtypeid=24

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Note to editors: The National Federation of ALMOs Ltd (NFA) represents England’s 31 arms-length management organisations (ALMOs). ALMOs are not-for-profit council-owned housing companies that **manage nearly 420,000 council homes across 34 Local Authorities.**

First established in 2002 as part of the Government’s Decent Homes Programme to improve council housing, ALMO companies now work with their parent councils to deliver diverse housing services. These range from new-build development to support for residents’ employability, financial resilience and health and well-being.

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