

The Case for Council Housing

Investing in council housing & encouraging councils to build

All of Britain's main political parties agree we need more homes. To meet the national housing shortage we need to increase the number of new homes built each year to at least 240,000, a fifty per cent increase in output. Councils have crucial roles to play in achieving this ambition – by ensuring that land is available and the necessary infrastructure is provided and by enabling and commissioning the construction of new homes. But councils and ALMOs can also play a much bigger role by building homes themselves if the next government allows them to use their assets and future rental income to develop new homes.

In 2012 there was all-party support for legislation to allow council housing to become properly self-financing from rental income alone without any direct revenue subsidy to or from the taxpayer. As a result councils & ALMOs in England have been able to build over 5,500 new affordable homes since 2012 but the potential to deliver a further 550,000 homes over the next 30 years has had to be revised downwards to no more than 45,000¹ homes.

Investment in new and existing council homes is likely to reduce even further if an incoming Government proceeds with a proposed levy on council housing assets to pay for the extension of Right to Buy to housing associations.

Housebuilding creates local jobs and boosts the economy generally. At this time of particularly high housing costs and uncertainty in the labour and housing markets due to Brexit and the urgent need to provide more housing of all tenures we urge all political parties to introduce measures which will enable councils to play a bigger role in meeting the need for affordable housing of all tenures by:

- **Unlocking the potential to invest in council housing by re-instating the principles of self-financing introduced with all-party support under the Localism Act 2011**
- **Lifting the Housing Revenue Account debt caps to enable councils to invest in new housing, allowing councils to prudentially borrow against future rental income to enable councils to “invest to save” in new homes and pay back the money from their rental income.**
- **Accepting the recommendations of the Communities & Local Government Select Committee² for any extension of a right to buy to housing association tenants to be funded by central government rather than through a High Value Asset Levy on local authorities.**

¹ “Investing in council housing – the impact on HRA Business Plans” – a joint report by CIH/CIPFA published July 2016: <http://www.cih.org/resources/PDF/Investing%20in%20council%20housing%20CIH-CIPFA%20July%202016.pdf>

² CLG Select Committee Report “Housing Associations and the Right to Buy” published February 2016: <http://www.parliament.uk/business/committees/committees-a-z/commons-select/communities-and-local-government-committee/inquiries/parliament-2015/housing-association-sector-and-right-to-buy/>

- **Allowing councils to retain all the capital receipts from selling any of their housing assets, including those sold under the statutory Right to Buy, in order to re-invest in building new homes and maintaining the existing stock.**
- **Reversing the future under investment in social housing by scrapping the 1% mandatory reduction in council housing rents planned for 2018/19 and 2019/20 and reintroducing a new 10 year social & affordable rent policy, recognising that council rents are already some of the lowest rents in the whole social housing sector.**
- **Supporting a new social housing building programme which would pay for itself in the long term and save the public purse significant amounts of money through a lower welfare bill as well as giving a boost to our national economy at a time of economic uncertainty and help relieve our national housing crisis in the short term³.**

Supporting hard working tenants

Councils and ALMOs are currently helping their tenants to manage a wide range of far reaching changes to the welfare system and where appropriate supporting tenants into work. Whilst we welcome efforts to make the welfare system simpler, fairer and support people into work; research by ARCH and the NFA⁴ highlights significant concerns about the impact that some of the current welfare reforms are having on tenants and communities across the country. To mitigate some of the most adverse consequences of the reforms we urge all parties to consider:

- **Making payment direct to landlord under Universal Credit a ‘tenant choice’.**
- **Removing the seven day waiting period for a Universal Credit claim to start.**
- **Paying any entitlement to Universal Credit in advance, instead of in arrears, recognising that Universal Credit is a vital safety net for people in low paid employment or with no other means of supporting themselves.**
- **Resourcing social landlords to provide support to claimants on budget management, debt management, digital inclusion and financial inclusion and suspending the roll out of Universal Credit until:**
 - **DWP improves its processes (faster/more accurate processing of applications and payments)**
 - **There is better training for Job Centre Plus staff, to improve understanding of housing issues**
 - **Social landlords having more control over APAs (Alternative Payment Arrangements) and the Trusted Partner pilot is rolled out fully with resources.**
 - **There is better communication between landlords and DWP**

³ “Building new social rent homes – an updated economic appraisal” – a report by Capital Economics commissioned by ARCH, the NFA and SHOUT: <http://www.arch-housing.org.uk/media/92986/capitaleconomics-buildingnewsocialrenthomes.pdf>

⁴ “2016 NFA & ARCH Welfare Reform Survey”: http://www.arch-housing.org.uk/media/96253/nfa_arch_universal_credit_-_a_progress_update_welfare_reform_survey_findings_-_as_at_sept_2016_.pdf

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