

No large scale council house building programme without central government grant and an end to RTB

Each year those local authorities with council housing send in a host of statistics relating to their stock to the Ministry of Housing, Communities & Local Government. Amongst other things they tell us how many homes have been built or bought, how many homes have been sold under right to buy or demolished. I have extracted some of the statistics from the last two years available, examining what they tell us, including the differences between political administrations which run the housing revenue accounts.

1) “Borrowing to build”.

In 2018 the government abolished the borrowing cap which was introduced in 2012, allowing councils the “freedom to borrow”. We have been told that if only councils could “borrow to build”, or “borrow against their assets”, there would be a big increase in building programmes. This takes no account of the finances of HRAs. There has been no glorious renaissance of council house building. In 2018-19 there was an increase yet councils still built less than 5,000 that year and in 2019-20 the numbers were back down to the same level prior to the abolition of the borrowing cap. Even if you add the acquisitions (homes bought, often ex-council homes) the combined number still did not reach 7,000.

Why have these councils not been utilising their “freedom to borrow” on a much greater scale? Largely for two reasons:

a) The shortage of central government grant and the continuation of right to buy.

Councils have to compete with housing associations for what grant is available. The new build has to compensate for losses from RTB and demolition. As you can see from the last two years shown below, the overall council housing stock numbers have continued to fall when you take account of RTB sales and demolitions. They have fallen by more than 6,000 a year in each case; more than 40,000 over the 5 years.

English councils

	2019-20	2018-19	2017-18	2016-17	2015-16
Demolition	-2,451	-2,319	-2,253	-2,518	-3,623
Conversions +	123	212	216	236	304
Conversions -	-164	-120	-29	-87	-226
New Builds	3,606	4,834	3,667	3,363	3,118
Purchase	3,036	2,053	1,713	1,472	1,115
RTB sales	-10,409	-11,059	-12,865	-13,433	-12,220
Total	-6,259	-6,399	-9,551	-10,967	-11,532

b) The debt with which housing revenue accounts are still saddled.

What supporters of “borrowing to build” fail to take account of is the financial circumstances of HRAs. Collectively they are saddled with a bogus debt of around £26 billion¹. Around 15% of their £8 billion a year income goes to servicing it (paying off loans and interest on them). Last

¹ We say it is bogus because council tenants have paid more in rent than the costs of borrowing for previous council house building programmes. In the 25 years to 2008 council tenants paid £91 billion rent but councils were given only £60 billion in 'allowances'. The £31 billion difference was more than the outstanding borrowing associated with building programmes.

year only £970 million was spent on capital expenditure and this includes renewing key housing components of existing homes, building new ones and/or buying stock at market prices. That's just 12% of HRA income.

This underlines the fact that a large scale council house building programme is impossible without central government grant on the scale of the £10 billion a year which Labour was committed to in 2019 and reinforces [The case for cancelling council housing debt](#).

It is true that borrowing has always been a component of the process of council house building.

For instance, in the classic case of the Atlee government £16.50 per property was government grant, £5.50 from the local rates (precursor of the council tax); that is £22 a year for 60 years, which was effectively 100 of the cost of building. Councils then borrowed from the Public Works Loans Board to pay the upfront construction costs. Historically there has never been a large scale council building programme without government funding.

2) **Right to Buy.**

In the last five years, however many new homes have been built and purchased, council housing stock in England has fallen by more than 40,000. True, the government has imposed restrictions on the use of RTB receipts. Only 30% of the cost of a new build can be covered by RTB receipts (soon to be 40%). The other 70% has to be covered by an HRA's own resources or by borrowing. But even if the government allowed councils to use all their receipts building would still not be on a scale anything like enough to address the housing crisis.

To add insult to injury the government has now changed RTB regulations to enable councils to have the power to use receipts for shared ownership and First Homes. If councils take up this power (they are not obliged to) it will mean *even less* replacement council homes built.

3) **Political control.**

Nearly 62% of council housing in England is owned by Labour councils. Of the 91 councils run by Labour 65 have HRAs, 26 don't. Of 120 Tory councils 51 have HRAs and 69 don't. The much higher number of homes in Labour areas reflects the fact that many of these are in metropolitan areas and probably that there were more stock transfers in Tory areas, though there were plenty in Labour areas. There are only nine Conservative authorities with more than 10,000 council homes whereas Labour has 37, with 21 of these more than 20,000.

4) In 2018-19 the average number of homes built by councils was just 28, falling to 21 last year. Labour councils built double the homes that Tory councils built, though the numbers are still very low. In the last two years Labour councils built and bought 7,356 homes but lost 18,499 via RTB and demolitions; an overall loss of 11,143.

4) In 2019-20 only 27 councils built more than 50 homes, 17 of them Labour. In 2018-19 it was 35, 19 of them Labour.

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Note: if you want to check what your council is doing you can find Local authority housing statistics data returns here - 2009-10 - 2019-20

[Local authority housing data - GOV.UK \(www.gov.uk\)](#)

or we have extracted data on housebuilding, purchases, demolitions and Right to Buy sales here for 2019-20 and 2018-19:

[Publications/documents – Labour Campaign for Council Housing \(thelabourcampaignforcouncilhousing.org\)](#)

Local authority statistics data returns 2019-20

England 2019-20						
		Con	Labour	NOC	Libdem	Other
Stock	1,583,068	276,629	981,046	273,827	39,804	11,762
Demolitions	-2,451	-239	-2,034	-171	-7	0
Conversions +	123	38	49	22	4	10
Conversions -	-164	-38	-65	-61	0	0
Built	3,606	837	2,113	541	107	8
Bought	3,036	796	1,589	510	126	15
RTB	-10,409	-1,553	-6,933	-1,625	-215	-83
	-6,259	-159	-5,281	-784	15	-50

Conservative

HRAs 51 No HRA 69

Average number of homes built 16

20 with HRA built 0

7 built less than 10

7 built more than 50

Labour

HRAs 65 No HRA 26

Average number of homes built 32

19 with HRA built 0

5 built less than 10

17 built more than 50

NOC

HRAs 41 Non HRA 36

Average number of homes built 13

16 with HRAs built 0

7 built less than 10

2 built more than 50

Libdem

HRAs 9 No HRA 14

Average homes built 12

6 with HRAs built 0

1 built more than 50

Other

4 HRAs No HRA 2

Average homes built 2

3 HRAs built 0

2018-19

England 2018-19						
		Con	Lab	NOC	Libdem	Others
Stock	1,587,165	276,150	985,603	274,403	39,389	11,620
Demolitions	-2,319	-281	-1,962	-61	-11	0
Conversions +	212	41	118	45	8	0
Conversions -	-120	-9	-105	-5	0	-1
New Build	4,834	904	2,824	889	186	31
Bought	2,053	686	830	435	82	2
RTB	-11,059	-1,551	-7,570	-1,687	-181	-70
	-6,399	-210	-5,865	-384	84	-38

Conservative

HRAs 51 No HRA 76
Average no of homes built 18
24 with HRAs built 0
2 built less than 10
8 built more than 50

Labour

HRAs 67 No HRA 24
Average no of homes built 42
24 with HRAs built 0
8 built <10
Only 19 built 50 or more
1273 in London or 45%

NOC

HRAs 42 No HRA 36
Average number of homes built 21
14 with HRAs built 0
7 built less than 10
7 built more than 50

Libdems

HRAs 9 No HRA 15
Average building 20
3 with HRAs built 0
2 built less than 10
1 built more than 50

Other

HRAs 4 No HRAs 2
Average homes built 8
3 HRAs built 0