

# Council housing should be Labour's first housing priority

## **70% home ownership and 'social housing' as the second housing tenure are conflicting objectives**

*At the recent Labour conference housing did not make it through the Priorities ballot so there was no composite motion debated. The previous four conferences had seen housing coming top in three and second only to the NHS in the other. The only references to housing were the brief comments of Keir Starmer and Lisa Nandy in their speeches. What did they tell us about Labour's housing policy? Martin Wicks gives a personal view. What do you think? Other contributions are welcome.*

The contrast between the housing content of Lisa Nandy's speech to Labour's conference and that of Keir Starmer could hardly have been starker. Labour's mantra, according to Nandy, is "council housing, council housing, council housing". Although she did not innumerate what making 'social housing' the second tenure would involve, the statistics tell us that, in England, in 2021 the combined number of council and housing association homes was **771,000 less** than the Private Rented Sector (PRS), which is currently the second highest tenure.

Keir Starmer did not mention council housing or 'social housing' at all. Although he didn't use the word, you might say his mantra was "Labour is the party of home ownership." He announced that Labour's target was 70% home ownership<sup>1</sup>. In order to help achieve that, there would be a "mortgage guarantee scheme". How many homes would need to be built to reach that 70% figure? In March 2021 in England 63.75% of properties were owner occupied. That is **1.553 million short of 70%**. To achieve that target would require far more to be built because the other tenures are not likely to remain static. It is an unfeasible target. It took 14 years for the private sector to build 1.5 million homes to 2021.

The highest level of owner occupation in England was 67.8% in 1997. To a large extent this was the result of Right to Buy (RTB) sales through which council homes were sold off on the cheap. The 18 years of Tory rule saw a fall of 1.786 million council homes in England. During the 13 years of the New Labour government council housing numbers fell by 1.615 million. It's instructive to see that during the New Labour years, despite their veneration of home ownership, and opposition to building council housing, by 2010 owner occupation had marginally **declined to 67.7%**! A key reason for that was their promotion of the Buy to Let landlord, through tax concessions. According to the Council of Mortgage Lenders from 1998 to 2004 the number of BTL landlords rose from 28,700 to 526,300. During their time in government the number of PRS homes increased by 2.498 million. New Labour created the monster which exploits tenants today. It was [culpable](#) for the worsening of the housing crisis.

Whilst you don't expect a great deal of detail in conference speeches, these seemingly contradictory positions of Nandy and Starmer pose more questions than provide answers. When you examine the current tenure break-down **it is clear that 70% home ownership and 'social housing' becoming the second tenure are conflicting objectives.**

### **"It fuelled a housing bubble"**

One of the consequences of the current government's funding of home ownership by its various schemes is that house price inflation has outpaced earnings. In Table 1 below, you can see that in 2010 the average price of a median new build home was *lower* than that of an existing home. In the case of lower quartile homes, new ones were only on average £5,500 higher than existing ones. New builds, promoted by Help to Buy, climbed from 4% higher than existing homes to 31% higher. The extraordinary increase in the price of new homes is ample evidence of the impact of schemes like Help to Buy, as well, of course, as the profiteering of the big builders who dominate the market.

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<sup>1</sup> Who dreamed up this idea we don't know, but it is certainly not the result of any democratic discussion.

Peter Apps, Deputy Editor of Inside Housing, in response to Keir Starmer's reference to a "mortgage guarantee scheme", reproduced a quote from a speech of his in Parliament in March of 2021. He castigated the government for its scheme to subsidise 95% mortgages.

"If the Government were serious about fixing the broken housing market, they would have announced plans for a new generation of genuinely affordable council houses. Instead, 230,000 council homes have been lost since 2010, yet the Chancellor focused today on returning to subsidising 95% of mortgages. I know what Members are thinking: "I've heard that somewhere before." Perhaps it was because the Prime Minister announced it five months ago in his conference speech? No, I do not think anybody heard that. I remember now: it is what Osborne and Cameron came up with in 2013. What did that do? **It fuelled a housing bubble, pushed up prices, and made owning a home more difficult**—so much for generation buy!"<sup>2</sup>

He was right then. So what's different with the "mortgage guarantee scheme" that he is saying that Labour will provide? We don't have the detail, of course, but it is still essentially a means of funding people who can't afford to buy. As we have seen in the case of Help to Buy (which only applies to new build), there is a sting in the tail. It was always likely [to promote unsustainable debt](#) when interest rates rose. The attraction of the scheme was that for the first five years there was no interest. But from year 6 there is an annual fee to be paid (in monthly instalments) of 1.75%. The rate you pay thereafter is CPI + 2%. So next year the increase could be in the region of 12% depending on the September inflation rate. It is also different from a mortgage because your repayment will not be the original loan. If the value of the house/flat increases you have to pay back more. If you borrowed £20,000 from the government on a £200,000 house, if its price increases to £300,000 you owe the government £30,000.

How much funding is Labour promising to provide to chase after this unfeasible target? We don't know. But consider what the Tory government has done. Since 2013 Help to Buy has been funded to the tune of £22.5 billion. That has only funded 361,000 homes over nearly nine years.

## 'Social housing'

Although Lisa Nandy's mantra referred to council housing alone, confusingly she then said that Labour would make 'social housing' the second biggest housing tenure. What would the balance be between council and housing association new build? New Labour had funded housing associations to build new homes but not council housing. The term 'social housing' refers to council housing and housing associations, but they are not the same. There are significant differences between them. Council tenants have the possibility of voting out their landlord, whereas, housing associations tenants cannot vote out their Board of Directors. Housing association tenants who sit on a Board have a legal duty to the business and are not accountable to the tenant body. There has been a process of commercialisation taking place in the housing association sector and most of the companies collaborated with the government over the so-called 'voluntary' right to buy.

For 'social housing' to become the second tenure (unless the PRS numbers declined) in excess of 771,000 would have to be built to overtake it. To grasp the scale of the effort required let's look at the numbers of 'social housing' in England. In 1997 there were 3,401,000 council homes and 985,000 housing association homes; a combined total of 4,386,000. In 2021 it had fallen to 4,105,000. This is despite an increase in housing association homes of 1,539,000. Council housing fell by 1,820,000. Under New Labour by the end of its 13 year term of office there were 420,000 'social housing' homes *less* than in 1997<sup>3</sup>. Under the Tories there has been an increase of 134,000; a loss of 205,000 council homes and an increase of 334,000 housing association homes. Of course, throughout this period much of the increase in the number of housing association homes was the result of the 'transfer' of council homes to housing associations. Under New Labour, in England 962,000 were transferred. Over 18,000 were transferred since 2010. So since 1979 980,000 were transferred, forming a considerable portion

<sup>2</sup> The reference to council house building was the one swallow which didn't add up to a summer. He has been silent on council housing thereafter.

<sup>3</sup> The fall in the UK under New Labour was 655,000.

of the growth in housing association stock.

There has been a polarisation in the housing association sector. Because of the low levels of grant the Tory government has provided for building new homes, there has been a trend to cross-subsidy, building homes for sale on the market or for shared ownership. Housing associations have also been more enthusiastic about “affordable rent” (up to 80% of market rent) as a means of bolstering their income. Councils have been far more reluctant to charge these higher rents. Only 2% of council properties are “affordable rent”. In contrast 10% of housing association stock in England charges “affordable rent”.

### **Common ownership**

In her conference speech, Lisa Nandy was certainly right when she said: “..the idea of a home for life handed on in common ownership to future generations is an idea worth fighting for.” However, if you maintain RTB then council housing ceases to be common ownership. It becomes private property. **Logically her comment should lead to Labour unequivocally committing to ending RTB.** However, Inside Housing reported

“Following Sir Keir’s speech, Ms Nandy was asked at a fringe event where Labour stood on the policy that the current Conservative government has pledged to extend. The shadow levelling-up minister told the audience that the policy was under review, but for her this issue was that councils were never able to keep the receipts from the sales and replace the stock.”

From discussion with senior figures we know that their hesitation on this is because they believe that the Tories would accuse them of opposing “aspiration”. This is an argument which is easily challenged because of the clear social consequences of RTB in creating the housing crisis. An estimated 40% of RTB stock has ended up as private rental with its much higher rents.

Even more confusingly Lisa Nandy’s housing team was reported as working on a plan to “hand over power to housing associations on RTB”. Presumably this means the power to sell or not to sell. What use would it be to allow housing associations to sell off much needed 'social rent' homes adding to the shortage?

So long as RTB remains in place then councils will be reluctant to build because the homes can be sold after after three years. In England it would require an annual building figure of 10,000 just to replace RTB sales; a figure that has not been achieved for 30 years. **End RTB and for the first time since 1979, all council house building would increase the stock and open up the possibility of waiting list numbers declining.**

### **Semi-monopoly**

When people talk of the broken housing market it is a misnomer because it implies that the market can be “fixed” and “work for everyone”. This is false. It is functioning exactly as a market dominated by big builders and developers will function. They control the delivery in order to maximise their profits. As research has shown the big builders have created a [contrived scarcity](#). We see a semi-monopoly, not as concentrated as other sectors, but with 9 big builders dominating the market. The fact that so many people are “locked out of the housing market” cannot be resolved by schemes such as Help to Buy or a mortgage guarantee. The big builders and the developers will not build according to need. It would mean their profit margins declining. They will not increase supply to cut price as is supposed to take place in the market. It is a myth. There is no competition in this market driving down house prices.

### **Council housing facilitated ownership**

Before RTB was introduced council housing actually facilitated home ownership insofar as the reasonable rents enabled people who wanted to buy to save up a deposit for a home. They handed their keys over to the council and somebody else on the waiting list became the new tenant.

There can be no opening up of home ownership to those who are 'priced-out' of the market, **without a significant fall in prices** (see Table 3). What sense does it make to effectively

subsidise the big builders and developers by schemes which subsidise buyers at outrageously inflated prices? The most effective and economic way of achieving a fall in prices is building council housing on a large scale (Labour conferences have voted for 150,000 social rent homes a year of which 100,000 should be council housing). The new tenancies would take hundreds of thousands of people out of the housing market, be it for sale or rent, and would bring prices down. **It is the current surfeit of tenants and would-be home owners chasing after too few homes, which is a key factor in house price inflation.**

The shortage of housing which is affordable to much of the population is not a problem of supply but **imbalance of the type of homes being built and the tenures of them.** This shortage cannot be resolved by building larger numbers of homes regardless of tenure. Even before the spike in mortgages as a result of the 'mini-budget', house prices were beyond the means of large swathes of the population. When Keir Starmer says that home ownership, in a pebble-dash semi or otherwise, is “the bedrock of security and aspiration” that's a very one sided picture. Often the worst housing on council estates are homes bought under RTB. The tenant did not think about the cost of the maintenance and renewal which the council previously did. They couldn't afford to improve them.

A mortgage can be an albatross around the neck as the current situation shows. It can be a source of insecurity and stress. **This worship of home ownership is one of the reasons for the stigma attached to council housing.** It encourages the idea that unless you want to own a home you have no “aspiration”. Everybody has aspirations of one sort or another, but as the pandemic showed there are more important things in life than personal acquisitions. For Labour to talk like this is to give ground to the idea of a “home owning democracy” as if to “have a stake in the community” you have to be a home owner<sup>4</sup>.

### **Council housing should be Labour's first housing priority**

The evidence suggests that a target of 70% ownership is incompatible with a large scale council house building programme. Lisa Nandy said that “Housing isn't a market. It's a fundamental human right”. What she surely means is that *it should be a human right*. Yet she knows full well that housing is dominated by the market. That's just the problem. The housing market does not provide homes for social need. They build only for those who can afford to buy. A human right means nothing to a private company who's only rationale is profit making and providing dividends for their share holders. **If Labour wants housing to be a human right then it should stop accepting that it is a commodity which everybody should aspire to own.**

Council tenants have aspirations too. The lack of a home they have bought doesn't make them second class citizens. The labour movement was founded to struggle for the *collective aspirations* of the working class, which are different from self-interest. Prior to the Atlee government council housing was conceived as housing for the working class and the poor. The premise of the 1945 government was that their large scale council housing programme was building for “general needs”. Indeed in order to address the acute shortage of housing, the proliferation of slums, and widespread over-crowding, the Atlee government actually restricted the building of market homes to one in five, with the rest being council housing.

The speeches of Lisa Nandy and Keir Starmer pose more questions than answers. We need to know what funding they are proposing to provide, and for what. **The 70% target for home ownership has no democratic legitimacy whatsoever.** It has not been discussed by any of the party structures nor the membership. We cannot be expected to sit back and wait for the detail to emerge in a manifesto process in which we will have no influence. If they really had a serious plan which involved a commitment to a large scale council house building programme then the 70% target would not have emerged from thin air.

Historically at certain points government funding has been provided for home ownership and council housing at the same time. How much went to which depended on government priorities. The scale of council house building depends on the level of government grant<sup>5</sup>. Even when the

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4 This is an idea which originates from the time when Britain once was a “home owning democracy” when the franchise was linked to ownership or a high level of rates payments. Only those with a “stake” in the community merited a vote.

5 The average grant from Homes England for a 'social rent' home is only £57,580. Of 103,580 homes funded by Homes

New Labour government abandoned its opposition to building council housing after the Great Crash in 2007-8, it only provided £60,000 per property and councils had to compete with housing associations for grant. The 2019 composite motion which was overwhelmingly passed at the Labour conference called on Labour to “Pledge at least £10 billion a year, ring-fenced for delivering 100,000 social rent council homes...” The figure may be the subject of debate but it is something of that order, at least, which is required to build at scale.

**A social rent council home with a secure tenancy is the most secure form of home and the most affordable.** So long as house building is dominated by commodity production by the private builders then the housing crisis will not be resolved. Labour's first housing priority should be council housing on the scale that the party conference in 2019 and 2021 called for – 150,000 social rent homes a year, of which at least 100,000 should be council housing, combined with ending the disastrous RTB. Council housing is not part of the market, it is housing for social need. That should be the priority which would rescue a new generation from the expensive and often poor PRS. Home ownership is not an obligation, nor is it a virtue as compared to renting. The stigma associated with council housing and council tenants was a direct result of the policies introduced by Thatcher in 1980 and continued by New Labour. When Simon Jenkins, a civil servant at the time, offered to take her to visit examples of good and bad estates, she declared that there were no good estates. Mirroring this attitude the New Labour government declared council housing to be “a failed mono-tenure”.

In a rather belated (and not quite a) mea culpa an ex-Prime Minister has said:

“Whilst we celebrate the virtues of home ownership, it is time to acknowledge that for many a flourishing rental sector is essential and housing needs are not always served by the focus on ownership to the exclusion of other forms of tenure.” **Tony Blair**

Martin Wicks  
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**Table 1: House prices, England**

	Sept 2010	Sept 2021	% increase
<b>Existing dwellings</b>			
Lower Quartile	£127,000.00	£183,000.00	44.00%
Median	£181,000.00	£282,000.00	55.80%
<b>New build</b>			
Lower Quartile	£132,500.00	£239,495.00	80.70%
Median	£177,500.00	£323,995.00	82.50%

**Table 2: Housing Tenure England**

	Total properties	Owner occupied	Private	HA	Council
1979 Percentage	17,782,000	10,191,000 57.3%	2,051,000 11.5%	353,000 2%	5,187,000 29.2%
1997 Percentage	20,622,000	13,979,000 67.8%	2,125,000 10.3%	985,000 4.8%	3,401,000 16.5%
2007 Percentage	22,288,000	15,093,000 67.7%	3,182,000 14.3%	1,951,000 8.7%	1,987,000 8.9%
2010 Percentage	22,839,000	14,895,000 65.2%	3,912,000 17.1%	2,180,000 9.5%	1,786,000 7.8%
2014 Percentage	23,372,000	14,674,000 62.8%	4,623,000 19.8%	2,343,000 10%	1,669,000 7.1%
2021 Percentage	24,873,000	15,858,000 63.75%	4,876,000 19.6%%	2,524,000 10.1%	1,581,000 6.35%

**Table 3: House price ratios**

Year	2002	2010	2021
<b>Existing homes</b>			
Lower Quartile	4.37	6.69	7.96
Median	4.92	7.01	8.96
<b>New Build</b>			
Lower Quartile	6.46	7.13	10.41
Median	6.56	6.76	10.29

For 1997 we have stats which don't separate existing homes and new build. These show lower quartile prices as 3.57 times lower quartile earnings and median prices 3.54 median earnings.