

**Rt Hon John Healey MP, Shadow Secretary of State for Housing and Planning –  
Written evidence (EHM0158)**

**Written evidence to the Economic Affairs Committee in the House of Lords –  
inquiry into the economics of the United Kingdom housing market**

Rt Hon John Healey MP, Shadow Secretary of State for Housing and Planning

**1. Introduction**

I welcome the Committee's timely inquiry. There are many important areas which the Committee are covering, so I will focus on just one – the direct role of government in building the homes needed to fix the cost of housing crisis in our country.

First, because there can be no proper explanation or set of solutions for the housing crisis without a recognition of the changing role of local and national government. Second, because government policy is the area that we as politicians are immediately responsible for and so should be most attentive to. Third, because it is in area where I am able to draw upon my own personal experience, as Minister in the Treasury from 2002-7, Local Government Minister from 2007-9 and then as Housing Minister in 2009-10.

This is one area of housing policy that Labour is now looking at closely, alongside our work across the breadth of housing challenges including the decline in home-ownership which is the focus of the independent Redfern Review.<sup>1</sup>

**2. Context**

At the Conservative Party conference in 1950, during a housing policy debate, the delegates were clamouring for a concrete house-building target for their Party's manifesto. They started to chant: 'three hundred thousand'. Lord Woolton, the Conservative Party Chairman, consulted the head of the Conservative Research Department David Clarke off-stage - could it be done? Clarke said it could. So Woolton promptly announced the target to the conference.<sup>2</sup>

What made possible David Clarke's answer then, when his contemporary today would almost certainly say 'no'? The answer, in large part, is public housebuilding.

In the long period of Conservative government from the autumn of 1951 to the autumn of 1964, only in the first full calendar year did England build less than 200,000 homes; the average over the period was over 250,000, and in 1964 317,540 homes were completed.<sup>3</sup>

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<sup>1</sup> [www.redfernreview.org](http://www.redfernreview.org)

<sup>2</sup> Related in Nicholas Timmins, *Five Giants: A Biography of the Welfare State*, p, 168

<sup>3</sup> All figures refer to completions in England only and are from Department for Communities and Local Government table 244 - house building: permanent dwellings started and completed, by tenure.

The secret? Local authorities built more than three quarters of all homes during this time. Housing associations added still more. In the subsequent decade and half until the late 1970s when average annual completions numbered in excess of 280,000, private house builders contributed a greater share to total output, but local authorities and housing associations still provided almost half of all homes built.

By contrast, it is only after government backing for public housebuilding dwindled that our ability to build the homes at the scale required faded. Since the end of the mass council house-building in the late 1970s, there has only been one year in which we've built more than 200,000 homes – 1988 at the height of the unsustainable 'Lawson boom'. And now, with council and housing associations only building some 25,000 units a year over the last five years, we are building only around half the total number of new homes that independent experts say we need.<sup>4</sup> Indeed, the House of Commons Library has confirmed that over the last Parliament (2010-2015) the lowest number of homes was built under any Government since Lloyd George.<sup>5</sup>

### **3. The present**

The history of broad political support for public house-building is worth bearing in mind when we consider the current political context and in particular the Housing and Planning Bill – set to be the major piece of housing legislation in this Parliament, and which is currently being scrutinised in the Lords.

The Housing Bill pushes a profoundly anti-public housing agenda on at least three fronts.

The first is an extraordinary forced sale of council homes in Chapter 2 of Part 4 of the Bill. Margaret Thatcher introduced the right-to-buy to sell people the homes they live in. This sells council homes not to tenants, but to the highest bidder, including buy-to-let landlords and speculative overseas investors.

Councils that still have council housing, will simply be invoiced by George Osborne with an annual levy based on the value of the homes in their areas. So the worse the local housing affordability problem, the higher cost of their housing stock and the more they have to pay.

This measure pays for the second front - the much-trailed extension of the right-to-buy to housing association tenants. All the way through the passage of the Bill in the Commons the government have rejected even the most basic safeguards to make sure that any homes sold are properly replaced, like-for-like and in the local area.

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<sup>4</sup> Interestingly the present government itself, in the explanatory notes to the Housing and Planning Bill, refer to an estimate that between 200,000 and 300,000 homes are needed per year.

<sup>5</sup> House of Commons Library research for John Healey MP, drawing on A.E. Holmans, 'Historical Statistics of Housing in Britain' and DCLG data.

The third front is perhaps the least recognised but could do the most damage. Private developers currently incur an obligation to build affordable homes to rent and buy in exchange for planning permission for their developments. This 'section 106' source of private funding built more than half of all affordable homes for rent and purchase over the last decade – almost 250,000.

Part 1 of the Bill diverts this private investment almost exclusively into new 'starter homes': houses for sale at up to £450,000 and out of reach for those on average incomes in most parts of the country.

All told, the housing charity Shelter predict that the Bill will mean the loss of 180,000 affordable homes to rent and buy over the next five years.<sup>6</sup> The Chartered Institute of Housing predict that 195,000 homes for social rent could be lost over five years.<sup>7</sup>

More profound still is the Chancellor's decision in the Autumn Statement to stop all new grant funding for affordable rented homes from 2016/17, breaking a cross-party consensus stretching back to the 'Addison Act' of 1919.

So on all fronts, and notwithstanding some of the positive cross-party changes that were made in the last Parliament on localising HRA-based council housing finance, the government's current programme is entirely hostile to public housing.

#### **4. The case for public housing**

So by way of constructive argument, here are my five pressing and positive reasons why I think they – and other governments who have run down the contribution of public housing – are wrong, and we why should instead be building many more public homes.

First, numbers. There's now a broad-based consensus that we must build somewhere in the region of 250,000 new homes a year in England.

But absent from this debate is an honest admission that there's no chance of doing this through the private market alone, as I have outlined above. Public housing used to make up a large part of the new overall housing supply each year. If we are to build the houses our country needs, then it must do so again.

Second, affordability. For millions of households who find it hard to meet their rent or

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<sup>6</sup> Shelter, Housing and Planning Bill second reading briefing, annex A:

[https://england.shelter.org.uk/data/assets/pdf\\_file/0010/1225693/HoL\\_-\\_2nd\\_reading\\_briefing.pdf](https://england.shelter.org.uk/data/assets/pdf_file/0010/1225693/HoL_-_2nd_reading_briefing.pdf)

<sup>7</sup> Private analysis for John Healey MP.

mortgage at the end of the month, who are living with friends or relatives because they can't get a place of their own, or even who need help because they are at risk of homelessness, there is a housing costs crisis.

We know that just building more homes only feeds through into affordability weakly and slowly.<sup>8</sup> So the type of homes built matters, not just the quantity, and that means building more public sub-market homes if we are to bring down housing costs in the short to medium term.

Third, work incentives. Housing costs are a critical factor in making work pay. The steep taper on housing benefit withdrawal is a disincentive to earn more, and higher private sector rents mean that disincentive lasts for longer.

It follows that lower rents in sub-market public homes can make it more worthwhile for people to improve their situation. My previous analysis has suggested that a two parent, one child family with both parents working part-time at the national minimum wage, and where one is offered full-time hours, would be £1,300 a year better off as social renters rather than private renters.

Fourth to boost jobs and the economy. With the British and world economy slowing, and interest rates still at near-historic lows, the opportunity for prudent public investment is overwhelming. Public spending can smooth the investment cycle and helps maintain output in a downturn. There are also positive externalities. According to government estimates, every £1m of building investment supports 12 year-long jobs.<sup>9</sup>

Fifth, investment in public housing can pay for itself. As I showed last year in a report for the Smith Institute, conducted with the support of PricewaterhouseCoopers, we could be building up to 100,000 council and housing association homes a year by the end of this Parliament with modest upfront investment at a comparable level to when I was Housing Minister in 2009 and recycling housing benefit savings into building. That investment pays for itself in 26 years and then provides a profit to the Exchequer after that.<sup>10</sup> Continuing to build at this scale beyond the present 5-year Parliament would multiply these savings.

## **5. Conclusion: my own experience**

Talk of government playing a much greater direct role in commissioning and building the

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<sup>8</sup> There is evidence for this in, for example, the Barker Review of Housing Supply [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/barker\\_review\\_report\\_494.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/barker_review_report_494.pdf)

<sup>9</sup> HM Government, 'Laying the Foundations: A Housing Strategy for England': [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/7532/2033676.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/7532/2033676.pdf).

<sup>10</sup> John Healey, 'High Aspirations, Sounds Foundations': <https://smithinstitutethinktank.files.wordpress.com/2015/09/high-aspirations-sound-foundations.pdf>.

homes we need can seem unfashionable when the role of the active state and value of long-term investment seems to have slipped down the public policy agenda.

However my own experience in government is that there can be a considerable role for government, though it is clear in hindsight that the Labour came to recognise this only in the latter part of our time in office.

During my time as the last Housing Minister in 13 years of Labour government, we:

- undertook the largest investment programme in affordable homes to rent and buy in a generation, through the Homes and Communities Agency – some £9.3bn over the three-year Spending Review (2008-10) in today's prices – which for comparison is about twice the average annual investment pledged by George Osborne for the period announced in the recent spending review (2016/17 onwards);
- added to this with £1.5bn of direct stimulus spending over two years largely switched from other departmental budgets to counteract the effects of the global downturn and recession;
- got local authorities - Conservative, Labour and Lib Dem - building again through the local authority new build programme;
- established the mortgage rescue scheme and homeowners support to keep homeowners in their homes.

All told, the affordable build programme provided almost 120,000 homes to rent and buy over 2009/10 and 2010/11, 60% of which were homes for social rent.<sup>11</sup> The steps to help homeowners meant that the number of people having their homes repossessed was over a third fewer than the level of the peak of the early 1990s recession, despite the 2008 crash being more severe.

I would argue this adds up to a serious intent from government, at a time of economic crisis, to play a big part in meeting the country's housing needs. Despite the special circumstances of that time, just as we saw after the Second World War, the policy tools sharpened in an emergency can be put to use in peacetime too.

However, to end as I began, the best housing or economic policy is balanced, long-term and capable of commanding wide support and cross-party backing – Bank of England independence, national infrastructure planning system or localisation of the HRA (housing revenue account). So with the case for public housing which cannot be just Labour or Conservative but a prospectus that both parties should seek to claim. For Britain has never really succeeded on housing unless Ministers have grasped the truth that government has to do a good part of the heavy lifting.

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<sup>11</sup> CLG Live Table 1000.

2 March 2016