

The contradictions of Labour's housing policy

There are no market solutions to the housing crisis

At last year's conference Keir Starmer said that Labour is "the Party of Home Ownership". It would support first time buyers with "a mortgage guarantee scheme". At the same conference Lisa Nandy said Labour's mantra was "council housing, council housing, council housing" and it would commit to turning 'social housing' into the second tenure (after home ownership). Look at what this would mean practically and financially and you can see that Labour's housing policy simply does not add up – mathematically or politically. **Martin Wicks** examines the contradictions of Labour's housing policy.

The housing crisis cannot be resolved just by building more homes. We are told that the housing market is "broken". The idea that it can be "fixed" as if it could be "made to work" for everybody, is based on an assumption that market competition will lead to producers of commodities providing them to the best quality at the cheapest price for the consumer. This myth of the classical operation of the law of supply and demand takes no account of market concentration and the tendency towards monopoly. The house building industry is dominated by the big builders¹. They never build for social need. They build for those who can afford to buy, at a scale and pace which maximises their profit margins.

Despite the current fall in house prices, price to earnings ratios mean that prices are still way beyond the means of many people. For England the median price to earnings ratio was 8.28 in September 2022. Even the cheapest lower quartile one was 7.36 times earnings. For new builds the median price was 9.85 times and for lower quartile 10.02 times income.

Rachel Reeves suggests that we need the British economy "firing on all cylinders". Yet increased economic activity is no panacea. It can have negative social and environmental consequences. Increased activity by the big builders, building homes that few can afford is of no use, except for them and their share holders. As the Financial Times explained:

"A 2021 study by Tom Archer and Ian Cole at Sheffield Hallam University found that before the financial crisis each completed home netted an average pre-tax profit of slightly more than £30,000 across the nine largest UK housebuilders. By 2017 that had doubled to more than £62,000. The dividends paid out went from an aggregate £400mn to more than £1.8bn during the same period and the largesse has continued since."

'This is Money' [reported](#) that the big building companies made £7 billion profit in just two years, 2020 and 2021.

Labour's Help to Buy?

In March 2021 in the House of Commons Keir Starmer recognised that the government's Help to Buy scheme was driving up prices.

"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!" (our emphasis)

How would Labour's proposal be any different to Help to Buy? Keir Starmer announced that Labour would "help first time buyers onto the ladder with a new mortgage guarantee scheme"². It

1 Only seven companies build more than 5,000 properties. Another seven build more than 2,000 but less than 5,000.

2 The idea of the "housing ladder" originates from a time when house price inflation enabled some people to buy a bigger or

has also been called a “mortgage insurance scheme” and Lisa Nandy has referred to it as a “state supported mortgage”. As yet we have been unable to find out exactly what this will offer. In the context of the super-profits of the big builders why would you fund home ownership at inflated extortionate prices³ which are in effect a subsidy to these companies? This will not resolve the housing crisis.

Home ownership will only be more accessible to those who want it if prices come down. That's only likely to happen if there are less people forced into the market. For instance, if a large scale council house building programme of 100,000 or more a year was carried out then the number of people obliged to try for a mortgage or to rent in the private sector would fall and would be likely to bring prices down. It is the fact that so many people have no other choice than the market (buying or renting) because of the shortage of council housing, which makes it a sellers' market.

Housing as a human right?

On a number of occasions Lisa Nandy has said that “housing isn't a market, it's a fundamental human right”. If that's the case then why set the arbitrary target of 70% home ownership? Of course, house building operates as a market. Human rights are not on the builders' radar. They build commodities for buyers with recourse to a mortgage, or for some with the help of “the bank of mum and dad”. If we don't want housing to be an asset rather than a home then we need to focus resources on building council housing; **building homes for social need rather than for profit**. If you believe that housing should be a human right – good quality, safe and genuinely affordable housing – then it makes no sense to promote commodity production as your main objective.

Keir Starmer said that home ownership was “the bedrock of security and aspiration”. Since 1980 there has been a tsunami of propaganda which implies that if you don't want to own a house, or can't afford one, you have no “aspiration”. This was another version of “getting on” or “keeping up with the Jones”. **In contrast the outlook of the labour movement was collective aspiration to resolve social problems rather than personal acquisitiveness**.

As for “security”, we have been reminded that with higher interest rates, home ownership can be an albatross around the neck. Look on council estates and you will see that some of the worst houses are those that have been bought. The ex-tenants have not had the wherewithal to be able to do them up. You can still see some with the original metal window frames. When the old tenant dies then many of these properties are bought by builders, done up and put on the private rental market.

Contradictions

The Labour leadership's policy, what we know of it, is full of contradictions. For instance, to reach the 70% home ownership target would require at least 1.553 million extra homes for sale⁴. To turn 'social housing' into the second highest tenure would require 771,115 homes to catch up with the private rental sector and then more to overtake it⁵. In fact they have not stated how many homes for sale they are going to fund nor how many social housing properties fund to build. The two *implied* targets together would mean more than 2.3 million additional homes. Labour has no detailed plan for this and as yet won't indicate how much it will spend on these two policies. As we show below **these two targets are incompatible**. The more funding that goes to home ownership the less will be available for council housing. As you can see in Table 2, if the current shortfall of 1.553 million was overcome by building that many and social housing caught up with the private sector, then ownership as a percentage of overall stock would only creep past 64%!

What if the private rental sector declined? In Table 3 we give the example of a scenario where

more expensive house. The reality for most people is that they buy what for them is a home. The very use of the term buys into the idea of a house as an asset with ever increasing value.

3 Only one of the top ten builders has an average price of less than £300,000.

4 The number of homes in the other tenures will not stand still so more would be required. These are government statistics for March 2021. According to the census there are now 5 million households in the PRS.

5 Lisa doesn't distinguish between councils and housing associations. If you live in a council house you at least have the possibility of voting out your landlord (the ruling political group) but you cannot get rid of the board of your housing association if you are a tenant.

there was a decline in the number of homes for private rent of 500,000 which we assume would be sold onto the market and end up as homes under ownership. As you can see that would still not increase the percentage to 66%.

The improbability of supporting an extra 1.553 million homes for sale is also shown when you consider what has been spent on the current government's Help to Buy scheme which is just ending. Up to September 2022 the government had spent £23.6 billion funding 375,654 homes. The same level of funding for 1.553 million homes would be around £97.5 billion. Looking at the statistics for new builds, Help to Buy appears to have accounted for around 30% of new homes. If Labour funded the same percentage of the 1.553 million homes necessary to reach the 70% target, that would be £29.26 billion. With inflation taken into account it would be more still.

If Labour were to fund 771,000 social housing units how much would that cost? The government's affordable homes programme has spent £4.2 billion producing 42,675 homes. However, only 15,000 of these have been social rent. It's clear that, as a range of organisations have recognised, "affordable rent" (up to 80% of market rent) is unaffordable⁶ and what is needed is social rent properties. The amount of grant on average for those 15,000 social rent homes was just £57,580. That's £863 million overall. Yet even at this parsimonious level of grant, **which is completely inadequate**, grant for the building of 771,115 social rent homes would cost £44.4 billion.

Who would pay for what?

With Rachel Reeves promising 'fiscal discipline', perhaps the potential scale of support of all this is why Shadow Housing Minister Matthew Pennycook has previously told us that support for building 90,000 or more social rent homes will not all come from government grant. So where would it come from? Where else but the private sector? The problem with that is that it is more expensive than borrowing money from the Public Works Loans Board. That's why private building companies set up by councils have tended to build "affordable rent" homes in combination with market homes for cross subsidy. But "affordable rent" only adds to the housing benefit bill because the rents are much higher than social rent and place tenants under more financial pressure. Moreover, councils have also been pressured into converting social rent homes into "affordable rent" because of the low level of grant. There should be no support for "affordable rent" but only for social rent. Social rent homes need a higher level of grant but they save on the housing benefit bill.

Bearing in mind the Labour leadership's talk of "partnership with business" we should remember that the New Labour version included promoting the Private Finance Initiative as one of the means of funding modernisation of council housing. It was, of course, more expensive than funding it directly.⁷ Whilst the New Labour government refused to fund council house building it promoted the growth of the Buy to Let sector. Hence it was culpable for the housing crisis.

Retro-fitting and decarbonisation

What is Labour's policy in relation to retro-fitting and decarbonisation? We know that Labour has committed to £28 billion a year for green investment. We understand that £6 billion a year of this will be for retro-fitting the 19 million homes that need it. Who will this be available to and on what basis? £60 billion over 10 years if it was handed out equally is not much more than £3,000 per property. Will it be grant or borrowing? It certainly wouldn't go far towards overall costs. It appears to be for funding insulation. We have asked Ed Miliband if there is any commitment to funding heat pumps, and await an answer. Improving insulation is beneficial but it requires non-carbon heating to go with it.

What about council housing? What is the likely cost? The current government's Decarbonisation Fund has provided only just over £8,000 per property, which is completely inadequate for the actual costs. So far there have been small scale trials in retrofitting homes, but the cost is not cheap. We have seen recent examples such as Leeds council which retrofitted

6 For 2021/22, according to the [Regulator of Social Housing](#) the average social rent for local authorities was £89.53 and for affordable rent was £131.92.

7 Stuart Hodkinson in [Safe As Houses](#), records huge increases in costs of PFI council housing schemes from 55-338%.

190 homes for £9 million, that is £47,000 per property. Reading Council has done external wall insulation for £30,000, with a heat-pump £40,000. If done on a larger scale (albeit with the necessary increase in trained workers) then prices might come down. But we can say that it would cost, on average, somewhere between £30,000 and £40,000. So for the 1.569 million council homes in England the overall cost would be £47-£62 billion. There is no way that council housing revenue accounts, which are grossly under-funded, could cover these costs. So Ed Miliband's £60 billion could probably cover the cost of retro-fitting and decarbonising England's council housing *alone*.

To give one local example of the scale of need, in Swindon, where 40% of the stock is 'non-traditional' (prefabricated), retro-fitting just these 4,000 homes would cost in the region of £120-£160 million. Yet the capital expenditure which is available is just £16 million a year. That has to cover the cost of renewing key housing components in order to maintain the Decent Homes Standard, without which the condition of the stock and living conditions will deteriorate.

It's quite clear that without substantial central government grant there is no way that all the council housing stock will be retro-fitted. If not then all the talk of decarbonisation being a priority will be empty rhetoric.

So if you look at *potential* costs of all this you have:

- Anything from £29 to £97 billion to support 1.553 million homes for sale or part thereof.
- Probably in the region of £100 billion⁸ (given the inadequacy of the current level of grant) for building new social housing; Shelter has estimated £10 billion a year for ten years.
- And £47-£62 billion for retro-fitting council housing.

Even if we assume this was over 10 years, taking the lowest figures, that would still be nearly £18 billion a year.⁹ Whilst this is certainly affordable, if considered a priority, the prioritising of funding home ownership poses a crucial question. **If retro-fitting is a critically important task then why would you make the political choice of focusing on funding home ownership on the basis of a target which will never be reached whilst failing to act as a matter of urgency on decarbonising existing homes?**

A national economy is not a household budget

The Labour leadership has said that they won't commit to any policy without "costing it". Yet any questions on what they will spend receive the reply that "we will have to see where the finances stand closer to the election". The problem with that is that it means that the decisions will be taken by very few people at the top. But when you are developing any programme or policy, in this case housing, you need to draw on the experience of a wide range of people including trades unions in the building industry and tenants. Targets which are drawn up at the top virtually always come a cropper. The New Labour government had a target of 250,000 homes a year and never achieved it. In the 1960s Labour committed to 500,000 homes a year (250,000 council homes and 250,000 for sale) and never got near it.

The New Labour government in 1997 needlessly stuck to Tory government spending limits. The mood music from Rachel Reeves and Keir Starmer today is similar. "We won't be getting the cheque book out," he recently said, making the preposterous comparison of a national economy with a household budget. It appears that "getting the national debt falling" is a priority for the current Labour leadership. Yet the situation is nowhere near as bad as in 1945 when the British economy was virtually bankrupt. Debt was 250% of GDP, two and a half times what it is now.

When the NHS was launched, planning predicted an annual cost of £170 million. Yet in the first year the cost was over £305 million. £1 million was budgeted for opticians but within a year 5.25 million spectacle prescriptions had been issued, costing £32 million. Prescriptions rose from 7 million per month in 1947 to 19 million in 1951.¹⁰ All this reflected historical unmet need of people

⁸ Something like £100,000 grant would be required - £10 billion a year for 100,000 council homes. That would be £100 billion over 10 years. Another £5 billion would be required for 50,000 social rent housing association homes.

⁹ Retro-fitting housing association homes merits separate consideration. We don't have enough information to make a guesstimate of cost there.

¹⁰ Helen Welch, *The NHS – the story so far*, Pen and Sword publisher, 2018.

who could not afford to buy healthcare.

The Atlee government also prioritised council housing to the extent that it made private companies apply to local authorities for permits to build houses for sale on the market and these were restricted to one in five, the rest being council housing. The grant for councils to build was *tripled* and was extended from 40 to 60 years. The government grant was £16 10s and £5 10s from the rates, giving £22 a year for 60 years or £1,320.¹¹

If the current economic approach of Keir Starmer and Rachel Reeves had been applied after 1945 then neither the founding of the NHS nor the large scale council house building programme would have taken place.

Right to Buy

At the 2022 Labour conference Lisa Nandy said that “the idea of a home for life handed on in common ownership to future generations is an idea worth fighting for”. It is. Yet she contradicted that when she subsequently said that she agreed with Michael Gove that RTB was “sustainable” if those sold were replaced “like for like”. We don't believe that “like for like” replacement is possible, even if councils were able to keep all their receipts, which they currently cannot. Receipts are insufficient to fund the inflated costs of new build. Half of homes sold are three bed family homes which are more expensive to build. In any case to leave RTB in place means that councils would have to build more than 12,000 homes a year, just to stem the loss¹². That number has not been built since 1990/91.

Lisa Nandy also said that Labour supports the “principle” of RTB. Yet RTB ends the common ownership and turns a home into a privately owned asset. Subsequently many of them end up in the private rental sector – an estimated 40% - with much higher rents that drive up the housing benefit bill. Her position stands in stark contradiction with the view of the overwhelming majority of Party members and affiliates who want RTB to be ended. There was no “principle” to RTB. For the Tories it was a means of promoting self-interest in order to undermine the electoral base of support of Labour on council estates.

A Labour government will face many competing priorities for funding. One of the advantages of ending RTB is that **it is a cost-free policy**. If the sales are stopped then for the first time since 1980, all council homes built would increase the stock rather than councils struggling (and failing) to keep up with the numbers sold off.

RTB, selling a local government asset on the cheap, benefits a small number of people, but to the disadvantage of those on the waiting list and those who languish in temporary accommodation, much of it of poor quality. It is a socially destructive policy. [RTB divides people into winners and losers](#). Because of the acute shortage of council housing most tenants are very poor. You aren't even allowed on the waiting list if deemed to earn “too much”. Whilst there are more than 1.2 million households on the waiting lists only 51,000 council tenancies were handed out to new tenants last year.

Labour's first housing priority

Labour's first housing priority should be funding a large scale council house building programme and retro-fitting and decarbonising existing council housing stock. This would address both the environmental and the housing crisis. Setting contradictory targets which cannot be met is a hostage to fortune. Prioritising housing as a commodity to be bought contradicts Lisa Nandy's assertion that “housing is a human right not a market”.

The Labour leadership should take its guidance from the Party membership and affiliates who have demanded at conference 150,000 social rent homes a year, of which 100,000 should be council housing. They should concentrate on funding housing for social need rather than home ownership. Some updated version of Help to Buy will only drive up house prices.

At the 2021 conference Shadow Minister Lucy Powell said that ending RTB was the right thing to do and it is what the members want. The Leadership should do what the members want and

¹¹ The Nationwide house price statistics show the average price in 1952 as £1,891. So the grant was at least two thirds of the cost and no doubt more in many areas where prices were lower than this.

¹² In 2021/22 10,974 homes were sold under RTB. When you factor in demolitions of 1,340 that's more than 12,000 lost.

commit to abolishing RTB [as our campaign calls for](#).

Pressure needs to be brought to bear, inside and outside the Labour Party, for a change in policy before the General Election. Our [model resolution](#) to the 2023 Labour conference aims to do that in the Party. In the event of the Labour leadership refusing to make the necessary shift then there will have to be an extra-parliamentary movement to press home these demands on a Labour government without which the housing crisis will not be resolved. The tenants movement has a central role to play in demanding the council housing which is needed to liberate the new generation currently obliged to live in the private rented sector. Equally, the trades unions, (especially those affiliated to Labour) many of whose members are in the private rented sector should bring pressure to bear.

Martin Wicks

April 26th 2023

Table 1: Tenure breakdown 2021

	Number	Percentage
Owns outright or with mortgage	15,857,547	63.75%
Private rental	4,876,456	19.60%
Housing Associations	2,523,928	10.15%
Council	1,581,413	6.40%
Other public sector	34,000	0.10%
Total	24,873,344	100.00%

[Table 104: Dwelling stock by tenure, England \(historical series\)](#)

Ownership is 1,553,793 short of 70%. The combined number of Housing and Association homes are 771,115 short of the number in the private rented sector.

Table 2: Labour's two targets

	Number	Percentage
Owns outright or with mortgage	17,411,340	64.02%
Private rental	4,876,456	17.93%
Housing Associations + Council	4,876,456	17.93%
Other public sector	34,000	0.12%
Total	27,198,252	100.00%

Table 3: If private rental falls by 500,000 and ownership increases by that amount.

	Number	Percentage
Owns outright or with mortgage	17,911,340	65.85%
Private rental	4,376,456	16.10%
Housing Associations + Council	4,876,456	17.93%
Other public sector	34,000	0.12%
Total	27,198,252	100.00%