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## **Biggest building programme since the 1950s**

The biggest council house building programme for decades was ordered by Gordon Brown yesterday as he urged town halls to rescue the construction industry and help to kick-start the economy.

Treasury rules that have stopped local authorities from building social housing should be relaxed to allow councils to borrow more money and to keep the proceeds from rents and sales, the Prime Minister said.

The changes, which could be introduced within months, would help to reverse the dramatic fall in homes built by councils since Margaret Thatcher introduced the right to buy policy in the early 1980s. Last year only 375 council homes were built.

Thousands of houses could be constructed by councils in the next few years on land that already has planning permission but where cash-strapped private developers hit by the recession have pulled out of projects.

There have been intense discussions on Labour's National Executive Committee about how to help the 4.5 million people waiting for social housing and to get the construction industry back to work, The Times has learnt.

Mr Brown has the support of Margaret Beckett, the Housing Minister, in pushing through new regulations, according to government sources, but Alistair Darling, the Chancellor, is said to be resisting proposals that could add billions of pounds to public debt.

Mr Brown told council leaders in London yesterday that town halls had a vital role to play in getting Britain out of the recession. "In the past we have placed restrictions on local authorities delivering social housing," he told a conference held by the New Local Government Network. "But, today, let me be clear: if local authorities can convince us that they can deliver quickly, and cost effectively, more of the housing that Britain needs . . . then we will be

prepared to give them our full backing and put aside anything that stands in their way.”

Over the past 30 years most social rented homes have been built by housing associations — private bodies that receive government grants to build homes — because there are no financial incentives for councils to do so. However, not nearly enough homes are being built to cope with the soaring waiting lists.

The main reason for the building decline is that, since 1989, councils have had to give back at least 75 per cent of the income they receive in rent and sales to the Treasury. But so many people are now on waiting lists — and the figure is likely to rise to five million as the recession kicks in and more homes are repossessed.

Figures published yesterday suggest that about 1.2 million people now owe more money on their home than it was worth last month after house prices fell for the fifteenth month in a row. This figure could more than double to three million by early next year — twice the number of households that were in negative equity during the recession of the early 1990s.

The average house is now worth £150,050, down nearly 20 per cent from the market peak in October 2007, when the average home cost £186,044. This takes the yearly decline to 16.6 per cent, the biggest annual drop in prices since Nationwide’s records began in the 1950s.

Howard Archer, chief UK and European economist at IHS Global Insight, said that the bleak economic outlook coupled with massive job losses would cause further hefty price falls. “House prices are likely to fall a further 15 per cent in 2009 and another 5 per cent drop is expected in the first half of 2010, taking them to a low of £123,586.” House prices were last at this level in May 2003.

Separate figures from the Land Registry showed that house prices fell by 2 per cent in December, taking the annual decline in 2008 to 13.5 per cent. Homeowners with terraced houses saw the value of their property fall the most, with prices dropping by 14.4 per cent to an average of £123,376.

Last year Mr Brown set ambitious targets to build 75,000 social houses annually by 2010-11, for both renting and shared equity schemes, but these aims will not be met at the present level of building.

Council chiefs welcomed the opportunity last night to take a bigger role in housebuilding, although they have privately warned officials that the changes will not be easy to implement. Land would have to be identified and town halls would have to secure finance from banks or public bonds at a time when credit is hard to come by.

Last night the Local Government Association said that the proposed changes would give real incentives for councils to build more housing for some of

society's most vulnerable people and for the thousands of people who are being repossessed.

Sarah Teather, Liberal Democrat housing spokeswoman, said: "For years Labour and the Tories have blocked councils' attempts to build social housing and created the housing crisis we are faced with today."