

Local Government Association briefing, Housing and Planning Bill, House of Lords Committee day two (Starter Homes and self-build and custom housebuilding) and day three (social housing) 1 March and 3 March 2016



KEY MESSAGES

- The LGA supports the Government in its ambition to increase housing supply. Councils want to play a lead role in building new homes and developing a locally responsive mix of tenure, which includes social housing and affordable homes for families not ready to buy.
- We are concerned that elements of the Bill will not help the Government to achieve its ambitions. It will have the unintended consequence of reducing the availability of much-needed council housing, and could hamper the ability of local authorities to invest in new affordable council housing and to create the right mix of housing that local residents can afford.
- This could lead to an increase in the housing benefit bill as more people are forced to move into the more expensive private-rented sector, and would do little to help councils reduce both homelessness and spending on temporary accommodation.
- It is difficult to understand the full implications of the proposals as much of the detail will be determined in regulations that have not been published alongside the Bill. Draft regulations should be published as soon as possible to allow for effective scrutiny.
- **Starter Homes:** As local planning authorities, councils need the flexibility to shape the number, type and quality of Starter Homes within and across developments alongside other types of affordable housing. It is vital that new housing products are delivered in response to the needs of residents and economies in local housing markets as assessed locally by councils as part of developing their local plans.
- To ensure the best use of public subsidy, the discount on Starter Homes should be recycled in perpetuity, as is the case in council schemes, or extended (for example, to 20 years) so that more families can benefit.
- **Self-build and custom housebuilding:** We support the Government's ambition to double the number of self-build and custom build houses built by 2020. However, the National Planning Policy Framework clearly sets out that councils should plan locally for a mix of housing to reflect local demand, including people wishing to build their own home.
- A new legislative duty on councils for self-build and custom-build delivery is therefore unnecessary. Instead, there should be more effective ways for communities to find plots of land, and access to finance for self-build and custom build should be improved.
- **Forced sale of vacant high value local authority housing:** We oppose proposals that would allow the Secretary of State to require a regular payment from councils based on an amount determined by central government in secondary legislation.
- Councils should be free to manage their housing assets and to retain 100 per cent of receipts to invest in new and existing homes. As a minimum all councils should retain sufficient funds to replace each home sold on a like for like basis. This should also apply to council Right to Buy, as required rent reductions reduce the capacity of councils to replace those homes sold under the scheme.

Briefing

- The Bill effectively gives Government the freedom to decide how much it would like to 'tax' each council with housing stock, and to define high value for their area to deliver that figure. This diverges from the original intent of the policy.
- **Implementing the Right to Buy on a voluntary basis:** It is important that Government and housing associations work with councils to manage the take up of the extended Right to Buy and any onset implications for local housing markets, and to ensure that the location and tenure of replacement homes considers the implications for council duties to accommodate the homeless and vulnerable.

AMENDMENT STATEMENTS

Starter Homes

The LGA supports amendment 45A, in the name of Baroness Williams of Trafford.

- Amendment 45A would ensure that local planning authorities are consulted on any proposals to amend the price cap for Starter Homes in their local areas. It is important that local planning authorities have the powers to determine the number, location, type and quality of Starter Home provision alongside affordable rented products and in line with local assessments of need and viability.

The LGA supports amendment 46, in the name of Baroness Bakewell of Hardington Mandeville and Lord Shipley.

- Amendment 46 would ensure that the discount on Starter Homes would remain in perpetuity so that future families can benefit.

The LGA supports amendment 47, in the name of Baroness Bakewell of Hardington Mandeville, Lord Greaves, Baroness Pinnock and Lord Shipley. **The LGA supports amendment 48**, in the name of Lord Beecham and Lord Kennedy of Southwark. **The LGA supports amendment 49**, in the name of Lord Beecham and Lord Kennedy of Southwark.

- Amendments 47, 48 and 49 would broaden out requirements to consider other types of affordable housing.

The LGA supports amendment 48C, in the name of Baroness Bakewell of Hardington Mandeville, Lord Best, Lord Kennedy of Southwark and Lord Kerslake. **The LGA supports amendment 48F**, in the name of Lord Beecham, Lord Best, Lord Cameron of Dillington and Lord Kerslake. **The LGA supports amendment 50B**, in the name of Lord Beecham, Lord Best, Lord Cameron of Dillington and Lord Stoneham of Droxford.

- Amendments 48C, 48F and 50B would ensure local planning authorities carry out a duty to promote Starter Homes based on their local assessment of need and viability within the local area. Local planning authorities should have the powers and flexibilities to deliver Starter Homes alongside other affordable homes for rent, in line with the locally assessed need and viability undertaken in developing their local plan with communities.

Social housing (sale of high value assets)

The LGA supports amendment 61, in the name of Lord Beecham and Lord Kennedy of Southwark.

- Amendment 61 would ensure local housing authorities retain sufficient funding to replace every high value property sold in their area, as well as to cover repayment of capital debt.

The LGA supports amendment 64, in the name of Lord Beecham and Lord Kennedy of Southwark.

- Amendment 64 would enable local housing authorities to determine the definition of 'high value' for their local area.

The LGA supports amendment 65, in the name of Lord Beecham and Lord Kennedy of Southwark.

- Amendment 65 would set a limit on the proportion of any local housing authority's high value stock that can be used in the formula to determine a payment for that local authority.

The LGA supports amendment 66, in the name of Lord Beecham and Lord Kennedy of Southwark.

- Amendment 66 would ensure that a property is not defined as high value should receipts from that property not be sufficient to replace it in the same local authority area.

The LGA supports amendment 62A, in the name of Lord Kennedy of Southwark, Lord Kerslake and Lord Stoneham of Droxford. **The LGA supports amendment 68A**, in the name of Lord Beecham, Lord Best, Lord Kerslake and Lord Stoneham of Droxford.

- Amendments 62A and 68A would ensure local housing authorities retain sufficient funding to replace every high value property sold in their area, as well as to cover repayment of capital debt and associated transaction costs.

The LGA supports amendment 67B, in the name of Lord Beecham, Lord Best and Lord Kerslake.

- Amendment 67B would exclude a number of properties from the formula for calculating a payment required of each local housing authority.

The LGA supports the intention of Baroness Bakewell of Hardington Mandeville, Lord Kennedy of Southwark and Lord Shipley, to oppose clauses 71, 73, 74 and 75.

BACKGROUND INFORMATION AND EVIDENCE

Starter Homes

The initial aim of the Starter Homes policy was to deliver an additional 100,000 new homes across England over five years, on otherwise unviable commercial or industrial land. The homes were to be sold to first time buyers under the age of 40 at a minimum discount of 20 per cent to market value, and a maximum price of £450,000 in London and £250,000 elsewhere. That target has subsequently been increased to 200,000 homes by 2020. The scope of the policy has also been widened to ensure these homes are included within every reasonable sized housing site, to be defined in regulations.

It is vital that new housing products are delivered in response to the needs of residents and economies in local housing markets. The National Planning Policy Framework already requires councils to plan locally for a mix of housing to reflect local demand. Councils want to support more people into home ownership and many have their own low cost

home ownership schemes, planned alongside a mix of housing options meeting local need. **We would like to see the Bill amended to enable local planning authorities to deliver the number, type and quality of starter homes based on their local assessments of need and viability on a site by site basis, alongside other affordable housing options.**

Local flexibility in determining a mix of housing for local residents

We recognise that Starter Homes will support home ownership among some members of the community. However national definitions will not be appropriate everywhere and will not meet the needs of many people who cannot afford to pursue home ownership. This means that local flexibility will be crucial in ensuring that councils, in their role as local planning authorities, can determine the number, location, type and quality of Starter Home delivery based on the assessed needs of local residents.

Research commissioned by the LGA, carried out by Savills, shows that:

- On a national scale, Starter Homes would be out of reach for all people in need of affordable housing in 220 council areas (67 per cent). Starter Homes would be out of reach for up to 90 per cent of people in need of affordable housing in a further 80 (25 per cent) council areas. This is based on defining people in need of affordable housing as those that have to spend 30 per cent of their household income to rent or buy a home.
- For the wider population, a 20 per cent discount to the average house price makes it possible to borrow enough to buy a Starter Home in just 45 per cent of all council areas in England. This includes all average priced homes in the North East of England, 95 per cent of the North West and 90 per cent of the East Midlands.

Local flexibility would also enable councils to ensure the provision of other affordable products that are most needed at the local level. The Government's own impact analysis suggests that for every 100 starter homes built through Section 106 agreements, between 56 and 71 affordable or social rented homes (and a small proportion of low cost home ownership) homes will not be built. Should 100,000 Starter Homes be built through the planning system in the four years up to 2020, between 56,000 and 71,000 sub-market rented homes will not be built. This is a significant proportion of supply, in the last four years a total of 120,000 sub-market rented homes were built overall. Councils should have the powers to determine the number and mix of starter homes alongside sub-market rented properties as part of new developments.

Starter Homes discount in perpetuity

The Bill proposes that Starter Homes can be re-sold or let at open market value five years after the initial sale. The restrictions on re-sales and letting at open market value should be in perpetuity, as is often the case in many council-run Low Cost Home Ownership schemes, or extended to a longer period (for example 20 years) to discourage speculation and enable more households to benefit, generating maximum returns from public investment. Further, delivery of Starter Homes through the planning system will create significant new burdens on council planning teams and so should be fully funded by reforms granting local planning authorities the flexibility to set planning fees locally.

Vacant high value local authority housing

Councils already consider the best use for their assets and any new duty to sell stock must be balanced against local housing need. Local authorities should retain all receipts from the sale of vacant high value homes and from council Right to Buy in order to invest locally in building new homes crucial to reducing waiting lists and welfare spending. **The Bill should be amended to give councils maximum freedom to manage their own housing stock and to locally retain capital receipts for reinvestment in new and existing housing, as a minimum retaining sufficient receipt to replace every home sold.**

We do not support proposals for a formula that would allow the Secretary of State to require regular payments from councils, which would be based on an estimate of income from the sale of vacant high value homes determined by regulations that define high value. The Bill effectively gives Government the freedom to decide how much it would like to 'tax' each council with housing stock, and to define high value for their area to deliver that figure. This diverges from the original intent of the policy.

The Bill does allow for negotiation between Government and individual local authorities on the payments and on retention of receipts, and for certain properties to be exempt. It is crucial that these negotiations are based on the impact of the policy on the wider responsibilities of councils to meet housing needs, and cover the cumulative impact of other policy reforms, such as the social rent reduction proposal in the Welfare Reform and Work Bill, which may significantly hamper councils' capacity to replace homes sold.

Potential impact of the proposals on housing stock

It is difficult to forecast the impact of proposals given the absence of detail. If high value is defined as the top third of the regional market value, then we project 5,500 council homes would become vacant and subject to forced sale every year. This figure would be lower when taking into account transfers within stock. These sales would be in addition to the 22,000 council homes we forecast will be sold through council Right to Buy each year. This totals 88,000 homes up to 2020.

If councils were to replace just one in nine homes then 80,000 council homes would be lost, putting an additional £156 million of upward pressure on the housing benefit bill. The reforms risk continuing the long-term fall in the availability of council housing, which has reduced from 3.7 million properties in 1994 to 1.6 million today.

Replacement homes will be critical for supporting the vulnerable and helping reduce costs from homelessness and funding temporary accommodation. The number of households in temporary accommodation increased from 51,740 in 2012/13 up to 66,980 in 2015/16, and total expenditure dealing with homelessness has increased from £300 million in 2012/13 to £330 million in 2014/15.

Councils want to work with the Government to increase housing supply in a way that reduces homelessness and its associated costs for people and the public purse. We would support measures in the Bill and regulations that grant additional flexibilities for councils to replace properties sold through the high value policy and Right to Buy. This would also help local authorities to adapt to the required social rent reduction set out in the Welfare Reform and Work Bill, which would take £2.2 billion from local housing finance strategies.

Implementing the Right to Buy on a voluntary basis and reducing social housing regulation

It is important that the Government and housing associations work with councils to manage the take up of the extended Right to Buy and any onset implications for local housing markets. For instance, a range of specialist and supported properties should be exempted to ensure that there is sufficient provision to accommodate vulnerable people locally, and measures put in place to reduce potential fraud. It is also crucial that councils are involved in determining the location and tenure of replacement homes sold under the extension of Right to Buy. We would like to work with the Government on this to ensure that new homes meet the needs of all residents in local housing markets.

Housing associations should also be required to consult regularly with their local councils on the impact of the extended Right to Buy and any potential deregulation package. This would help to ensure housing associations and councils meet the needs of their tenants, including the most vulnerable.