

# Local Government Association briefing

## Housing and Planning Bill

### House of Lords, Report Stage

11 and 13 April 2016



#### KEY MESSAGES

- Local government can play a key role in building more homes. Local authorities should be able to develop a locally responsive mix of housing tenure that works towards supporting home ownership, expanding stock where it is most needed and meeting demand, while reducing welfare spending.

#### *Starter Homes (clauses 1 to 7)*

- As local planning authorities, councils need the power and flexibility to shape the number and type of Starter Homes within and across developments. This should be alongside different types of affordable homes and in line with local plans to meet local assessments of need and viability, which is crucial for securing community support for development.
- The consultation proposal to nationally require all sites over 10 units to have 20 per cent starter homes will likely displace the majority of sub-market rented homes needed in many areas with a product defined as affordable that many in need of an affordable home cannot afford. The Government has predicted that 22 per cent is the maximum proportion of Starter Homes that any development can bear without affecting viability, leaving little room for sub-marketed rented products
- Local government shares the concerns expressed by lenders and developers about a five-year restriction on re-sales, which the Government is currently consulting on extending to eight years with a taper. To ensure the best use of public subsidy and minimise market disruption, the discount on Starter Homes should be recycled in perpetuity so more families can benefit, as is the case in council schemes, or extended to 20 years with a taper that reduces the cliff-edge windfall.
- **Given these concerns, the LGA supports amendment 1 led by Lord Best and Lord Beecham; amendment 5 led by Lord Shipley, Lord Kennedy of Southwark, Lord Stunell, and Lord Beecham; amendment 6 led by Baroness Bakewell of Hardington Mandeville and Lord Shipley; and amendments 8 and 9 led by Lord Kerlake, Lord of Southwark, and Baroness Bakewell of Hardington Mandeville.**

#### *Implementing the Right to Buy on a Voluntary Basis (clauses 62 to 66)*

- The LGA supports the intent behind amendment 51 led by Lord Kennedy of Southwark and Lord Beecham. The LGA wants to work with central government, housing associations and councils to ensure the implementation of the national agreement meets local need.

#### *Forced sale of vacant high value local authority housing (clauses 67 to 77)*

- We do not support proposals in the Bill 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. The Bill gives the Secretary of State the power to decide how much to take from councils and to define 'high value' –

# Briefing

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or 'higher value' as now proposed in government amendments 54, 57-61, 67, and 69-71. This diverges significantly from the original intent of the policy.

- **As such, the LGA does not support amendments 54, 57-61, 67, and 69-71 led by Baroness Williams of Trafford.**
- 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.
- Negotiations on this between central and local government should take into account the impact of wider housing reforms on the responsibilities of councils to meet housing needs, giving councils flexibilities to retain a proportion of receipts to build more than one home for every sold should it want to.
- **Therefore, the LGA supports amendment 53 led by Lord Lisvane and Lord Kerslake; amendment 55 led by Baroness Bakewell of Hardington Mandeville; amendments 64 and 65 led by Lord Kerslake, Lord Kennedy of Southwark, and by Baroness Bakewell of Hardington Mandeville; and amendment 68 led by Lord Beecham and Lord Kennedy of Southwark.**

## **BACKGROUND INFORMATION**

### **Starter Homes (clauses 1 to 7)**

#### **Amendment 1, clause 2, Lord Best, Lord Beecham**

Amendment 1 would introduce a restriction for starter homes requiring repayment of the 20 per cent discount, reduced by 1/20<sup>th</sup> for each year of occupation up to 20 years.

#### **Amendment 5, clause 2, Lord Shipley, Lord Kennedy of Southwark, Lord Stunell, Lord Beecham**

The LGA supports amendment 5, which would amend the Bill to the effect that the discount for Starter Homes would continue to apply for subsequent sales, rather than a five-year limit.

#### **Amendment 6, clause 3, Baroness Bakewell of Hardington Mandeville, Lord Shipley**

The LGA supports amendment 6, which would require an English planning authority to promote the supply of other types of social and affordable housing, as well as starter homes.

#### **Amendments 8 and 9, clause 4, Lord Kerslake Lord Kennedy of Southwark, Baroness Bakewell of Hardington Mandeville**

Amendments 8 and 9 remove clauses allowing the Secretary of State to provide through regulations a starter homes requirement and that a planning authority may only grant permission for a residential development if the starter homes requirement is met. Instead a planning authority would grant planning permission based on its own assessment of local need and viability.

The National Planning Policy Framework (NPPF) requires councils to plan locally for a mix of housing to reflect local demand. New regulations determining that councils can only grant planning permission if a specific nationally set Starter Home requirement is met will risk undermining those local plan policies already in place and progress on getting local plans in place. Councils should instead have the powers and flexibilities to determine the mix of housing tenure in line with local assessments of need and viability, for instance to locally agree the number of Starter Homes on new developments alongside other affordable products.

Starter Homes will support home ownership among some members of the community. However, they will not meet the needs of those who cannot afford to pursue home ownership. Research for the LGA by Savills suggests national 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 also 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. It is important that councils are able to deliver local plans and work with developers to determine the mix of Starter Homes alongside homes for affordable and social rent.

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 will not be built. 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. 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.

### **Implementing the Right to Buy on a Voluntary Basis (clauses 62 to 66)**

#### **Amendment 51, Clause 60, Lord Kennedy of Southwark, Lord Beecham**

The LGA supports the intent behind amendment 51. It is important that private registered providers have processes in place to work with local authorities to ensure that the implementation of the extended Right to Buy and the resulting housebuilding meets the objectively assessed needs of the wider local housing market. The LGA wants to work with central government, housing associations and councils to ensure the implementation of the national agreement meets local need.

### **Forced sale of vacant high value local authority housing (clauses 67 to 77)**

#### **Amendment 53, Clause 67, Lord Lisvane, Lord Kerslake**

The LGA supports amendment, which would provide a much-needed opportunity for greater scrutiny of plans to force the sale of vacant high value local authority housing.

#### **Amendments 54, 57-61, 67, and 69-71, Clauses 67, 74, 75, 77, Baroness Williams of Trafford**

The LGA opposes amendments 54, 57-61, 67, and 69-71, which would enable the Secretary of State to determine the amount she wished to take from a local housing authority based on a broadened definition of 'higher value' rather than 'high value', diverging significantly from the original intent of the policy for local authorities to reinvest receipts from high value in their area.

#### **Amendment 55, Clause 67, Baroness Bakewell of Hardington Mandeville**

Amendment 55 would also amend the Bill so that the amount of the payment to the Secretary of State from a local housing authority must include deductions to replace properties with affordable homes in the same area on a one-for-one basis.

#### **Amendments 64 and 65, Clause 72, Lord Kerslake, Lord Kennedy of Southwark, Baroness Bakewell of Hardington Mandeville**

The LGA supports amendments 64 and 65, which would ensure that properties are replaced with affordable homes on a one-for-one basis and that the Secretary of State shall permit a local housing authority to retain the part of the payment in order to fund this.

#### **Amendment 68, Clause 74, Lord Beecham, Lord Kennedy of Southwark**

The LGA also supports amendment 68 which requires that a local housing authority retains the revenue from the sale of high value vacant housing in order to provide replacement affordable housing in the area.

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 new homes that communities need. We oppose proposals for a formula that would allow the Secretary of State to require regular payments from councils based on a central government estimate of income from the sale of vacant high value homes (clause 67). Councils already consider the best use for their assets and any new duty (clause 74) to sell stock must be balanced against local housing need.

The value of council housing stock varies significantly across different areas and high value tends to be determined by local housing markets. The Bill gives the Secretary of State the flexibility to establish, through regulations, details to determine the impact across different areas, such as the definition of high value and at what geographical level. It is therefore difficult to assess the impact on councils. However, we forecast councils are to sell 66,000 homes through council Right to Buy up to 2020, and the combination of the forced sale of high value homes and required rent reductions will make building replacement homes significantly more difficult.

The Government must also commit to enabling councils to retain sufficient funds to replace lost council homes in the local area in order to meet local housing need. The Bill does allow for a 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 required social rent reduction set out in the Welfare Reform and Work Bill.