

# Local Government Association briefing

## Housing and Planning Bill

### House of Lords, Report Stage

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.

#### *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' – 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, Lord Kerlake and Lord Beecham; amendment 55 led by Baroness Bakewell of Hardington Mandeville; amendment 64A led by Lord Kerlake, Lord Kennedy of Southwark, and Baroness Bakewell of Hardington Mandeville; and amendment 68 led by Lord Beecham and Lord Kennedy of Southwark.**

#### *Rents for high income social tenants (clauses 78 to 86)*

- Proposals to increase rents for high income tenants should be voluntary for councils as it will be for housing associations. Councils should also retain any additional income to reinvest in new and existing housing.
- Local flexibilities will enable councils to implement the policy in a way that does not act as a disincentive for tenants to increase their earnings, retains key workers and balances policy implementation with significant administrative complexities and costs.

# Briefing

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- **As such, the LGA supports amendments 72, 75, 76, and 78, led by Lord Kennedy of Southwark, Lord Kerlake and Baroness Bakewell of Hardington Mandeville.**

## **BACKGROUND INFORMATION**

### **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 Kerlake**

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.

#### **Amendment 64A, Clause 72, Lord Kerlake, Lord Kennedy of Southwark, Baroness Bakewell of Hardington Mandeville**

The LGA supports the intent behind amendment 64A, which allows councils entering an agreement to replace high value housing with affordable homes on a one-for-one basis and gives councils an enabling power to retain a greater proportion of the receipt in order to replace housing with a tenure that meets local need.

#### **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.

**Amendment 72, Clause 78, Lord Kennedy of Southwark, Lord Kerlake, Baroness Bakewell of Hardington Mandeville**

The LGA supports amendment 72 which would make it voluntary for councils to charge close to market rents for tenants defined as high income.

**Amendment 75, Clause 78, Lord Kennedy of Southwark, Lord Kerlake, Baroness Bakewell of Hardington Mandeville**

Amendment 75 would give councils the flexibility to decide not to alter the rent charged to high income tenants where the administrative costs outweigh the additional income, and to keep any additional revenue to reinvest in housing.

**Amendment 76, Clause 79, Lord Kennedy of Southwark, Lord Kerlake, Baroness Bakewell of Hardington Mandeville**

The LGA supports amendment 76 seeking to set the annual income of a household defined as high income at a higher rate than has been proposed.

**Amendment 78, Clause 84, Lord Kennedy of Southwark, Lord Kerlake, Baroness Bakewell of Hardington Mandeville**

Amendment 78 would enable councils to retain all the additional rental income raised from implementing higher rents for households defined as high income.

The LGA does not support proposals in the Bill to require councils to charge mandatory rents for high income tenants and to take a sum of money from councils based on a national estimate of the additional income from higher rents. The Government has allowed housing associations the flexibility to determine whether or not they increase rents for high income tenants, and that receipts are retained locally. The same flexibilities should be applied to councils and their tenants.

Councils have already developed tenancy strategies that balance meeting the needs of tenants and communities while delivering best value from their housing stock. Councils would be able to use local flexibilities to ensure that rental changes do not discourage tenants from increasing their earnings, housing remains affordable for key groups such as those working in education, healthcare and other public services, and the reforms are not implemented where the administrative costs associated with delivery outstrip the financial returns from increased rental income.

The proposed national high income household thresholds are £40,000 for London and £30,000 outside London. Local flexibility would also enable councils to remove any unintended consequences emerging from implementation, such as penalising hard working families. For instance, it is not fair for a couple with three

children earning £15,000 each to be classified as high income. Research commissioned by the LGA, undertaken by Savills, suggests:

- Should the policy be mandatory for all social tenants, 12 per cent of all social tenants in the East of England would be affected and five per cent would not be able to afford market rent or to pursue Right to Buy. This would mean they would have to leave the area to find a similar property.
- Similarly, seven per cent of social tenants in the South East would be affected, and four per cent would have to leave the area for a similar property. In London, four per cent of social tenants would be affected, and just over two per cent would have to leave to find a similar property.