

# London Councils

The voice of London local government

## Housing & Planning Bill

### Committee stage, Tuesday 1 December

### Clauses 62 - 72, Vacant high value housing

#### London Councils

London Councils represents London's 32 boroughs and the City of London. We make the case to government, the Mayor and others to get the best deal for Londoners and to ensure that our member authorities have the resources, freedoms and powers to do the best possible job for their residents and local businesses. See below for an overview, followed by our opinions of specific amendments and finally, our policy position on these provisions.

#### Overview

London councils are supportive of proactively managing their assets, and many boroughs are already doing this through active regeneration programmes. However this policy requires councils to make a regular payment to the Government based on their high value properties, meaning that in practice many sales receipts will go to the Government rather than being retained to invest in new homes in London. There is therefore real concern that this policy could have unintended consequences on the supply of affordable homes in the capital, affect London's social mix, and place some estate regeneration plans at risk.

This briefing focuses in three main issues in relation to the legislative requirements around High Value Compulsory Asset Sales, concerning:

- Replacement viability and the potential long term loss of affordable housing
- New challenges and costs for boroughs – particularly around temporary accommodation
- Exemptions and the need for boroughs to have full flexibility over what they sell and the use of receipts

#### Amendments

##### Clause 62:

**Amendment 158** London Councils is broadly supportive of this change which would ensure payment calculation deductions include like-for-like replacement cost estimates.

##### Clause 63:

**Amendments 90** (similar to amendment 91 in Clause 69 below re sheltered housing).

**Amendments 165 and 163.** London Councils is supportive of these amendments which would ensure that this does not lead to the sell-off of sheltered housing; specialist housing; housing that forms part of housing regeneration schemes; and housing set aside for transfer.

**Amendment 145.** London Councils is also broadly supportive of this change which would exclude high value housing in areas of high homelessness.

### Clause 67: New Clause NC1 and amendment 1

We welcome the principle behind the **New Clause NC1 and amendment 1** which would impose a duty on the Secretary of State, the Mayor of London and London housing authorities to achieve the provision of at least two new units of affordable housing for the disposal of each of high value housing. However, we are concerned about the viability of delivering this in practice and the potential for a fixed target at this ratio to have unintended consequences on social mix and tenure.

### Clause 69:

**Amendment 91.** London Councils is supportive of this amendment which would ensure that this does not lead to the sell-off of sheltered and specialist housing.

## Replacement Viability

It will be important that homes sold under this policy can be replaced swiftly to avoid an overall loss of affordable housing. It is likely to be difficult for some London boroughs to be able to replace homes sold locally under this policy in the same area - especially in inner London where available/affordable land can be scarce. We may therefore see many homes sold in higher value areas replaced in lower-value areas: impacting on London's social mix and boroughs' responsibilities to meet their own local housing needs.

The government has stated that some retained receipts from high-value stock sales can be used to provide new affordable homes in the same area, alongside the payment made to Government to fund the right to buy for housing association tenants. However, as noted by the Institute of Fiscal Studies, the proposals will likely mean that local authorities will be required to support replacement homes with substantially less capital than the value of the homes they are replacing after their payments to Government.

If the replacement programme is to be genuinely additional to existing housing pipelines, there will need to be considerable capacity amongst local authorities and their partners to deliver at this scale. The lack of available finance as a result of the limited borrowing capacity within the HRA may make it difficult for boroughs to replace the high value homes sold under this policy. To overcome this issue, the government should consider raising the limits on HRA borrowing to enable funding of replacement stock despite the reduction in the asset base and diminished HRA income resulting from the sale of homes. This could act as a one-off short term borrowing round specifically for use to deliver council stock replacements.

Evidence shows how difficult it has been to deliver one for one replacements of the current council Right to Buy scheme, with delivery falling far short of one to one. Restrictions over the use of receipts have hampered efficient use of funds and have slowed overall delivery. To avoid a repeat of this, the government must ensure maximum flexibility for boroughs over the use of retained monies to invest in new homes and help replace properties sold under this policy. This should apply both to receipts from council Right to Buy sales and high value stock sales to ensure that boroughs can maximise the value of both sources of income to construct new viable investment programmes – especially important given the policy could also result in a long term loss of steady rental income.

Ultimately, a government commitment to limiting the required payment to reflect councils' availability to replace the homes expected to be sold would help reduce the risk of a net reduction in affordable housing in the capital.

## New challenges for boroughs: temporary accommodation and regeneration

It is likely that even if a programme to replace higher value homes sold could be viably delivered and effective in all London boroughs, there will be a time-lag between sale and replacement. This could create knock-on pressure on temporary accommodation, at a great cost to DWP in housing benefit and boroughs in homelessness budgets. On average, around one fifth of local authority lettings currently go to households from temporary accommodation and a reduction in lettings would therefore put additional pressure onto temporary accommodation, at a cost to the public purse.

One inner London borough reported that over 60% of their lettings in any one year go to homeless households, and therefore any loss of social rent properties in the borough is likely to result in an insufficient number of available rental properties to be able to house these households, and therefore lead to longer placements in temporary accommodation.

The borough estimates that 91 households could remain in Temporary Accommodation (TA) each year as a result of loss of rental properties through these policies if 'high value' homes were sold in accordance with the thresholds published alongside the Conservative party manifesto. The extra cost to the Government of maintaining the additional households in TA for this borough could be over £4.7m over a three year period, in addition to costs to the borough of over £1.3m.

## Exemptions

London Councils believes that local authorities should have freedom over which assets they sell, however for this to be realistic and achievable, targets for payment should reflect that certain property categories are critical to London's housing market and therefore should not be required to contribute to the formula governing the council payment under clause 62.

If increased leaseholder numbers on estates make regeneration unviable because of the cost of funding replacements and Compulsory Purchase Orders (CPOs), then the impact on critical regeneration schemes could be detrimental. The risk of immediate sale of new completed units could also create a major disincentive for boroughs to participate in big regeneration schemes. In order to preserve the potential of estate regeneration, the government must ensure that homes in schemes with long-term potential for significant scale regeneration or increased housing density (including homes in designated housing zone areas), are excluded from requirements for sale and any calculations on revenue London is expected to generate.

Additional types of properties should be excluded from both the duty to consider selling and secretary of state payment including: all community supported S/106 units that are meant to remain affordable in perpetuity; sheltered, supported and adapted housing; properties set aside for transfer or succession and new build properties so as to reduce disincentives to invest in replacement affordable homes.

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*London Councils represents all 32 London boroughs and the City of London. The Mayor's Office for Policing and Crime and the London Fire and Emergency Planning Authority are also in membership*