

London Councils

The voice of London local government

Housing & Planning Bill Report stage 2, Tuesday 12 January 2016

Right to buy, vacant high value asset sales and high income social tenants

Overview

The housing crisis is Londoners' number one issue and London boroughs have a commitment to building the homes that Londoners need to address it. London Councils recognises the government's ambition, as outlined in the Housing and Planning Bill, to get more people on to the housing ladder. However, our test of any legislation remains: does it cut the gap between supply and demand?

This briefing explores the legislative capabilities of the bill in its current form to address London's housing crisis and the impact the bill could have on London boroughs in relation to their capabilities to address local and London wide housing need. We comment below on provisions relating to three sections: right to buy, vacant high value asset sales and high income social tenants.

Part 4, Chapter 1. Right to buy

Given that this is a voluntary deal struck between government and housing associations, this policy so far has been subject to limited parliamentary scrutiny. However, it is crucial that the impact of the deal on the supply of affordable housing is properly appreciated.

London Councils' primary concern is that if housing associations are given the freedom to replace homes sold in London in other parts of the country, and the freedom over the tenure of replacements, there is a strong chance the supply of affordable homes in London will decrease. This will add to boroughs' housing waiting lists and increase reliance on expensive temporary accommodation. London already houses three quarters of the country's temporary accommodation with over 50,000 households in temporary accommodation in the capital, and £730 million of public money was spent on homelessness in London in 2014/15. We would also seek to ensure that the voluntary right to buy deal does not lead to the sell-off of a variety of specialist housing that would be hard to replace, including, but not limited to: sheltered housing; supported housing; and housing that forms part of housing regeneration schemes.

Homes sold under the Right to Buy provisions should be replaced by properties in the right location and of the right tenure. Boroughs will also need the confidence that they can continue to nominate households from temporary accommodation and their waiting lists to these properties, to avoid maintaining households for longer in more expensive temporary accommodation.

Part 4, Chapter 2. Vacant high value asset sales

London Councils supports boroughs proactively managing their assets and many boroughs are already doing this through active regeneration programmes that develop their capacity to increase housing supply. However, funding the replacement of right to buy housing association properties from an assessment of high value council homes forecast to be sold, would require councils to make regular payments to the Government rather than retaining the value of their assets to invest in new homes for 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, increase the use of costly temporary accommodation and put some estate regeneration plans at risk.

To reduce the potentially negative effects of this policy, it will be critical that the Secretary of State's invoices to boroughs take account of like-for-like cost estimates, and make a reduction to payment calculations in accordance with these costs.

London Councils would also like to see a list of exemptions to this policy including: sheltered housing; specialist housing; housing set for transfer; and new build properties. The government have said that so long as they meet the payment specified in the determination, local authorities (like housing associations with the voluntary right to buy) will have a "certain degree of discretion" to retain properties they believe will be difficult to replace. However, because councils will be invoiced with payment determinations based on high value sale estimates, if a council does choose to exercise discretion from their "duty to consider selling" by exempting certain properties, they will still be required to make the full invoice payment to the government. Therefore, if local authorities are to have any meaningful controls over high value exemptions, the government should put something in the face of the bill to identify these exemptions and consult with the boroughs as part of this process. These exemptions must be included in both the "payments to the secretary of state" clause of the bill and the "duty to consider selling" clause of the bill.

If increased leaseholder numbers on estates make regeneration unviable because of the cost of funding buy backs and Compulsory Purchase Orders (CPOs), then the impact of this policy on critical regeneration schemes could be detrimental. **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 also excluded from requirements for sale and payment.**

Whilst London Councils supports maximising the supply of affordable housing, the government should clarify details of the additional funds that will be made available to local authorities to be able to deliver 2 for 1 replacement homes, and these funds should account for local authority flexibility to deliver homes of the right tenure and in the right geography as determined by the local authority.

It is also of concern that even if a programme to replace higher value homes in the same areas of London they are sold in could be viably delivered, the time lag between sale and replacement could create knock-on pressure on temporary accommodation. On average, around one fifth of local authority lettings currently go to households from temporary accommodation and therefore any reduction in lettings would put additional pressure onto temporary accommodation, at a cost to the public purse. London boroughs must have significant freedom to use their receipts in a way that most effectively meets the housing needs of London's communities.

Part 4, Chapter 4. High income social tenants (pay to stay)

London Councils supports the principle of allowing boroughs more flexibility in rent setting. However, imposing a mandatory scheme carries a number of risks which need to be addressed if the policy is to be applied effectively and in order to avoid creating work disincentives or negatively affecting the social mix of London boroughs.

London Councils believes boroughs should be treated the same way as housing associations, and should keep the rental uplift from this measure which could help to counter the impact of the 1%

rents reduction (in the Welfare Reform and Work Bill), which we estimate will cost boroughs around £800 million over four years.

London Councils welcomed suggestions that the government introduce a kind of taper or stepped threshold to allow for flexibility to ensure that rent increases are proportionate. London Councils also supports giving tenants a degree of transitional protection to enable them to relocate or adjust their income level, so as to meet new higher rents. **The government should now ensure that London boroughs play an influencing role in detailing these protections.**

It is of concern that Pay to Stay will likely impact on the social mix of communities as families may be forced to move out of their homes due to unaffordable rents. **London Councils believes the government should therefore allow a degree of flexibility for boroughs to set rent levels and income thresholds to reflect local affordability.** A couple with two children and a combined income of £40,000 in Camden would be spending 69% of their income on rent after the introduction of pay to stay. Given the Mayor's 2011 London Plan specified that in general housing costs should not exceed 40% of net income, then this families rent in Camden would become unaffordable with the introduction of pay to stay.

The policy in its current form does not take into account household composition or differential circumstances such as single earner versus two earner households in different tax and benefits positions, or households with caring responsibilities. In fact, in some cases rather than bringing in additional revenue for the government, rental uplifts could actually result in additional housing benefit costs. For example, with the introduction of pay to stay a couple of pensionable age living in Hackney with their non-dependent son and a combined household income of £41,000, could see their rent rise from £101.15 to £412.12 per week. As the son's assessed contributions will remain the same (as he is already on the maximum), the rental uplift could actually result in an additional £292.15 housing benefit claim – at a cost to taxpayers.

Without flexibility on behalf of the boroughs, this policy could also negatively impact on getting aspiring buyers on to the housing ladder because it will reduce their capability to save for a deposit. Indeed, research undertaken by Savills indicates that 60% of households that cross the proposed pay-to-stay threshold will neither be able to pay market rent nor take advantage of right to buy.

Collecting information about their tenants' incomes will require boroughs to bring in new systems which will in turn bring new administrative burdens. **If councils are unable to keep the rental uplift, London Councils would like to see the additional administrative burden placed on boroughs arising from Pay to Stay fully funded by government.** As part of this funding process, there should be a full burdens assessment to ascertain the likely impact on boroughs and to accurately assess all the cost drivers affecting delivery to ensure that the administrative tasks are taken into account.

Contact:

**Oliver Hatch, Public Affairs Manager, Email: oliver.hatch@londoncouncils.gov.uk
Tel: 020 7934 9558**

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