

London Councils

The voice of London local government

Housing & Planning Bill

Committee stage, Tuesday 8 March

Clauses 67 - 77. Vacant high value local authority 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.

London Councils supports the Government's intention to support aspiring home owners, however we have serious concerns about proposals to fund an extension of the Right to Buy with a levy from local authorities' housing revenue accounts. This funding model as currently designed risks a number of unintended consequences that need addressing, particularly when it comes to implementation in London. We set out below our policy concerns and our response to three particular amendments to this chapter.

Overview

London councils are supportive of proactively managing their housing assets, and many boroughs are already doing this through active regeneration programmes. However this new provision would require councils to make a regular payment to the Government based on their higher value properties. This would mean that 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 genuinely affordable homes in the capital, affect London's social mix, and place some estate regeneration plans at risk.

London Councils maintains that it is critical that this policy delivers:

- an increase in housing supply
- a net increase in affordable housing
- no loss of London's social mix
- London's funds reinvested in London.

Amendments to Clause 67 London Councils is supporting

We support Amendment 62A in the names of Lords Kerslake, Kennedy and Stoneham.

In respect of the payments that would have to be made to the government, this amendment would allow the cost of the replacing authority high value properties, the repayment of capital debt on properties sold and all associated transaction costs to be included. This would give councils confidence that they can retain sufficient funds to replace each home with one locally, allow for repayment of HRA debt, and ensure councils are not out-of-pocket from transaction costs.

We broadly support Amendment 65 in the names of Lords Beecham and Kennedy.

This would put a cap of 10% on the number of local authority properties that would be defined as 'high value' and so be included in the payments made to the government. In effect, this would limit the overall number of sales and ensure that boroughs can plan for an ongoing Housing Revenue Account. This would give councils the confidence that they can retain the majority of their stock to help with HRA viability.

We support Amendment 68 in the names of Lords Beecham and Kennedy.

This seeks to ensure that homes in regeneration areas, specialist housing, and homes recently repaired are not included for the purposes of calculating the required payment to the government.

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 replace homes sold under this policy locally - especially in inner London where available/affordable land can be scarce. Given the objective to replace 2 homes for every 1 sold it will be critical that sufficient resource is made available to cover construction costs and land purchases in the right mix of housing markets across the capital.

Otherwise we risk seeing 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.

However, as noted by the Institute of Fiscal Studies, the proposals are likely to mean that local authorities will be required to support replacement homes with less capital than the value of the homes they are replacing after their payments to Government.

The lack of available finance as a result of the limited borrowing capacity within the HRA may make it very difficult for boroughs deliver two replacements for each sold within current constraints. To help 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.

It has been difficult for boroughs to deliver one for one replacements of the current council Right to Buy scheme. 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.

Impact on regeneration schemes

Estate regeneration can be critical to increasing supply and improving the quality of neighbourhoods, as the Government has recognised. Many boroughs have estate regeneration plans that would provide more homes through increasing housing density, and improve housing conditions. These schemes often diversify tenure, introducing more homes for purchase, at the same time as adding overall to housing supply. This will be key to driving housing supply over the years ahead.

However local experience shows that buying out leaseholders is a costly up front activity before regeneration can take place. A greater number of leaseholders created by the extension of the Right to Buy and the sale of council homes could drive up costs and delays until regeneration becomes unviable.

The risk of sale of recently completed or renovated 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 regeneration or increased housing density are excluded from the right to buy extension, local authority requirements for sale, and any calculations on revenue London is expected to generate.

New challenges for boroughs: temporary accommodation

It is likely that even if a replacement programme 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 the public purse in housing benefit and boroughs' 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.

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, as well as costs to the borough of over £1.3m.

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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