

Housing Update

Purpose

For discussion and direction.

Summary

This paper provides an update on the progress that has been made by Group Leaders in discussions with government on the measures outlined in the Housing and Planning Bill. A verbal update will be provided at the meeting.

Recommendation

That the LGA Executive provides a further steer on Parliamentary and campaigning activity; the development of the evidence base; and on building press and public support for the LGA's position.

Action

To be taken forward as directed by Members.

Contact officer: Eamon Lally / Nick Porter
Position: Principle Policy Advisor / Senior Advisor
Phone no: 020 7664 3132
Email: eamon.lally@local.gov.uk nick.porter@local.gov.uk

Housing Update

Background

1. The Local Government Association (LGA) has a shared ambition with Government to build more homes and support home ownership. The LGA also supports the case for an increase in all tenures in response to different housing markets and local assessments of need.
2. The LGA Leadership Board and Environment, Economy, Housing and Transport Board (EEHT) have sought to work with the Government to influence proposals set out in the Housing and Planning Bill, with a view to mitigating any negative impacts on councils and the unintended consequences to ensure proposals support councils to meet the local needs of their communities.
3. This paper briefly updates on policy developments and LGA activity and seeks steer on next steps.

Summary of legislation and policy

4. The Housing and Planning Bill moves to the House of Lords shortly. It will have wide-ranging implications for councils and communities.
5. The Welfare Reform and Work Bill is also currently being debated in the House of Lords, and includes proposals to reduce social rents by 1 per cent a year for 4 years.
6. Beyond legislation, the Government has also announced intentions to regenerate 100 council estates, initiated by £140 million investment, and to directly commission house-building.
7. The LGA's position on the Government's proposals are set out in its briefing on the [Housing and Planning Bill](#) which is available on the website [here](#), alongside briefings on the [Welfare Reform and Work Bill](#) and associated amendments.

The LGA approach to date

8. A number of the proposals contained in the Housing and Planning Bill are manifesto commitments, most notably the extension of Right to Buy to all Registered Social Landlord (RSL) tenants, the sale of high value council homes, and the expansion of the Starter Home Scheme. The LGA has not opposed these as individual measures, but there are some negative consequences associated with the way in which the Government is seeking to implement them. Linking the sale of high value homes to the extension of Right to Buy will take money from stock holding councils' HRA accounts. The expansion of the Starter homes for sale initiative will come at the expense of other tenures.
9. The LGA has sought to mitigate the negative impacts (see [Appendix A](#)). Group Leaders agreed to take a measured approach through discussions with Ministers and officials in the period up to the end of 2015. Some progress has been made through these discussions. For example:

- 9.1. To help manage the uptake of the extended Right to Buy it has introduced into the pilots a minimum tenure of 10 years, which is something that the LGA has asked for.
 - 9.2. The Government has also recognised the potential need for exemptions to the base line of the formula that determines how much councils have to pay to Government in respect of sales of high value council homes.
 - 9.3. The Government is also keen to discuss with councils the proportion of capital receipts from the sale of high value homes that is retained in any given area for the provision of additional homes, as well as greater flexibilities in the use of existing Right to Buy receipts.
10. Ministers have also used the recent Third Reading and Report stage debates to reiterate the existing flexibilities contained in the Bill which allow for variation in how measures such as the sale of high value council homes are applied across the country. The Government is currently working with the Greater London Authority and the London Boroughs on a specific approach for London and Brandon Lewis MP has reiterated that the Government is keen to discuss bespoke approach to delivery with other areas.
11. Overall however, the Government is not open to negotiating on the headline policies which are also 'red lines' for local government. These include: linking the sale of high value assets to the extension of Right to Buy; separating the provision of starter homes from the assessment of local need; and accrual to the Treasury of additional income from the implementation of the pay to stay provisions.

Recent developments

12. Since the last meeting of the LGA Leadership Board, the Government has added amendments to the Bill that potentially will impact further on the capacity of councils to meet local housing need. In particular the government has introduced amendments that:
- 12.1. Phase out lifetime tenancies: A secure tenant can currently live in a property for life. This amendment phases out lifetime tenancies. In future secure tenancies will generally have to be for a fixed term of 2 to 5 years and will not automatically be renewed. Towards the end of the term, the landlord will have to do a review to decide whether to grant a new tenancy or recover possession.
 - 12.2. Enable Government to direct the sale of surplus council land: the Bill had already required public bodies to prepare reports on surplus land, but a new measure will mean that the Secretary of State may in specified circumstances direct the body to take steps for the disposal of the body's freehold or leasehold interest in any land or any lesser interest in the land.
 - 12.3. Introduce competition to the processing of planning applications: the measure does not affect a local planning authority's responsibility for determining planning applications.

Projected impact of legislation

13. Group Leaders have requested an assessment of the evidence base on the impact and unintended consequences of the key measures in the Bill. Group Leaders are particularly interested in understanding the impact on:
 - 13.1. The provision of social housing;
 - 13.2. Housing benefits costs;
 - 13.3. Homelessness costs; and
 - 13.4. How councils will fund the sale of high value homes.
14. The LGA is surveying councils to understand these issues in more detail and to understand the local variations.
15. The LGA has already commissioned independent research from Savills on the impact of the measures in the Bill on the housing market nationally. A final report will be returned later in January. The LGA has also undertaken its own projections on the impact of different policies.
16. In terms of the 'red-line' areas some headline findings from the research we have already undertaken include:

Impact on social housing

17. The Government's stated purpose in requiring the **sale of high value council homes** is: to fund the extension of Right to Buy to Registered Social Landlords; to provide for the provision of additional homes by councils; and to contribute to the Brownfield Regeneration Fund. Savills project a minimum 24,000 housing association tenants per annum will take up the Right to Buy offer at an average £63,000 discount, costing £1.5 billion a year. Based on defining high value as top third of regional values, it is projected that at least **11,000 high value council homes would be sold up to 2020**, that is 2,750 each year with a value of £1.6 billion a year. This analysis indicates that the receipts from the sale of high value council homes will be insufficient to meet all purposes set out by the Government. At risk will be the councils capacity to replace homes that have been sold.
18. **The social rent cuts** of 1% a year over 4 years make it significantly more difficult for councils to finance the replacement of council homes sold through Right to Buy. **This puts at risk the replacement of the 66,000 homes** that will be sold up to 2020. In addition the OBR has forecast that **Registered Social Landlords will build 14,000 fewer affordable homes in the same period** as a result of the rent reduction. We have heard that councils and RSLs are reconsidering their long term investment plans as a result of the rent reductions and the long-term impact on housebuilding could be significant.
19. The Government has an explicit policy of providing homes for home ownership and has acknowledged that **the provision of Starter homes will reduce the provision of sub-market rented homes** (a reduction of 56 and 71 sub-market rented homes for every 100 starter homes built).

Impact on Housing Benefit

20. A drop in social and affordable rented homes will mean more people housed in the private rented sector, applying upward pressure on housing benefit. For instance, should

the projected sales of 66,00 council homes be replaced at their current rate (around 1 in 9), there would be an upward pressure of around £156 million housing benefit spending up to 2020.

21. Officers will continue to gather evidence on the impact of the measure in the Bill through the survey of councils.

Next steps

22. The Housing and Planning Bill has now moved to the House of Lords and this presents a significant opportunity to consider whether the LGA should take a more overt opposition to the more difficult aspects of the Bill given the demands from councils? To do this effectively would require a change of pace and tone in our engagement and communications around the key red line areas. It is also important that we understand the learning from the more measured approach and that lines of communications remain open to Ministers and senior officials.
23. The LGA needs to target those aspects of the Bill which are of most concern to councils rather than the whole Bill. Which contains proposals, such as those on rogue landlords and compulsory purchase orders that councils broadly support.
24. Members are asked to consider how we inject greater urgency and focus as the LGA continues its:
 - 24.1. Parliamentary and campaigning activity proposing and supporting amendments mitigating the impact on communities and council capacity to meet local community need, based on research and evidence.
 - 24.2. Development of the evidence base on the impact of housing and planning reforms, including: analysis of currently held information on the housing market and need for appropriate mix of housing to meet need; future work with the final Savills report due before the end of January; a survey of councils with stock to understand the impact on their Housing Revenue Account, the local housing market, and the associated knock-on costs (for example in temporary accommodation).
 - 24.3. Building press and public support on the need for councils to have the powers and flexibilities to meet local housing needs, making the case to Government, to the public and to the LGA membership on the challenges in the housing market on the role councils can play in resolving it.

Appendix A: LGA Activity

1. LGA activity has included:
 - 1.1. Group Leaders have meet with Ministers and senior civil servants to mitigate the impact of housing policies on councils.
 - 1.2. Further research has been commissioned from Savills on the circumstances in the housing market and repercussions of national housing policy reforms.
 - 1.3. Officers have engaged with government on policy detail through technical working groups, such as the starter homes working group and sale of high value assets technical working group.
 - 1.4. Officers have arranged and hosted seminars between councils and government officials, such as Chief Executive sounding board, starter homes seminar, and high value assets seminar.
 - 1.5. The LGA has responded to formal consultations such as on implementing Pay to Stay proposals.
2. The LGA has published research through press releases that have drawn a wide range of press and public attention to key housing and planning asks, for instance:
 - 2.1. Objections to the forced sale of council homes and offer to bring forward development on the wider public estate in the Guardian.
 - 2.2. Calls for councils to retain a 100 per cent of receipts from all council home sales on the BBC.
 - 2.3. Research demonstrating that the planning system is not a barrier to building, through research highlighting 475,000 homes with planning permission not yet fully built out across BBC, Financial Times, Mail, Guardian, Independent, Telegraph
 - 2.4. Evidence on the cost impact of proposed social rent reductions in the Financial Times.
 - 2.5. Calls for councils to be able to locally determine the mix of affordable homes in the Financial Times.
 - 2.6. Analysis of the costs of nationally set planning fees, and calls for locally set fees in the Financial Times.
 - 2.7. Calls for tougher sentences for rogue landlords covered across BBC news.
3. The LGA has increased parliamentary activity as the Housing and Planning Bill and the Welfare Reform and Work Bill progresses through parliament, including:
 - 3.1. Giving evidence to the CLG Committee, Housing and Planning Bill Committee, and Welfare Reform and Work Bill Committee.
 - 3.2. Publishing and sharing regular parliamentary briefings, included in official Houses of Parliament briefings for MPs and Lords.
 - 3.3. Regular meetings with MPs and Lords, including hosting parliamentary briefing sessions hosted by LGA Vice Presidents.
 - 3.4. Drafting amendments that have been tabled by opposition.
 - 3.5. Support and briefings for individual amendments.