

Committee:	Date:
Community & Children's Services	11 th December 2015
Subject: Housing and Planning Bill	Public
Report of: Remembrancer	For Information

Summary

This Report advises the Committee of the relevant provisions of the Housing and Planning Bill currently before Parliament. Among other things, the Bill will fund the extension of the right to buy to housing association tenants through requiring the sale of high-value local authority housing, will bring about a shift away from affordable rental housing towards 'starter homes' for first-time buyers, and will require higher rents to be charged to social tenants earning high incomes.

Recommendation

It is recommended that the Committee receive this Report.

Main Report

1. The Housing and Planning Bill contains important measures intended to set the direction of the Government's housing policy and enable it to meet its house-building targets. Some of the measures will affect the City Corporation's housing policy, in particular the recently agreed ambition to build 3,700 new homes by 2020.

Sale of high-value housing

2. As the Committee will be aware, the Government has abandoned its plan to legislate for the extension of the right to buy to housing association tenants in favour of a voluntary agreement. The Bill contains measures to implement this agreement.
3. The right to buy discount will, as laid out in in the Conservative Party's manifesto, be funded through the sale of high-value local authority housing. The method adopted in the Bill is to introduce an annual levy payable by local housing authorities to the Government, based on an estimate of the total value of their high-value housing likely to fall vacant during the year. (Therefore councils will in theory have a choice not to dispose of housing, if they fund the payment in some other way.) Details of how 'high-value' is to be defined, and how the estimate is to be calculated, are not yet known. Current indications are that a threshold for high value will be set for the whole of Greater London. Representations have however been made by London MPs and councils that the threshold should take account of the particular market circumstances in central London.

4. Apart from funding the extension of the right to buy, the proceeds of high-value sales will be used in two ways: first to establish a new 'brownfield regeneration fund', and secondly to fund the building of replacement homes. London MPs and councils have strongly argued proceeds from disposals in Greater London should be retained for replacement homes in the capital, out of concern that the money would otherwise flow to cheaper parts of the country. The Government's response is awaited, although the Secretary of State has indicated that he is open to discussion with local government representatives.
5. Given the state of the market in the areas of the City Corporation's social housing, it would seem likely that a substantial amount of its stock will be caught. The consequences cannot yet be quantified, as they will depend on the threshold that is set and on the rate at which properties fall vacant. They may however prove significant, and could undermine the viability of future affordable housing development.
6. One way of mitigating the effects could be to seek the agreement of the Government for the City Corporation to retain some of the sale proceeds. The Bill contains provision to allow this, if the retained proceeds are used for agreed housing purposes. This could apply to the City Corporation's plans to invest in its social housing estates. Officers will consider the matter as the Bill moves through Parliament and will report further to the Committee if a formal proposal seems desirable.

Starter homes

7. The Bill will bring about a shift away from the focus on affordable homes for rent towards the provision of so-called 'starter homes'. These are available to first-time purchasers under the age of 40 at 80 per cent of market value, up to a cap of £450,000 in Greater London (and £250,000 elsewhere). Local planning authorities will come under a general duty to promote the supply of starter homes in their areas, and the Government will be able to make regulations requiring that residential developments may only be given planning permission if they include a certain proportion of starter homes. While the details are not yet clear, the indications are that this will come at the expense of affordable housing contributions targeted at local housing need. Starter homes will be exempt from Community Infrastructure Levy payments.
8. The general duty is likely to be of limited effect in the City, as most new housing exceeds the proposed price cap. Furthermore it will not override strong local policy protections in the City's Local Plan against the loss of office space to housing. The regulations may see some loss of section 106 revenue for affordable housing. They will not however affect contributions from commercial developments. It is possible that starter homes will offer an economical option for development sites outside the City, although proper consideration will have to await the detailed regulations.

Mandatory rents for high-income social tenants

9. The Bill will empower the Government to require social housing providers to charge higher rents to social tenants earning above a certain level of income. This builds on the 'Pay to Stay' scheme currently operated by some providers

(not including the City Corporation) on a voluntary basis. Financial details of the scheme are not yet clear, but current indications are that increased rents will be payable by social tenants with a household income of more than £40,000, with the increase being 'tapered' according to the level of income until a market rent is reached. While housing associations will be able to retain the increased rental income for investment in new building, local housing authorities will be required to pay it to the Government in order to assist with deficit reduction.

10. Given that the City Corporation does not routinely collect information on the income of its tenants, the scheme will involve additional administrative costs. The Bill envisages that these will be deducted from the amounts payable to the Government. There may however be wider costs arising from the scheme, if increases in rent are reflected in increased arrears. It is also anticipated that the scheme will encourage an increase in the number of right-to-buy applications from working tenants, which would result further in a further reductions in City Corporation's social housing stock and rental income.

Brownfield register

11. The Bill contains measures which will pave the way for a statutory register of brownfield land suitable for housing. Under separate measures in the Bill, land included on the register will be given 'planning permission in principle' for housing development, leaving only technical details to be approved by the local planning authority. The Bill also provides for planning permission in principle to apply to sites allocated for housing in a local plan.
12. The register is not expected to have significant effects in the City, owing to strong local policy protections against the loss of office space to housing. It may facilitate development on sites outside the City, to the extent that they may include brownfield land.

Rogue landlords

13. The Bill introduces new enforcement powers against 'rogue' landlords, letting agents and property managers (*i.e.* those who have been convicted of certain housing-related offences, to be specified in regulations). The powers are exercisable by the Residential Property Tribunal on the application of local housing authorities. 'Banning orders' will be used to prohibit rogue landlords from letting housing, or rogue letting agents or property managers from working in the sector, and 'rent repayment orders' will require rogue landlords to repay rent to tenants (or local housing authorities where rent is paid through universal credit). Local housing authorities will also be required to submit information about rogue landlords for the purposes of a database to be maintained by the Government, and will have access to that database.
14. It is not thought that there is a significant problem with private landlords in the City, so the new measures will have limited consequences for the City Corporation. There are however likely to be some administrative costs.

Conclusion

15. The effects of the Bill on the City Corporation will depend to a large extent on details to be set out in regulations and, potentially, on discussions with the Government about how it is to be implemented. The passage of the Bill through Parliament will continue to be monitored, with parliamentarians and officials engaged where appropriate, and developments of interest reported to the Committee. The Director of Community and Children's Services (who has assisted in the preparation of this report) will be able to advise Members at greater length on the practical implications of the Bill as further detail becomes available.

Background papers

- Report of the Director of Community and Children's Services and the City Surveyor, 'Increasing the supply of homes – the role of the City of London Corporation', 9th October 2015, Item 6.

Sam Cook

Assistant Parliamentary Affairs Counsel

020 7332 3045

sam.cook@cityoflondon.gov.uk