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| Committee: | Date: |
| Policy & Resources | 21 st January 2016 |
| Subject: Housing and Planning Bill | Public |
| Report of: Remembrancer | For Information |

Summary

This Report advises the Committee of the 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, bring about a shift away from affordable rental housing towards 'starter homes' for first-time buyers, and enable planning permission to be granted 'in principle' for land identified as suitable for housing. These measures are of potential relevance to the housing policy approved by Members last year.

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 be relevant to the City Corporation's housing policy approved by Members last year, in particular the ambition to build 3,700 new homes by 2025.

Sale of high-value housing

2. The Government has reached an agreement with housing associations to extend the 'right to buy' to their tenants. Under the agreement, housing associations are to be compensated by the Government for selling properties subject to the right-to-buy discount. The Bill will enable this to be funded through the sale of high-value local authority housing, as it falls vacant. Local housing authorities will in effect have to pay an annual levy to the Government, based on an estimate of the total value of their high-value housing likely to fall vacant during the year. Councils will in principle, therefore, have a choice not to dispose of housing, if they fund the payment in some other way.
3. Details of how 'high-value' is to be defined, and how the estimate is to be calculated, are not yet known. Initial indications were that a single threshold for high value would 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. A quantitative assessment of the likely effect on the City Corporation must await these and other details. It would seem likely, though, that a substantial amount of its stock will be subject to the levy. Depending on vacancy rates, this could lead over time to the loss of a significant portion of the Corporation's social housing stock, unless the levy was to be funded in some other way. It could also undermine the viability of future social housing investment.

4. As well as funding the extension of the right to buy, the proceeds of high-value sales will be used to fund the building of replacement homes. The Bill will allow the Government to agree with local housing authorities, on a case-by-case basis, that the latter should retain some of the proceeds in order to fund their own house-building plans. Ministers have indicated in Parliament that they are open to approaches from councils on this point.
5. An agreement for the retention of sales proceeds would have the potential to facilitate the delivery of the City Corporation's housing policy and mitigate the loss of housing assets which would otherwise result from the Bill. A recent Government amendment relating to Greater London would, however, mean that any such agreement would have to ensure the provision of two new homes (either affordable rental homes or starter homes) for each one sold. This could limit the type (and in particular the size) of home for which the proceeds are used, or require debt finance to be raised in order to fund the scale of building required.
6. The amendment was tabled in response to vocal cross-party arguments by London MPs and councils that proceeds from disposals in Greater London should be retained for replacement homes in the capital, it being feared that the money would otherwise flow to cheaper parts of the country. In legal terms the amendment does not in fact require the retention of proceeds in London, but only governs the terms of any agreement the Government might choose to make to that effect. It does nevertheless embody a clear political commitment (emphasised by the Prime Minister in a recent newspaper article) to secure replacement house-building in the capital. This could prove helpful to the delivery of the City Corporation's housing policy, and may assist the housing situation in London more widely.

Starter homes

7. The Bill is intended to bring about a shift away from the provision of new 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. The starter homes requirement is intended to take the place of 'section 106' affordable housing contributions negotiated with the local planning authority.

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 Government's strong political emphasis on starter homes will, however, be relevant to the City Corporation's housing policy so far as it concerns new development outside the City and not on the social housing estates. In particular, detailed plans for the delivery of the policy will have to take account of the regulations intended to encourage starter homes, once their content is known.

Planning permission in principle

9. The Bill will enable 'planning permission in principle' to be granted for housing development on land identified as suitable for housing either in local plans or in new 'brownfield registers' to be set up by local planning authorities. This new form of planning permission will establish the principle of housing development on a given site, leaving only technical details to be approved through the local planning process, although the boundaries between the two stages are as yet not entirely clear. Depending on the nature of the sites identified, planning permission in principle could facilitate the delivery of the City Corporation's housing policy so far as it envisages new areas of housing outside the City. It is not expected to have significant effects in the City, owing to strong local policy protections against the loss of office space to housing.

Other measures

10. The Bill contains a number of other measures which are not covered in detail in this Report. On the housing side, they include provision to require social housing providers to charge higher rents to social tenants earning above a certain level of income (likely to be set at £40,000 per household in Greater London), with additional income gained by local authorities to be transferred to the Government; provision to restrict new secure tenancies to a maximum length of five years; and new enforcement powers against 'rogue' landlords, letting agents and property managers who have been convicted of certain housing-related offences. On the planning side, they include changes to the way in which planning powers can be conferred on the Mayor of London, requirements for greater disclosure of financial matters in officers' planning reports, and new powers of intervention for the Secretary of State in the local plan-making process. These measures have been reported to the Community & Children's Services Committee and the Planning & Transportation Committee, and further reports will be made to those committees on developments during the passage of the Bill through Parliament. Further details are contained in the background papers listed below.
11. The Government has recently introduced further provisions into the Bill, intended to encourage public authorities to dispose of surplus land-holdings for housing development. The details of these are currently being assessed and reports will be made to the appropriate committees. The measures may in theory apply to investment properties held in the City Fund, although no major practical effect is currently anticipated.

Conclusion

12. 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. It is likely, however, that proposals to force the sale of high-value local authority housing will have some adverse effect on the Corporation's social housing, and future investment in it. These effects could be mitigated by the partial retention of sales proceeds to fund the Corporation's own investment plans, although any agreement to this effect would have to ensure the provision of two new homes for each one sold. The strong emphasis of the Bill on 'starter homes' targeted at first-time buyers should be noted in the development of the Corporation's housing policy in relation to non-social housing outside the City.
13. The passage of the Bill through Parliament will continue to be monitored in liaison with the Director of the Built Environment, the Director of Community and Children's Services and the City Surveyor. Steps have already been taken in the light of the Bill to make the Secretary of State aware of the Corporation's house-building plans. Further engagement with parliamentarians and officials will be informed by any views expressed by Members in response to this Report. Particular consideration will be given to the potential merits of an agreement for the retention of sales proceeds, and a further report made to Members if a formal proposal seems desirable. Other developments of interest will be reported to the relevant committees.

Background papers

- Report of the Policy and Resources Committee to the Court of Common Council, 15th October 2015, Item 15(B) ('Increasing the Supply of Homes – Role of the City of London Corporation').
- Report of the Remembrancer to the Community & Children's Services Committee, 11th December 2015, Item 7 (Housing and Planning Bill).
- Report of the Remembrancer to the Planning & Transportation Committee, 15th December, Item 10 (Housing and Planning Bill).

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