



## West London Economic Prosperity Board

17<sup>th</sup> February 2016

<b>Title</b>	<b>Implications of and Response to the Housing &amp; Planning Bill 2015 and Other Policy Changes</b>
<b>Report of</b>	Pat Hayes, Executive Director Housing and Regeneration, London Borough of Ealing
<b>Enclosures</b>	Appendix 1 – Specific Implications of the Housing & Planning Bill
<b>Officer Contact Details</b>	Pat Hayes, Executive Director Housing and Regeneration, London Borough of Ealing, <a href="mailto:hayesp@ealing.gov.uk">hayesp@ealing.gov.uk</a>

### Summary

This report provides an over view of the provisions contained in the Housing and Planning Bill and other policy changes affecting housing supply and allocation and examines the implications for the West London Boroughs.

### Recommendations

- 1. The Board notes the contents of the Appendix which details the implications of the Housing and Planning Bill for West London**
- 2. The Board agrees to consider any London-wide proposals to retain and re use receipts from “high value sales” within London.**
- 3. The Board considers the best way to respond to the evolving pressures in the London Housing market, the impacts of the Housing & Planning Bill and ongoing changes to the benefit system.**
- 4. The Board agrees to commission further work from officers to develop potential interventions, at a West London level as well as individual Borough level.**

## **1. Background**

### **Policy Context**

- 1.1 The Government is keen to promote home ownership as the preferred form of tenure, and views rented housing at subsidised levels from Councils or Housing Associations, as a choice of last resort.
- 1.2 It also adheres to a general principle that people should not live by virtue of public subsidy in a location, or housing type, which they could not afford if in work and not receiving a subsidy in some form, either through reduced rent or a benefit payment.
- 1.3 This has a profound impact on public housing policy and the two strands of thought, which come together in the Housing & Planning Bill, will significantly reduce the supply of new subsidised rental housing which has been delivered through a combination of government grant and the planning system for the last twenty or so years .

### **Economic Context**

- 1.4 Though good for many individual home owners the continued price inflation in the West London housing market is beginning to have an effect on business productivity and competitiveness as companies report staff having to make longer and longer journeys to work and a difficulty recruiting and retaining younger employees who are not well established on the housing ladder.
- 1.5 The CBI's recent London Business Survey<sup>1</sup> found that when businesses were asked about the impact of housing on business:
  - 57% of businesses surveyed, listed housing costs and availability as impacting negatively on the recruitment of entry level staff
  - 63% cited not enough funding for affordable housing
  - 55% cited a lack of available land to build homes (land supply)
- 1.6 The public sector, particularly the education and social care fields are also being very adversely affected as professional salaries are in many boroughs insufficient to rent let alone buy a satisfactory property.
- 1.7 In terms of housing for those in lower skilled jobs most boroughs are now unaffordable and increasingly such jobs are being filled by younger people and often recently arrived migrants living in substandard and often unsafe housing. London is reliant on migrant labour, in part due to its lack of available housing affordable by those in low paid jobs. Traditionally 25% of London's housing stock was subsidised municipal housing but this is falling year on year and is no longer generally accessible for those in work even low paid.
- 1.8 This lack of affordability extends to some 'affordable' rented housing supplied by housing associations. For example, a new affordable housing association 2

---

<sup>1</sup> LONDON BUSINESS SURVEY SEPTEMBER 2015 – CBI 2015

bedroomed property was recently let in West London (in Harlesden) at a rent of £288 per week. Coincidentally, the new National Living Wage of £7.20 per hour would just about cover this rent, assuming a 40 hour week. However, this leaves nothing for food, clothes, child care and travel. Hardly surprising then, that London's economy is increasing reliant on migrant labour, and that families are being forced out of the capital by high rents, even in the affordable rented sector.

- 1.9 Unless there is a considerable slow down or reverse of house price inflation, London will face a major challenge continuing to operate as a growing economy. It is worth noting that house price inflation in turn drives rental inflation and the private rented sector, particularly for family sized accommodation, is rapidly becoming unaffordable to those on even above average salaries.
- 1.10 London's current dominance in the UK economy and status as a global financial center are likely to mean that normal market adjustment to bring property prices fall in line with incomes, will not happen in a uniform manner, and is likely to be preceded by a general fall in housing standards and a polarisation in the housing market between very expensive and very poor quality stock.

## 2. Overview of the Housing and Planning Bill

- 2.1 The Housing and Planning Bill was introduced to Parliament on 13th October.
- 2.2 The government is seeking to achieve 3 primary aims through the Bill:
  - To encourage people to buy their own homes
  - To speed up the planning system to encourage the building of 1m new homes by 2020
  - To change the way public housing is managed
- 2.3 The Bill is largely an enabling Bill, so much of the detail will come later through guidance and regulation. To summarise, the key areas that the Bill covers are:
- 2.4 **Starter Homes:** At prices of up to £450k (including the 20% discount), starter homes will be out of reach of most households, including those on average incomes in many, if not most, areas of London. Meanwhile, the £450k cap on value will make it difficult to deliver starter homes in more central areas of London, where the average new build house price is far higher than this. There is concern that the starter homes requirement will squeeze out other affordable housing products, particularly rented housing, thus overriding local assessments of housing need, and undermining local decision making powers
- 2.5 **Extension of Right to Buy to Housing Association Tenants:** Losses of affordable housing in West London could be in the order of 3000 affordable or social rented homes over the next 5 years. As things stand, Local Authorities will lose the ability to insist that homes sold by associations under the extended RTB scheme will be replaced in West London, since there is at present no

means to replace RTB homes in London, let alone in West London or indeed in the same local authority area.

- 2.6 **Sale of vacant high value local authority housing:** The Government is committed to requiring stock retaining local authorities to sell “high value” homes as they become vacant. The government intends to use the funds raised to support the extension of the RTB scheme and also to help create a fund to support the construction of 400,000 homes on brownfield land (Brownfield Regeneration Fund). The provisions contained in the Bill will enable the government to set out a definition of ‘high value’ homes and create a duty on local authorities to consider selling homes that meet this definition when they become vacant.
- 2.7 The Bill will also allow the government to estimate the amount of money it would expect each individual authority to receive, in each financial year, from sales of high value homes. Local authorities will be able to enter into an agreement to reduce the amount of the payment, so long as the money is spent on housing or on things that will facilitate the provision of housing. Though at the moment this is on basis of a two for one arrangement which will be extremely challenging unless boroughs build out of borough in places where values are lower. In the absence of any agreement between a borough and Government on resupply the LA will be required to pay any amount due from the sales to the Treasury. Details of both the definition of high value homes and the mechanism by which the government will calculate the amount owed by each stock retaining authority will be published at a later date. Though it appears this will be done on the basis of volume of stock in certain price bands and turnover rate over last three years.
- 2.8 **Pay to Stay:** A “Pay to Stay” scheme for high earning Council Tenants. The definition of high earning is to be set in regulation, but Government has indicated that a household income of £40K is likely to be the test in London. The concern is that this policy will be costly to administer, and that the governments proposed timescale (February 2017) is unworkable.
- 2.9 **Other measures (not necessarily in the Housing & Planning Bill) include:**
- Further reforms to the planning system and compulsory purchase procedure
  - A compulsory annual reduction in Council rents of 1% for next four years.
  - The limiting of Housing Association rents to Local Housing Allowance levels
- 2.10 Royal Assent for the Housing & Planning Bill is expected in late spring and any necessary secondary legislation and regulatory guidance to bring its provisions into force is likely to follow during the summer. This will include changes to the regulatory framework for social housing and the National Planning Policy Framework, amongst others. The legislation represents a major change in housing policy and as a result, many council statutory strategic housing policies and plans will need to be reviewed

2.11 Alongside the Housing & Planning Bill a range of changes to the benefit system are being implemented which will make it progressively harder for local authorities in London to meet their housing responsibilities within their own boroughs. The reduction in the overall benefit cap to £20,000, the introduction of universal credit, pose significant challenges for London, as does the 1% rent reduction in councils rents.

### **3. Key Implications**

3.1 In the Bill the government has changed the focus of the delivery of below market price housing through the planning system from rented property provided by Councils or Housing Associations to owner occupied property

3.2 It is likely that any resulting increase in housing supply in London will benefit only a limited number of households on higher than average incomes. Working households with a below average income, including those who are reliant on welfare benefit top ups, will be increasingly reliant on the private rented sector, pushing many out of London.

3.3 The government's focus on the support of home ownership as opposed to renting is also reflected in the funding made available for the national Affordable Homes Programme (AHP) in the recent Spending Review. Given the constraints the Bill will place on registered providers of social housing and associated losses through the Right to Buy and sale of high value voids, it is likely that councils will need to increasingly look to alternative approaches to delivering new homes without AHP funding.

3.4 The Government remain committed to supporting estate regeneration programmes as a means of delivering new housing. However loss of HRA income as a result of the 1% reduction and sales of stock will reduce the capacity of Councils to fund these programmes which are, in any case, getting harder to finance due to the increasing cost of RTB buy backs.

### **4. Pan London and West London Proposals**

4.1 There is ongoing dialogue between the Government, the GLA and London Councils as to ways in which the unique circumstances of London could be addressed within the parameters being set by the new housing and planning bill. This has particularly focused on looking at ways to ensure that receipts from high value sales are kept in London to re-provide replacement affordable housing.

4.2 At this moment it is unclear exactly where these discussions have got to and how any proposals could be related to the two for one amendment in the current bill.

4.3 One thing however is certain that to deliver like for like is challenging given land and construction costs, and a two for one programme will only be feasible with at least one of every two units being delivered outside London and a substantial proportion being some form of subsidised ownership product rather than a rental one.

- 4.4 There is also a certainty that West London Boroughs will increasingly have to meet their temporary accommodation needs outside of London and if they wish to increase their own stocks of properties at below market rent levels they will have to do this outside London.
- 4.5 This will clearly have an impact both on the boroughs that are buying stock and placing people outside their own geographical boundaries, but also on the boroughs that will be having people placed into their areas.

## **5. West London's Response**

- 5.1 The Housing and Planning Bill signals a major change in public housing policy and West London boroughs will have to respond to this in an imaginative way.
- 5.2 This is likely to mean both buying and leasing/ renting existing housing outside London to use as temporary accommodation and developing new build housing to use as either temporary or permanent accommodation at a variety of rental price-points.
- 5.3 West London boroughs are already working collaboratively on procurement of temporary accommodation, both in and outside London, with a shared West London Temporary Accommodation procurement Dynamic Purchasing System.
- 5.4 There is also a new joint project underway, to procure private rented accommodation outside London and provide effective resettlement and employment support. A project manager has just been recruited and the project will start to go live in early 2016/17.
- 5.5 West London Boroughs may also have to find ways to engage with or provide alternative structures to any pan London vehicles established to help deliver replacement affordable housing supply in London.
- 5.6 Several West London Boroughs are looking to buy stock outside London, and will be sharing information with a view to collaborating in order to avoid the risk of competing against each other for stock and inadvertently inflating prices.

## **6. Recommendations**

- 6.1 Boroughs may wish to consider taking these initiatives a step further. Consideration should be given to whether it is worth exploring the following
- A West London property acquisition/ development team tasked with buying single units and whole packages of stock for West London boroughs outside of London. This team also being a potential vehicle to acquire land for development as part of 2 -1 replacement programme.

- A West London Temporary Accommodation Team who would be responsible for securing shorter term leased and rented properties for the West London Boroughs and managing the placement of tenants, relations with the host borough and the provision/ purchase of support to both the residents and the host authority.
- 6.2 The above would require considerable work to establish and may require some seed funding to set up. Consideration would need to be given to the best approach, be it one borough providing a service on behalf of others, jointly commissioning an external provider, or setting up some sort of joint SPV to deliver the service. A robust commitment from boroughs would be needed, once the business case was agreed.
- 6.3 Many boroughs already have their own initiatives to respond to these challenges, and it may in some cases make sense to open these up to other West London boroughs to reduce start-up costs etc.
- 6.4 It is therefore recommended that officers explore the various options and bring a further paper back to the Board when the details of any final settlement for London are clearer.

## **7. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

7.1 N/A

## **8. POST DECISION IMPLEMENTATION**

8.1 Growth Directors will be committed to undertake further work to develop the Board's preferred options

## **9. IMPLICATIONS OF DECISION**

### **9.1 Corporate Priorities and Performance**

This report responds directly to the prioritisation of housing issues in the West London vision for Growth.

### **9.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

N/A

### **9.3 Social Value**

N/A

### **9.4 Legal and Constitutional References**

The Board has its own functions and procedure rules as set out in the Constitutions of the relevant local authorities. These include representing the participating local authorities in discussions and negotiations with regional and national bodies and central government on matters relating to economic

prosperity for the benefit of the local government areas of the participating authorities, and representing the participating local authorities in discussion and negotiations in relation to pan-London matters relating to economic prosperity.

**9.5 Risk Management**

N/A

**9.6 Equalities and Diversity**

N/A

**9.7 Consultation and Engagement**

Draft paper discussed by WLA Chief Executives (12<sup>th</sup> January 2016) and WLA Growth Directors (29<sup>th</sup> January 2016)

**10. BACKGROUND PAPERS**

10.1 Housing and Planning Bill 2015-16: <http://services.parliament.uk/bills/2015-16/housingandplanning.html>

10.2 Spending Review and Autumn Statement 2015: [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/479749/52229\\_Blue\\_Book\\_PU1865\\_Web\\_Accessible.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/479749/52229_Blue_Book_PU1865_Web_Accessible.pdf)