Local Government Association briefing: Deregulation Bill, Housing, amendments 40, 41 and 42

30 October 2014

KEY MESSAGES

- **We support amendments 40, 41, and 42 tabled to the Deregulation Bill being led by Lord Best on the Right to Buy and the Housing Revenue Account.**

- **Polling by the LGA, highlights the importance of affordable housing among the public**. 38 per cent of people nationwide are more likely to vote for a political party in next year's General Election if it committed to increasing the number of affordable homes built nationally. This figure rises to 49 per cent in London.

- Councils are severely hampered in their ability to tackle the ongoing housing crisis by borrowing restrictions imposed by HM Treasury. **Removing the housing borrowing cap would allow councils to build more new homes.** Councils have demonstrated that when they are given the powers, resources and flexibilities they can build at scale. For example, councils regularly built over 100,000 homes each year between 1946-80.[i]

- **The LGA has published costed proposals which would deliver an additional 500,000 homes over the lifetime of the next Parliament.** These plans are outlined in 'Investing in Our Nation's Future: The First 100 days of the Next Government'[ii] which outline our ambitions for an incoming Government to provide solutions to the housing crisis, building half a million more homes so that people can find a place they can afford.

- In 2013-14 there were 11,261 sales of local authority owned social homes through the right to buy, a quadrupling of the number of homes sold in 2010-11.[iii] Councils must have the powers and funding to replace these homes quickly and efficiently.

LORD BEST AMENDMENT 40 & 41 – RIGHT TO BUY

- **We support amendments 40 and 41 which would allow for direct and full retention of Right to Buy receipts and greater flexibility over how they are used. These new clauses would also ensure the discount could be set locally.**

- The current inflexibility of the Right to Buy, has a number of consequences which undermine the ability of local authorities to replace housing sold under the scheme. Local authorities must have a greater say over the Right to Buy to reflect local priorities and their local housing market.

- Relaxing the eligibility criteria for the Right to Buy makes it more important than ever that the system delivers replacement homes for those sold. A blanket discount cap, as is currently in place, ignores the large differences in property values up and down the country, and in some areas will not provide a discount sufficient to generate sales and vice versa. Greater flexibility should be provided to enable councils to set the Right to Buy discount locally, to reflect local housing markets and stimulate sales.

Local Government Association

Briefing

Robert Jervis-Gibbons, Public Affairs and Campaigns Advisor
Robert.Jervis-Gibbons@local.gov.uk
Tel 020 7664 3125

- Under the current system, the amount of receipts kept by the Treasury is based on the predicted amount of Right to Buy sales in each authority. This means that only when the Treasury has received the predicted amount does money become available to be retained locally by councils.

- The criteria which accompany Homes and Communities Agency agreements to retain receipts locally restricts the ability of local authorities to invest in housing. For example, the agreements limit councils to funding only 30 per cent of new build costs from Right to Buy receipts, as well as limiting the use of other housing revenue account receipts as funding. The Deregulation Bill should allow for full retention of receipts and greater flexibility over how they are used. This would incentivise councils to use their assets, such as land, for replacement housing and could allow councils to bring development sites forward that may not be attractive or viable to other providers.

- **The Bill represents an opportunity to alter the current arrangements to enable additional reinvestment in new affordable housing.** The changes set out above would enable councils to reinvest significantly in new homes.

LORD BEST AMENDMENT 42 – HOUSING REVENUE ACCOUNT

- **The LGA supports amendment 42 as we would like to see the Bill remove the housing borrowing cap.** Meeting housing need and demand locally will not be achieved through the current model. The private sector cannot deliver on the scale required.

- It has averaged 130,000 completions a year over the last 40 years. Housing Associations are also capacity constrained. Building over 200,000 units per annum is achievable only if councils play a full part in delivery including building on their own account.

- Removing the housing borrowing cap would mean that borrowing for housing would be treated in the same way as other local government borrowing. This approach means that local government can only borrow what it can afford to pay back, a principle which is enshrined in the Prudential Code. We estimate that **the total level of borrowing that would occur, if the cap was removed, would be insignificant when compared to national debt.**

- **The LGA has published costed proposals which would deliver an additional 500,000 homes over the lifetime of the next Parliament.** These plans are outlined in 'Investing in Our Nation's Future: The First 100 days of the Next Government'[iv] which outline our ambitions for an incoming Government to provide solutions to the housing crisis, building half a million more homes so that people can find a place they can afford.

- Research by Capital Economics, of economists, fund managers and credit ratings analysts indicates that **there would not be a significant reaction from the markets** to the likely increase in borrowing (£7 billion over five years) that would result from lifting the borrowing cap. This is mainly due to the relatively small size of the figure, which is far smaller than the statistical error for public borrowing.

- **The LGA's call for removal of the cap is supported by a large number of housing stakeholders including:** the CLG Select Committee, Shelter, Home Builders Federation, Federation of Master Builders, Chartered Institute of Housing, National Housing Federation, London Councils, National Federation of Builders, National Federation of Arms-Length Management Organisations, and Association of Retained Council Housing.

---

[i] Live table 244, DCLG https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building
[ii] www.local.gov.uk/100days
[iii] DCLG statistical release on social housing sales, 16 October 2014
[iv] www.local.gov.uk/100days