

## HOUSING AND PLANNING BILL

To require that (a) each high value council home sold is replaced by at least one unit of new affordable housing, and that (b) local authorities have sufficient discretion and funding to replace each council home sold with a new unit of council housing, if they so wish and provided they can prove need.

### Amendment:

#### Clause 72:

1. Page 32, line 8, at end insert—

*“( ) Subject to subsection (4), where the agreement is with a local housing authority in England, it must require the authority to ensure that at least one new affordable home is provided for each old dwelling.”*

2. Page 32, line 17, at end insert—

*“( ) If a local housing authority so wishes, and that authority can demonstrate, whether by reference to its Local Housing Plan or otherwise, that there is a need in its area for social housing of the kind that it proposes to build, the Secretary of State shall enter into an agreement with that authority whereby it shall retain such part of the payment as may be required to fund the provision of a new dwelling to be let as social housing on terms (as to tenure, rent or otherwise) which are similar to those on which the old dwelling was let.”*

Proposed by: Lord Kerslake (Crossbencher)

### Briefing

- Low-rent council homes are a lifeline for working people across the country – they provide a stability and affordability that private renting does not, while low rents help families save. They also play a vital role in preventing and tackling homelessness.
- This chapter of the Bill will compel councils in ‘high value’ areas to sell a certain proportion of their council homes when they become vacant (e.g. a tenant moves out or dies), instead of moving a new tenant into the property from their waiting list. The majority of sale receipts must then be passed to central government to fund the new Right to Buy for Housing Association tenants. The government aim to raise at least £4.5bn each year.
- The definition of a ‘high value’ council home is not defined in the Bill. However, using previous definitions suggested by government, Shelter estimates around 113,000 council homes would be lost through this policy. Analysis of the impact of every local authority is available [here](#). This will necessarily impact significantly in areas with relatively high house prices, where housing pressures are at their

most acute. Examples include St Albans, where 60% of council stock is at risk of forced sale, Harrogate (29%), York (18%), Westminster (76%), Kensington & Chelsea (97%), South Cambridgeshire (26%), Camden (50%) and Oxford (12%). Around half of all council homes lost would be in London.

- **The purpose of this amendment is to grant local authorities maximum power to replace council homes sold as they see fit.** At present there is no explicit comment or provision in the Bill regarding replacement of homes sold.
- This policy will operate on a levy basis. Clause 72 of the Bill allows the Secretary of State to strike deals with local authorities to keep a certain portion of receipts raised from sales of high value homes to fund replacement. **Part 1 of this amendment requires that when these deals take place, the Secretary of State must require the local authority builds at least one new unit of affordable housing to replace the unit sold.** This requirement has already been placed into the Bill by government for local authorities in London, on a 2-for-1 basis – this would simply extend the same agreement, but on a 1-for-1 basis, to local authorities outside London.
- Most importantly, the **second part of this amendment would require that, if they can prove local need, local authorities will be able to keep sufficient receipts from sales to cover the building of at least one replacement unit of social housing for every council unit sold.** This will not place an across the board requirement on local authorities to build social housing against their will – it will leave flexibility for local authorities to build other forms of tenure if they so wish.
- This second part is necessary as previous definitions of ‘affordable housing’ promoted by the government have not included social rent, and only covered Affordable Rent (80% market rent), Shared Ownership and Starter Homes. These forms of tenure are significantly less affordable to those on low incomes than social rented homes.
- We recognize that social rent is more expensive to fund. But it is reasonable that where a local authority wishes to build a social rented property to replace the one they have been forced to sell, they have maximum power and the proper funding to do so. The amendment will leave exact amounts to be negotiated between local authority and Secretary of State, but the amendment will strengthen the bargaining power of local authorities in these negotiations.
- Moreover, we believe this amendment would still provide considerable funding for the Right to Buy for Housing Association tenants. The sums of money leaving each ‘high value’ area from sales are so significant, with such uplift in value, that it should be possible to properly fund like-for-like replacement (should the local authority see fit) and still see large sums of money going to the Treasury to fund the Right to Buy.

For proof of this, as a rough rule of thumb we can assume that the average grant rate of a replacement social rented home is about £60,000 a unit – though an imperfect approximation that will differ by area (especially in London where land costs are high), this was the rough average grant for social rent under the previous National Affordable Housing Programme grant regime.<sup>1</sup> Prudential council

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<sup>1</sup> NAO/DCLG, *Financial viability of the social housing sector: introducing the Affordable Homes Programme*, July 2012.

borrowing then covers the rest of the cost of construction.

To take Harrogate as an example, we estimate around 72 high value council homes will be sold in this area each year, raising £13,979,295 per annum – or around £194,156 per home. If £60,000 of the sale for each home remains with the local authority for replacing that home like-for-like, as well as average debt and admin costs (£22k<sup>2</sup>), this still leaves around £112,156 in receipts flowing to the Treasury for each home – or £8,075,232 in total each year.

The Government are understandably keen to keep as much money from sales receipts as possible, but this should and can be balanced against the need for continued provision of genuinely affordable.

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<sup>2</sup> CIH estimates average debt costs on a council home to be £20k, and average admin costs involved to be £2k. The government have pledged to allow councils to cover these from the receipts of sales.

<http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Selling%20off%20the%20stock%20-%20final.pdf>