

**HIGH VALUE
COUNCIL SALES
FINDINGS FROM FOUR
LONDON BOROUGHs**

Peter O'Kane & Ian Simpson
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POLICY BACKGROUND

2012: Alex Morton of Policy Exchange argues councils should sell more expensive half of vacant homes.

April 2015: David Cameron at Conservative Manifesto launch says LAs will be “required to sell off” “more expensive” “vacant homes”. Replacement will be “in the same area” with “new affordable housing”.

April 2015: Conservative Party media briefing says LA high value vacants to be sold off and “replaced in the same area” “with normal affordable housing”.

“After funding replacement affordable housing on a one for one basis, surplus proceeds will be used to fund the extension of Right to Buy and Brownfield...”

GOVERNMENT PROPOSAL

April+: very effective campaign by HAs; local authorities much less publicly vocal. Sept: HAs sign up to 'voluntary' HA RTB deal. October: the Bill published:

- Govt may make a Determination to take money from LAs with HRAs. Not based on vacants actually sold.
- SoS's Determination of amount estimates the market value less deductions which SoS decides.
- SoS defines 'high value' in regulations.
- Definition 'high value' varies across 'different areas'.
- Determination may vary between 'areas' and between 'local housing authorities'.
- Determination may vary 'for different purposes'.

POINTS TO NOTE ON BILL

- HRA housing, even if sold off, still caught.
- SoS may exclude some housing from duty.
- No explicit provision for LAs to retain any extra capital receipts.
- Monies from LAs “will be used to help support people into home ownership”. “Normal affordable housing” has become LCHO.
- SoS may reduce money payable on terms re the “provision of housing or things which facilitate the provision of housing”.
- SoS leverage / bribery capacity on LAs & HAs.
- Linkage to Brownfield sites has disappeared.

OUR RESEARCH

We examined four London councils with total stock of almost 100K. For each borough we estimated:

- Likely council & HA **sales** p.a. by bedroom size.
- **Replacement** rates p.a.
- **Financial impact** of lost social lettings, including temporary accommodation & housing benefit.
- **Cumulative costs** of the policy over 30 years.

Our assumptions on threshold levels:

- Set at local authority level, not regional, in London.
- Based on value of all homes, not just private sector.
- Separate thresholds by number of bedrooms.

STOCK OVER THRESHOLD

COUNCIL B

Beds	Local threshold	Stock at risk	Turnover rate	Annual sales	Average value
1	£338,082	13.1%	3.5%	35	£384,354
2	£440,147	11.1%	2.5%	23	£505,886
3	£504,420	15.1%	2.2%	21	£626,085
4+	£938,458	7.7%	2.2%	3	£1,142,860
Total		12.5%	2.7%	82	£506,870

“Average value” is the total sale price before any capital receipt restrictions and/or SoS determination.

ANNUAL SALES

INITIAL

Local authority	Stock at risk	Turnover rate	Annual sales	Average value
A	5.6%	4.4%	50	£ 505,400
B	12.5%	2.7%	82	£ 506,870
C	11.8%	2.9%	49	£ 376,494
D	6.1%	3.9%	90	£ 557,452

IMPLICATIONS FOR LONDON

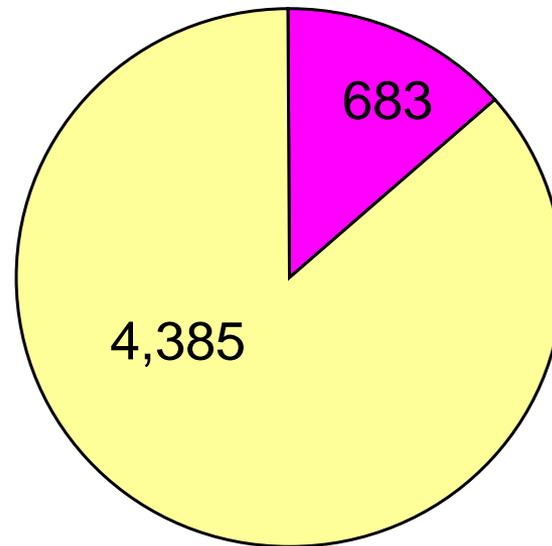
If pattern in our four LAs is mirrored across London:

- Impact on social lettings varies from about ~ 6: 1 to 10:1 from sale of LA vacants : HRA RTB.
- Not much variation over time at least over 30 years
- LA vacants London receipts about £650m pa
- High value average (before set offs) between 2 and 1.5 times cost of LA housing at lower quartile.
- Cost of temporary accommodation (TA) is critical.
 - $\frac{3}{4}$ of national TA total placed by London Boroughs
 - 1 in 3 of homeless are placed o/s responsible borough
 - No placed o/s borough is half total of all in TA o/s London

LOST LETTINGS

LONDON

4.1: Lost lettings over 4 years



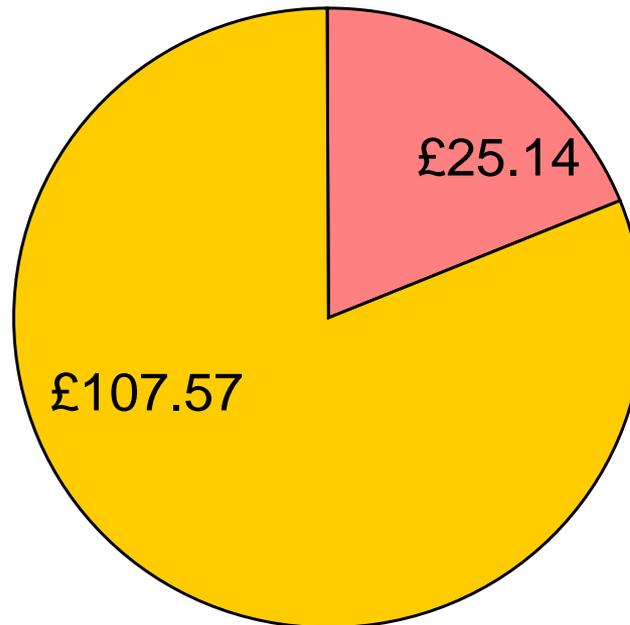
■ HA lost nominations ■ LA lost lettings

Assumes 5% replacement in first 4 years. In this period 87% of lost lets are due to council sales.

COSTS

LONDON

4.2: Causes of costs over 4 years (£M, cash)



■ HA RTB sales

■ LA vacants sales

WHO PAYS?

LONDON

4.3: Who pays costs over 4 years (£M, cash)



■ Housing Benefit

■ Local Authority

CONCLUSIONS

- Loss of social lets from sale of LA vacants much greater and more immediate than HA RTB.
- Decants available for LA estate regen reduced.
- No LA rented replacement of sold LA dwellings.
- Ests. if LA vacants receipts enough are irrelevant: Govt can adjust definitions / ask HAs to slow RTB.
- Increase in HA building but location not determined.
- Further shift from support for renting to support for owner occupation on top of Section 106 changes.
- Longer term: cost of housing poss. more important.
- 'Growth is Good' may become housing for whom?