HIGH VALUE COUNCIL SALES

FINDINGS FROM FOUR LONDON BOROUGHS

Peter O’Kane & Ian Simpson
26 October 2015
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...”
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’.
• 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.
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.
“Average value” is the total sale price before any capital receipt restrictions and/or SoS determination.

<table>
<thead>
<tr>
<th>Beds</th>
<th>Local threshold</th>
<th>Stock at risk</th>
<th>Turnover rate</th>
<th>Annual sales</th>
<th>Average value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>£338,082</td>
<td>13.1%</td>
<td>3.5%</td>
<td>35</td>
<td>£384,354</td>
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<tr>
<td>2</td>
<td>£440,147</td>
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<td>2.5%</td>
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<td>£505,886</td>
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<tr>
<td>3</td>
<td>£504,420</td>
<td>15.1%</td>
<td>2.2%</td>
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<td>£626,085</td>
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<tr>
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<td>7.7%</td>
<td>2.2%</td>
<td>3</td>
<td>£1,142,860</td>
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<tr>
<td>Total</td>
<td></td>
<td>12.5%</td>
<td>2.7%</td>
<td>82</td>
<td>£506,870</td>
</tr>
</tbody>
</table>
# Annual Sales

<table>
<thead>
<tr>
<th>Local authority</th>
<th>Stock at risk</th>
<th>Turnover rate</th>
<th>Annual sales</th>
<th>Average value</th>
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</thead>
<tbody>
<tr>
<td>A</td>
<td>5.6%</td>
<td>4.4%</td>
<td>50</td>
<td>£ 505,400</td>
</tr>
<tr>
<td>B</td>
<td>12.5%</td>
<td>2.7%</td>
<td>82</td>
<td>£ 506,870</td>
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<tr>
<td>C</td>
<td>11.8%</td>
<td>2.9%</td>
<td>49</td>
<td>£ 376,494</td>
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<tr>
<td>D</td>
<td>6.1%</td>
<td>3.9%</td>
<td>90</td>
<td>£ 557,452</td>
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</tbody>
</table>
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.
  – ¾ 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.
4.1: Lost lettings over 4 years

4,385

683

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

- £107.57
- £25.14

- HA RTB sales
- LA vacants sales
4.3: Who pays costs over 4 years (£M, cash)

- Housing Benefit: £40.04
- Local Authority: £92.66
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?