THE FORCED COUNCIL HOME SELL-OFF
1. EXECUTIVE SUMMARY

In the 2015 Queen’s Speech, the government confirmed its plan to force councils to sell their low rent homes in the most high value areas.

The scheme was proposed as both a way of paying for the extension of the Right to Buy to housing association tenants, and as a way to get councils “to manage their housing assets more efficiently” by building more homes. Without modification, it will do neither of these things – and will reduce the number of low rent, social homes in the places they are needed most. As a result, more families on low to middle incomes will struggle to get a decent home that they can afford.

Instead of encouraging councils to build more low rent homes, the sell-off risks undermining councils’ existing building and regeneration programmes, potentially causing tens of thousands fewer homes to be built. The scheme itself is also likely to create major costs for the Treasury by failing to fully cover the Right to Buy discounts, and by leaving homeless families in costly temporary accommodation for longer. By pushing low income families out of higher value places, particularly from inner cities, it will put new pressures on communities and services in more affordable areas on the urban fringe.

Shelter believes that the government should abandon its plans to force the sale of valuable council homes, and find other means to fund Right to Buy discounts for housing association tenants, if that is its priority. But if the sell-offs are to be imposed, at the least the proposals must be improved to limit the negative effects.

**Loss of low rent homes**

The primary impact of the forced sales will be the loss of social homes, particularly in more expensive areas – where the need for low rent homes is most acute.

While the government’s initial estimate of 15,000 homes being forcibly sold per year is probably too high, Shelter estimates that almost 113,000 council homes are likely to be above the value threshold, and hence liable to be forcibly sold. Due to the uneven distribution of council stock and house prices, Shelter estimates that 78,778 of these will be lost from the twenty most effected local authorities. Half of these twenty areas are in inner London – but they also include more suburban places like Dacorum and Epping Forest, and northern cities like York, Leeds and Newcastle.

Unless specific exemptions are introduced there are likely to be particularly damaging losses to the stock of specialist, adapted and rural housing. These types of housing have been built to meet the needs of specific groups like elderly or disabled people, and would be excessively expensive to replace.

**Jeopardising new building**

The forced sell-off of high value council assets will fundamentally undermine councils’ existing building and estate regeneration plans, and introduce new unanticipated inefficiencies and costs.

The top 20 councils that will be most impacted by the forced sales policy currently have plans to build at least 20,390 homes between them which this policy will put under threat. For example, Islington Council has said that the policy “could end our new-build programme”, and Southwark Council that it would “drive a coach and horses” through its house building plans.

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The policy threatens building plans because:

- Councils’ ability to borrow will be seriously eroded, as lenders will have no confidence in the security of future revenue streams or capital receipts from any homes built;

- Ironically, existing council building programmes are often partly financed from the revenue projected from selling a small number of the most expensive council homes. Most of that revenue will now be seized by central government to fund discounts under the new Right to Buy instead;

- If any new council homes risk being forcibly sold as soon as they were built, councils will have little or no incentive to build.

Some of the negative effects of the proposed forced sale scheme could be reduced through modifications to the policy. This could be done by ensuring that there are sensible exclusions in place, including on new build homes and those that are earmarked for regeneration, and by replacing homes sold off with a like-for-like replacement.

**Increasing local housing pressures**

Between the 20 councils likely to be hardest hit, 159,014 people are on council housing waiting lists and 22,371 children are living in temporary accommodation due to the shortage of affordable homes. But instead of helping to solve this shortage, the sell-off will exacerbate it further by selling much needed council homes on the market, without any restriction on who these homes are sold to. For example, many are likely to be bought by buy-to-let investors – particularly in places like London. This will exacerbate the serious housing problems already faced by people living in those areas. It will mean that:

- Housing waiting lists will become longer;
- More people will stay in temporary accommodation for longer, at greater cost to local tax payers;
- Councils will have less ability – and less incentive - to reduce under-occupying and over-crowding households, as homes that fall vacant as part of efforts to move households to more suitable accommodation may have to be sold;
- Councils will have less incentive to invest in stock, as it may push the value above the arbitrary thresholds for forced sale; and,
- The reduction in the number of social rented homes available will intensify competition for private rented sector homes at the bottom of the market, driving up rents.

The forced sell-off will also have knock-on impacts on the areas that lower income families are forced to move into. These areas may experience increased pressures on local services, like education, health and council services, and may see an increased growth in the private rented sector beyond that which have happened without the forced sales.

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4. Live Table 600 and Detailed Local Authority Level Homelessness Figures – January to March 2015, Department for Communities and Local Government
A financial risk to the Treasury

**Figure 1:** The difference between the total receipts and the total costs over four years is £2.45 billion

Using the receipts from sold council homes to pay for the extension to the Right to Buy, replacement council homes, historic debt and a brownfield land decontamination fund creates a large deficit for the Treasury. Over four years the costs of these four policies will be £9.65 billion. But our research also finds that the total receipts from sold council homes are likely to be only £7.2 billion. This leaves a deficit for the scheme as a whole of £2.45 billion.

Unless the funding of the discounts under the Right to Buy for housing association tenants are separated financially from the forced sale of council homes, the Treasury risks unanticipated costs that could run into billions.

Alternative means should be found to pay for the Right to Buy extension, if that is the government’s priority. For example, former Permanent Secretary of the Department for Communities and Local Government and Chief Executive of the HCA, Lord Kerslake, and the Mayor of London, Boris Johnson, have both suggested that the funding gap could be plugged by offering discounts to housing association tenants in the form of Help to Buy-style equity loans.³

**One for one replacements**

Since 2012 when the existing replacement scheme for Right to Buy was introduced, nine homes have been sold off for every one that has been replaced.⁷ This deficit is in part inevitable, as work on new replacement homes only starts once the original homes are sold. It is a consequence of the time that it takes to finance, plan and build homes. The financial and practical problems with the scheme also make it an example of the

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5. Shelter calculations based on the receipts generated by sales at current turnover levels on current stock values (by bedroom) of homes at values that breach published thresholds. Full Methodology at Appendix A.


7. Shelter analysis based on Live Tables 691 and 693, Department of Communities and Local Government
poor planning that the new replacement programme must avoid.

A new, better replacement scheme could be structured to fund replacement homes up-front, in anticipation of future sales based on accurate projections, so that the net number of homes that are available on an ongoing basis isn’t reduced. Unless homes are replaced on a like-for-like basis, in the same tenure, of a similar size and available to the same people as the forcibly sold homes, then some areas will still be made worse off.

The best way to ensure that councils make efficient use of their stock is by encouraging them to make the right decision for their local area, based on the housing need that they have identified, not to force them to comply with a central diktat. However, if the forced sales policy proceeds, our recommendations will help to minimise its worst effects. Without modifications to the policy, a small number of households will gain a windfall at the expense of a large number of other people.

Conclusion

Table 1: Recommendations and mitigations

**Recommendation 1:** The plan to force councils to sell homes on the open market should be dropped.

**Recommendation 2:** If the government wishes to extend the Right to Buy for housing associations, it should find other means of paying for the discounts, which should be decoupled from the forced sales policy

**Mitigations:** Our clear recommendation is that the government does not proceed with the proposed forced sale of council homes. However, if the policy is enacted, there are several mitigations that should be put in place to limit its damaging impacts:

i: protect new council house building and regeneration programmes by providing sensible exemptions for:
- New build properties, for a period of 30 years;
- Homes that have been identified for sale to fund building plans.
- Homes in areas planned for regeneration.

ii: protect public investment in specialist stock by exempting such properties from forced sale

iii: prevent perverse incentives for councils to stop useful tenancy moves by making sensible exemptions from what counts as a vacancy, including:
- New tenancies created through transfers from elsewhere intended to reduce overcrowding or under occupation;
- Homes involved in mutual exchanges;
- Vacancies created as a result of taking action on anti-social behaviour; and
- Homes that have had major works in the previous 15 years.

iv: identify those areas that are likely to be indirectly affected by the displacement of low income households, monitor pressure on local services and provide additional resources for infrastructure and service provision.

v: fund replacement homes up front, in anticipation of future sales so that there is a low or no net impact on the number of available council homes on an ongoing basis. Commit to replacement homes being built within three years.

vi: replace homes on a like-for-like basis, building new homes that are in line with the needs of the community where homes were forcibly sold, taking into account tenure, size and location.
2. INTRODUCTION

The government’s commitment to extend the Right to Buy to housing association tenants has had no shortage of detractors. Much of the controversy has focussed on the undesirable impact that the policy will have on housing associations as independent charitable organisations and landlords. For example the likely knock-on impact of a reduction in their building programmes by at least 27,000 homes.

Less attention has been given though to the government’s intention of funding the scheme by forcing councils in high value areas to sell many of their social homes. This briefing brings together the available evidence on what the impact of the forced council home sell-off will be and where it will be felt. Shelter believes strongly that forcing councils to sell much needed low rent housing on the open market is wrong, and calls on the government to reconsider this proposal. But if the government is determined to proceed, we also make recommendations for sensible improvements to the policy that could reduce its damaging impacts.

It is fairly easy to predict what the direct impact of the forced sell-off will be. Those areas that are forced to sell homes will have fewer available low rent homes to let to households who need them. This will mean that it will take longer for households on council waiting lists, and for homeless families in temporary accommodation, to get a permanent settled home.

While the government has stated that this effect will be diminished because new homes will be built for all of those replaced, the forced sell-off will actually undermine existing council building programmes because:

- council house building programmes are already based on assumed revenue from selling council homes at their full value and recycling the full receipt into building;
- it will reduce councils’ capacity to borrow; and
- councils will not be able to build new homes in high value areas without them becoming subject to sale, simply by virtue of their location.

The experience of the existing replacement scheme for Right to Buy homes that has been running since 2012 also shows how development of replacement homes struggles to keep pace with the rate of sales.

It is not only those areas that are forced to sell council homes that will be affected, though. The forced sell-off will also add to existing pressures, leading to the displacement of lower income households from areas where housing costs are high. This trend has already resulted in new pressures on local services, including education, health and council services, and the growth of the private rented sector in those areas. By adding to these existing pressures, the forced sell-off is likely to mean that those effects continue to deepen.

8. For an extensive list see Right to Buy 2: the policy with next to no friends anywhere, Shelter Blog, accessed 25/08/2015
9. National Housing Federation, Response to the Summer Budget 2015
Background – how is the policy expected to work?

The forced sales policy was set out in the Conservative Manifesto:

‘We will fund the replacement of properties sold under the extended Right to Buy by requiring local authorities to manage their housing assets more efficiently, with the most expensive properties sold off and replaced as they fall vacant’\(^\text{10}\)

Under the current proposals, councils would be forced to sell all their homes that are in the top third most expensive for the same property size in the local area, as they become vacant. The government estimates that this will lead to 15,000 council house sales and raise £4.5 billion each year.\(^\text{11}\) This money would be used to:

- Pay off historic debt incurred in building the council homes sold;
- Pay for Right to Buy discounts for housing association tenants;
- Pay for the creation of a £1 billion, five year brownfield decontamination fund; and
- Pay for the building of a new ‘normal affordable home’ in the same area.\(^\text{12}\)

For the purpose of the policy, the government has indicated that ‘areas’\(^\text{13}\) will be defined by the old regional boundaries. Although the final detail of the policy has not been released yet, proposed values over which homes would be sold have been widely reported (see table 2).

The council home would be sold on the open market and, at present, the government has not indicated that sales will be restricted to particular buyers in any way, such as excluding buy to let.

### Table 2: Proposed values over which homes would be sold\(^\text{14}\)

<table>
<thead>
<tr>
<th>Region</th>
<th>1 bedroom</th>
<th>2 bedroom</th>
<th>2 bedroom</th>
<th>4 bedroom</th>
<th>5 or more bedrooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>North East</td>
<td>£80,000</td>
<td>£125,000</td>
<td>£155,000</td>
<td>£250,000</td>
<td>£310,000</td>
</tr>
<tr>
<td>North West</td>
<td>£90,000</td>
<td>£130,000</td>
<td>£160,000</td>
<td>£270,000</td>
<td>£430,000</td>
</tr>
<tr>
<td>Yorkshire and the Humber</td>
<td>£85,000</td>
<td>£130,000</td>
<td>£165,000</td>
<td>£265,000</td>
<td>£375,000</td>
</tr>
<tr>
<td>East Midlands</td>
<td>£105,000</td>
<td>£145,000</td>
<td>£175,000</td>
<td>£320,000</td>
<td>£430,000</td>
</tr>
<tr>
<td>West Midlands</td>
<td>£100,000</td>
<td>£145,000</td>
<td>£180,000</td>
<td>£305,000</td>
<td>£415,000</td>
</tr>
<tr>
<td>East</td>
<td>£155,000</td>
<td>£220,000</td>
<td>£265,000</td>
<td>£440,000</td>
<td>£635,000</td>
</tr>
<tr>
<td>London</td>
<td>£340,000</td>
<td>£400,000</td>
<td>£490,000</td>
<td>£790,000</td>
<td>£1,205,000</td>
</tr>
<tr>
<td>South East</td>
<td>£165,000</td>
<td>£250,000</td>
<td>£320,000</td>
<td>£495,000</td>
<td>£755,000</td>
</tr>
<tr>
<td>South West</td>
<td>£135,000</td>
<td>£200,000</td>
<td>£260,000</td>
<td>£375,000</td>
<td>£535,000</td>
</tr>
</tbody>
</table>

12. Ibid.
13. The size of what constitutes an ‘area’ is very important, because how many homes would be subject to sale and where will depend on what other homes they are being compared to. The impact would thus be very different if postcode districts or counties were used, for example.
The forced council home sell-off

Paying for the Right to Buy

The forced sale policy and the extension of the Right to Buy are currently linked together. No other source of funds has been identified to pay for Right to Buy discounts, repaying outstanding debt, establishing the brownfield decontamination fund or constructing the replacement homes. As a result, if the amount of money raised from the forced sales policy is lower than expected, there is a serious risk that either:

- Replacements will not be built (for either the housing association or council homes sold);
- Outstanding debts on the council homes will not be paid off, undermining councils’ Housing Revenue Accounts;
- The decontamination of brownfield land will not be funded, reducing the viability of those sites for building homes; or
- The Treasury will be hit with an unexpected cost.

Analysis by Shelter suggests that the government has significantly over-estimated the number of council homes that are in the top third most valuable in their area and the amount that will be raised in revenues from sales. It shows that there could be a scheme deficit of £2.45 billion over four years (see Section Five on replacement). There is already a risk therefore that – if the schemes are not separated – something will have to give. Mitigating the unintended consequences of the scheme, such as undoing the threat to existing council house building schemes, will require exemptions from the forced sales policy, further reducing the number of homes that are eligible for sale.

Failing to separate the forced sale and Right to Buy schemes will remove any flexibility to reduce the negative impacts of either policy, including falling housing supply, displacement impacts and extra pressure on temporary accommodation. It is, therefore, imperative that the forced sales policy is separated from the extension of the Right to Buy, if it is to continue as a national policy. Separating the schemes would require an alternative means of payment for the extension of the Right to Buy to housing associations, if that policy is also pursued.

Lord Kerslake and Boris Johnson have proposed that this could be done by offering housing association tenants an equity loan on their homes equivalent to the value of the discount, which would only be repayable at the point of selling the property.15 Under their plan, equity loans would work very similarly to the Help to Buy scheme. Instead of buying 100% of the home with the help of a discount on the price, housing association tenants would qualify for an equity loan, only repayable when the home was sold, equivalent in value to existing Right to Buy discounts. For example, were a tenant eligible for a £70,000 discount on a home worth £210,000, they would still only need to raise £140,000 to buy the home: in line with the existing Right to Buy. The housing association would receive the difference from the market price (the £70,000) from the tenant, who would get it from the government in the form of the equity loan. At the point of selling the house the former tenant would only receive two thirds of the value, with the remaining sale value refunding the equity loan from the government.

While the Help to Buy scheme as a whole risks inflating house prices (because it increases the amount of debt going into the housing market), this alternative means of funding the Right to Buy would simply replace a planned cash discount with an equity loan. As the homes would only be offered to sitting tenants to buy at a fixed price, the loan would not increase their ability to outbid other potential buyers, so there would be none of the inflationary risks associated with Help to Buy. There would no doubt be other risks from this approach, which would increase the size of the government’s Help to Buy liabilities, but it merits serious consideration given the risks identified with the cash discounts funded by forced sales.

**Recommendation 1:** The plan to force councils to sell homes on the open market should be dropped.

**Recommendation 2:** If the government wishes to extend the Right to Buy for housing associations, it should find other means of paying for the discounts, which should be decoupled from the forced sales policy.
3. THE DIRECT IMPACT

As yet the government has not published detailed proposals for how the forced sales scheme will operate. But it has been estimated that up to 15,000 homes will be sold every year through forced council sales.\textsuperscript{16} Places that are directly hit by the loss of council homes will be affected in several ways. Vulnerable families on council waiting lists face longer waiting times. House building programmes of tens of thousands of homes are likely to be put on hold or scrapped entirely. Council tax payers are likely to be hit with new costs, and councils will be less able to deal with anti-social behaviour.

Which places will be most affected?

The forced sale policy will not impact on all parts of the country evenly. The details of exactly how the scheme will operate are not yet known, but the indication is that the price thresholds for determining ‘high value assets’ will be set against regional average house prices. This means higher value areas will face losing many of their council homes; others very few. The South East, for example, includes both Oxford – the least affordable city to buy a house in the country\textsuperscript{17} – and (over 100 miles away) Hastings, which is one of the most affordable places.\textsuperscript{18} Still, other areas have no council homes left to lose.

This will inevitably mean receipts from the sale of council homes in some areas where housing costs are high going to fund Right to Buy discounts for housing associations in areas where they are not as high.

The North West region, for example, has very few councils that own many homes – and those that do are not generally in the region’s most expensive areas.\textsuperscript{19} On the other hand, the National Housing Federation estimates that a large number of housing association tenants in the North West will be eligible and able to afford to exercise the new Right to Buy.\textsuperscript{20} So receipts from forced council house sales in other regions will inevitably fund discounts in the North West. This will mean that housing subsidies flow from parts of the country where housing pressures are higher – like London, the South East and the East – to those where they are lower.

The government has not released any projections of which areas will be forced to sell the most council homes, in spite of a request for information on the impact of the scheme.\textsuperscript{21} The Greater London Authority has estimated that 3,000-4,500 forced sales a year in London will be “needed if the policy worked on a national basis” although they have not published estimates for each borough.\textsuperscript{22}

By comparing the average values of council homes to market sale prices across the country, Shelter has estimated the proportion of homes that each stock-owning council is likely to own above the published regional thresholds.\textsuperscript{23} This analysis finds that across the country almost 113,000 council homes are likely to be above the threshold, with 3,875 subject to sale each year through turnover, but that areas will be impacted unevenly. The top 20 areas that Shelter estimate will be forced to sell the most council homes contain 78,778 of these homes, as set out in Table 3 below.

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\textsuperscript{16} Tories would force council house sell-offs, Local Government Chronicle, 14th April 2015, accessed on 25/08/2015  
\textsuperscript{17} Oxford the least affordable city to live in as houses sell for 11 times local salaries, The Guardian, 10th March, accessed on 25/08/2015  
\textsuperscript{18} Cheapest Places in the UK to Buy 3 Bedroom Houses (2015), accessed on 25/08/2015  
\textsuperscript{19} See the Local authority housing statistics dataset, England 2013 to 2014, Department of Communities and Local Government for a detailed list of the number of homes owned by each council  
\textsuperscript{20} Right to Buy extension estimated to cost £12 billion, National Housing Federation, 14th April 2015, accessed on 25/08/2015  
\textsuperscript{21} Local estimates have not been released. Government estimates may have been made, but an FOI request for the government impact assessment was turned down; DCLG bars release of Right to Buy analysis, Inside Housing, 14th May 2015, accessed on 25/08/2015  
\textsuperscript{22} GLA: London will see 4,500 council homes sold off under Right to Buy plans, Inside Housing, 16th July 2015, accessed on 25/08/2015  
\textsuperscript{23} A detailed methodology can be found in the annex of this briefing
Table 3 provides an indication of the areas that will lose the most low rent homes through the forced sell-off. However no nationwide estimate will be completely accurate, and it is only possible to give an indication of the anticipated location and number of the homes that will be sold.

The discrepancy can be seen at a local level by looking at the local studies where councils have estimated the likely impact on themselves. For example, Southwark reported to the Local Government Chronicle that it would be forced to sell 30% of its homes, while Shelter analysis suggests that only 10% will be sold. Oxford estimated that a quarter of its homes would be subject to forced sale, while this analysis suggests only 12% are at risk. Given that councils will have more information about their own stock than can be gleaned from the limited available national data, where one is available it is likely that local estimates are more reliable.24

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24. LGC research reveals the winners and losers in the council homes sell-off plan, Local Government Chronicle, 10th June, accessed on 25/08/2015
However, Shelter’s national estimate does suggest that the government’s projection of 15,000 homes being sold a year is likely to be on the high side, which will affect the viability of the scheme and hence its ability to both pay for replacement council homes and housing association homes sold under the extended Right to Buy. This is discussed in more detail in section 5 on replacement.

Shelter’s analysis is supported by the only other national analysis of the impact, which was conducted by Savills. Savills’ research, which used a different methodology to Shelter’s, found that 5,500 were likely to be subject to sale per annum.

Table 4: Local studies

<table>
<thead>
<tr>
<th>Council</th>
<th>Proportion of stock estimated to be above the proposed threshold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Government Chronicle Survey</td>
<td></td>
</tr>
<tr>
<td>Birmingham</td>
<td>0%</td>
</tr>
<tr>
<td>Blackpool</td>
<td>0%</td>
</tr>
<tr>
<td>Derby</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Exeter</td>
<td>1%</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>50%</td>
</tr>
<tr>
<td>Leeds</td>
<td>2.60%</td>
</tr>
<tr>
<td>Manchester</td>
<td>1%</td>
</tr>
<tr>
<td>Norwich</td>
<td>0%</td>
</tr>
<tr>
<td>Oxford</td>
<td>25%</td>
</tr>
<tr>
<td>Southwark</td>
<td>30%</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>2%</td>
</tr>
<tr>
<td>Liverpool Economics research</td>
<td></td>
</tr>
<tr>
<td>Camden</td>
<td>37.70%</td>
</tr>
<tr>
<td>Enfield</td>
<td>0%</td>
</tr>
<tr>
<td>Haringey</td>
<td>4.90%</td>
</tr>
<tr>
<td>Islington</td>
<td>33.80%</td>
</tr>
</tbody>
</table>

27. Savills included in their research moves within social stock, which Shelter analysis does not. Savills suggest that this makes their estimate of 5,500 homes PA “optimistic”
Based on these various estimates, we can conclude that:

- The available evidence at the national level suggests that between 3,875 and 5,500 council homes will be sold off each year. This is far short of the 15,000 the government assumed would be sold in order to make the policy self-financing.

- Estimates of the number of likely sales in particular councils vary, as do the projections of which councils will be most affected. However some areas – particularly central London boroughs – have been identified by all studies as likely to face particularly high levels of forced sales.

### How will places be affected?

There are likely to be a range of implications for the areas that are most impacted by the forced sales policy. There will be an inevitable impact on housing waiting lists and the length of time that it will take to house homeless families and others waiting for a low rent home, as fewer of these that fall vacant will be available for re-letting. Likewise, the policy is likely to undermine those councils’ building programmes, which are some of the largest in the country.

Less clear, however, are other more peripheral effects, which will depend on

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**Table 5: Top 20 most affected areas according to Savills’ analysis**

<table>
<thead>
<tr>
<th>Area</th>
<th>Number of homes above the threshold</th>
<th>Proportion of total homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camden</td>
<td>7494</td>
<td>33%</td>
</tr>
<tr>
<td>Westminster</td>
<td>5830</td>
<td>48%</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>4369</td>
<td>63%</td>
</tr>
<tr>
<td>Hammersmith and Fulham</td>
<td>3951</td>
<td>32%</td>
</tr>
<tr>
<td>Southwark</td>
<td>3755</td>
<td>10%</td>
</tr>
<tr>
<td>Islington</td>
<td>3711</td>
<td>18%</td>
</tr>
<tr>
<td>Wandsworth</td>
<td>3264</td>
<td>19%</td>
</tr>
<tr>
<td>Lambeth</td>
<td>2337</td>
<td>10%</td>
</tr>
<tr>
<td>Haringey</td>
<td>2077</td>
<td>13%</td>
</tr>
<tr>
<td>Leeds</td>
<td>2007</td>
<td>4%</td>
</tr>
<tr>
<td>Hackney</td>
<td>1949</td>
<td>9%</td>
</tr>
<tr>
<td>Ealing</td>
<td>1327</td>
<td>10%</td>
</tr>
<tr>
<td>Sheffield</td>
<td>1266</td>
<td>3%</td>
</tr>
<tr>
<td>Barnet</td>
<td>1088</td>
<td>10%</td>
</tr>
<tr>
<td>Hounslow</td>
<td>914</td>
<td>7%</td>
</tr>
<tr>
<td>Birmingham</td>
<td>769</td>
<td>1%</td>
</tr>
<tr>
<td>St Albans</td>
<td>747</td>
<td>15%</td>
</tr>
<tr>
<td>Newcastle upon Tyne</td>
<td>710</td>
<td>3%</td>
</tr>
<tr>
<td>Dacorum</td>
<td>647</td>
<td>6%</td>
</tr>
<tr>
<td>Epping Forest</td>
<td>627</td>
<td>10%</td>
</tr>
</tbody>
</table>

28. Excluding non-stock owning councils
how councils respond to new disincentives to invest in their existing homes, or to undertake effective stock management that increases vacancies.

**Undermining building programmes**

England needs to build at least 250,000 homes a year to tackle the housing shortage, but we have never built this number when councils have not been making a substantial contribution to total house building.\(^29\) It’s now widely acknowledged that the trend of the last three decades must be reversed and that councils need to play a big role in tackling England’s chronic shortage of homes,\(^30\) particularly its shortage of affordable homes. But the forced council house sell-off fundamentally threatens the role that councils could play as builders.

The top 20 most affected areas alone have plans to build at least 20,390 council homes between them. However, the same councils say that the forced sell-off puts their role as local developers at grave threat. For example, Islington Council, which plans to build 2,900 council homes has said that the forced sales “could end our new build programme”.\(^31\) Southwark Council, which intends to build 11,000 homes over the next 30 years, said that it would “drive a coach and horses” through its house building plans. And Oxford Council, which has committed to build 1,000 homes within a decade, has said that the sell-off would “seriously adversely affect” its ability to build.\(^32\)

The forced sales policy creates uncertainty for councils, which in and of itself adds to development risk. But as well as general

### Table 6: Top twenty affected areas house building plans\(^33\)

<table>
<thead>
<tr>
<th>Council</th>
<th>House building programme size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Camden</td>
<td>1,100</td>
</tr>
<tr>
<td>Westminster</td>
<td>Development plans, but no specific number</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>Development plans, but no specific number</td>
</tr>
<tr>
<td>Islington</td>
<td>2,900</td>
</tr>
<tr>
<td>Hammersmith and Fulham</td>
<td>Not yet agreed</td>
</tr>
<tr>
<td>Wandsworth</td>
<td>300</td>
</tr>
<tr>
<td>Southwark</td>
<td>11,000</td>
</tr>
<tr>
<td>Leeds</td>
<td>400</td>
</tr>
<tr>
<td>Cambridge</td>
<td>300</td>
</tr>
<tr>
<td>Epping Forest</td>
<td>300</td>
</tr>
<tr>
<td>St Albans</td>
<td>NA</td>
</tr>
<tr>
<td>Dacorum</td>
<td>278</td>
</tr>
<tr>
<td>Welwyn Hatfield</td>
<td>NA</td>
</tr>
<tr>
<td>Lambeth</td>
<td>1,000</td>
</tr>
<tr>
<td>Hackney</td>
<td>2,492</td>
</tr>
<tr>
<td>Warwick</td>
<td>Development plans, but no specific number</td>
</tr>
<tr>
<td>Solihull</td>
<td>NA</td>
</tr>
<tr>
<td>Newcastle upon Tyne</td>
<td>NA</td>
</tr>
<tr>
<td>Haringey</td>
<td>250</td>
</tr>
<tr>
<td>York</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Over 20,390</strong></td>
</tr>
</tbody>
</table>

---

29. Shelter and KPMG, Building the homes we need, 2014
30. The government’s own recent review of councils’ role in increasing housing supply states that “Councils should be using assets available to them, including borrowing capacity, to ensure that they are housing their populations by investing in appropriate housing provision.” The Elphicke-House Report, 2015
32. Exclusive: Right-to-buy extension threatens home building plans, Local Government Chronicle, 10th June 2015, accessed on 25/08/2015
33. The figures in this table are taken from various sources and different building programmes cover different timeframes. A full list can be found in Appendix Two. No information could be found for all listed NA
uncertainty, councils’ plans to build are directly jeopardised because:

- **Occasional, selective sales of council properties in expensive areas is currently an important source of capital for councils to fund their building plans.** Bristol Council states that sale “receipts contribute to the funding of... around 70 new homes per year”. Similar to that, the widely publicised sale of a council home for £3 million in Southwark funded the development of 20 new homes on its own. Under the government scheme, however, councils would have at best limited flexibility to make decisions about which homes are suitable for sale given local housing pressures, and will not be able to reinvest the whole sale price into new homes. A significant proportion of those receipts (if not most) will be appropriated to fund Right to Buy discounts in other areas. The scheme will thus create a funding gap in existing business plans.

- **Councils risk being forced to sell new homes that they build.** The government hasn’t yet defined what a ‘vacancy’ will be for purposes of forced sale. So there is no guarantee that the unavoidable time between the completion of a new home and its first occupant moving in will be excluded from the definition of a vacancy. As a result, councils risk – at the very worst – seeing their new build homes forcibly sold as soon as they have finished them. In a recent appearance at the London Assembly Housing Committee Cllr James Murray, said that in Islington “Every single home we are building in our new build programme is above the threshold because new builds, by virtue of being new, well designed and so on, are going to be more expensive...” If affordable council homes are sold on the open market as soon as they are built, with a proportion of the sale price whipped away by government, building new council homes will become a costly and futile exercise.

- **It may have an impact on councils’ ability to borrow.** Councils’ building plans depend upon their ability to borrow. The proposed extension of the Right to Buy has drawn warnings from the credit rating agencies that the change is likely to make housing associations a greater credit risk because it will undermine the value of their existing assets. This is in spite of the government pledge that housing associations will be fully compensated for homes that are sold. For councils, housing finance specialists have warned that their business plans will be “weakened” by the change and the prospect of being forced to sell their most valuable assets without compensation is likely to have an even greater effect.

- **These impacts threaten to fatally undermine complex estate regeneration plans.** Many councils are currently planning and carrying out social housing estate regeneration programmes – typically replacing old social stock with more homes in denser, mixed tenure neighbourhoods. Estate regeneration is complex, expensive, invariably slow, and often controversial. One of the major obstacles to them is the presence of leasehold flats in blocks of social housing, whose owners must be bought out before redevelopment can proceed. Creating many more leaseholds in estates earmarked for regeneration will increase these costs and delays associated – and may fatally undermine the viability of such programmes.

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34. Ibid.
37. ‘RtB extension will fundamentally change housing associations’, Inside Housing, 1st June 2015, accessed on 25/08/2015.
Mitigation i: protect new council house building and regeneration programmes by providing sensible exemptions for:

- New build properties, for a period of 30 years;
- Homes that have been identified for sale to fund building plans.
- Homes in areas planned for regeneration.

Table 7: Housing waiting lists in the top twenty areas that stand to lose most council homes

<table>
<thead>
<tr>
<th>Council</th>
<th>Housing waiting list</th>
<th>People who are homeless</th>
<th>People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory conditions</th>
<th>People who need to move on medical or welfare grounds, including grounds relating to a disability</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>People who are homeless</td>
<td>People occupying insanitary or overcrowded housing or otherwise living in unsatisfactory conditions</td>
<td>People who need to move on medical or welfare grounds, including grounds relating to a disability</td>
</tr>
<tr>
<td>Camden</td>
<td>22,409</td>
<td>5,477</td>
<td>12,141</td>
<td>1,401</td>
</tr>
<tr>
<td>Westminster</td>
<td>4,378</td>
<td>0</td>
<td>1,085</td>
<td>136</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>2677</td>
<td>2</td>
<td>201</td>
<td>148</td>
</tr>
<tr>
<td>Islington</td>
<td>17,860</td>
<td>532</td>
<td>3,213</td>
<td>630</td>
</tr>
<tr>
<td>Hammersmith and Fulham</td>
<td>433</td>
<td>47</td>
<td>191</td>
<td>94</td>
</tr>
<tr>
<td>Wandsworth</td>
<td>2,788</td>
<td>38</td>
<td>1,952</td>
<td>522</td>
</tr>
<tr>
<td>Southwark</td>
<td>13,436</td>
<td>831</td>
<td>2,883</td>
<td>969</td>
</tr>
<tr>
<td>Leeds</td>
<td>18,269</td>
<td>944</td>
<td>255</td>
<td>261</td>
</tr>
<tr>
<td>Cambridge</td>
<td>1,677</td>
<td>34</td>
<td>633</td>
<td>147</td>
</tr>
<tr>
<td>Epping Forest</td>
<td>1,544</td>
<td>0</td>
<td>0</td>
<td>286</td>
</tr>
<tr>
<td>St Albans</td>
<td>930</td>
<td>108</td>
<td>685</td>
<td>325</td>
</tr>
<tr>
<td>Dacorum</td>
<td>8,693</td>
<td>532</td>
<td>4,479</td>
<td>633</td>
</tr>
<tr>
<td>Welwyn Hatfield</td>
<td>2,090</td>
<td>170</td>
<td>0</td>
<td>392</td>
</tr>
<tr>
<td>Lambeth</td>
<td>15,264</td>
<td>2,952</td>
<td>8,680</td>
<td>1,202</td>
</tr>
<tr>
<td>Hackney</td>
<td>7,926</td>
<td>325</td>
<td>1,322</td>
<td>649</td>
</tr>
<tr>
<td>Warwick</td>
<td>2,995</td>
<td>40</td>
<td>0</td>
<td>65</td>
</tr>
<tr>
<td>Solihull</td>
<td>18,526</td>
<td>234</td>
<td>2,545</td>
<td>2,939</td>
</tr>
<tr>
<td>Newcastle upon Tyne</td>
<td>6,111</td>
<td>64</td>
<td>95</td>
<td>324</td>
</tr>
<tr>
<td>Haringey</td>
<td>9,203</td>
<td>38</td>
<td>5,941</td>
<td>340</td>
</tr>
<tr>
<td>York</td>
<td>1,805</td>
<td>70</td>
<td>221</td>
<td>61</td>
</tr>
<tr>
<td>Total</td>
<td>159,014</td>
<td>12,438</td>
<td>46,522</td>
<td>11,524</td>
</tr>
</tbody>
</table>

39. Local Authority Housing Statistics, 2013/14, Department of Communities and Local Government
More people on housing waiting lists for longer

The principal impact of the council house sell-off will be that more people who need a home will be stuck on waiting lists for a council home for longer.

In the top twenty most affected areas identified by Shelter's analysis there are over 150,000 people on the housing waiting list. The people waiting for council housing at present include homeless families, those living in insanitary, overcrowded or unsuitable conditions, people who need a home on medical grounds, such as a disability, and armed service personnel. Of the 150,000 on the waiting lists in the top twenty areas, over 12,000 are homeless.

Case study 1: Waiting for a council home

Sharon is a bus driver from London. She rented privately in east London with her four children for many years, but when her landlord decided to sell the property, she couldn’t find anywhere affordable to live. She has been on the council waiting list for eight years.

‘I went to the council for help after we had to leave our home and they put me into a hostel in Redbridge, and then eventually into the flat we now live in. We’ve been on the council waiting list for a home for eight years.

I have worked hard all my life. I’ve paid tax and national insurance. I’ve never fully depended on benefits, I’ve always worked. I enjoy my job but it’s difficult to be happy when my children and I are under incredible stress, caused by the uncertainty of our living situation.

I have four children: two girls aged 21 and 17, a six-year-old son, and a 15-month-old baby daughter. I am constantly worried for my mental health and my children’s state of mind.

The place we live in now (I can’t call it a home) is unsuitable and overcrowded. It is ten miles away from the area I know best, and I’ve just been told I have to leave it, because of the overcrowding.’

40. Live Table 600, Department of Communities and Local Government
41. Local Authority Housing Statistics, 2013/14, Department of Communities and Local Government
England’s serious shortage of affordable homes means that households can already be left waiting for years on housing waiting lists before they are offered a home to live in.

In areas where councils are forced to sell their homes it will take even longer for people to get off waiting lists and into a social rented home. This is because homes that are above the regional thresholds will no longer be available for someone on the housing waiting list to move into when the sitting tenant leaves. In a place like Ealing, where 10% of the council’s homes are estimated to be above the regional threshold, the council homes available for people on the housing waiting list will be cut by 10% unless they are replaced (see Section Five on replacement).

An estimate can be made of the impact that this will have on waiting times by looking at how long it would take councils to clear their current housing waiting lists at the current rates of letting they are making every year. This only illustrates how long an average household might be left to wait, as it does not take into account new people being added to the list. For most of the twenty most affected councils, they are unlikely to ever clear their housing waiting list given the number of new people added each year.

Shelter’s estimate suggests that in the worst hit areas of central London, such as Lambeth Westminster, Camden and Kensington & Chelsea the time it would take to clear current waiting lists would rise to over 30 years.

Figure 2: Years that it would take the top 20 councils to clear their current waiting lists following implementation of forced sales, given current letting rates

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42. Shelter analysis using estimates of council homes above regional thresholds in each area and data from Local Authority Housing Statistics, 2013/14, Department for Communities and Local Government
If a greater proportion of council homes are above the threshold in these areas, then the impact on waiting times for a council home will be greater. For example, in Southwark, where the council believes that 30% of its homes are above the London threshold, then the length of time that it would take to house everyone currently waiting for a council home would increase from 7 to 11 years. In Epping Forest it would double from 3 to 6 years.

This will not only be bad for those people waiting for a council home, but will also mean that more people who would otherwise have found a council home, will have to compete for private rented homes. This may increase pressure on local private rents.43

More families in temporary accommodation for longer – at greater cost

Not every homeless household is picked up on council housing waiting lists. A larger number live in temporary accommodation while their applications to join housing waiting lists are considered and while they wait for a home. So while the number of homeless households on official waiting lists in the top 20 affected areas was 12,000, there are in fact over 16,000 homeless households in temporary accommodation in those areas. This includes over 22,000 children.

Table 8: Households in temporary accommodation

<table>
<thead>
<tr>
<th>Area</th>
<th>Total</th>
<th>Number of children/ expected children</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>In hostels</td>
</tr>
<tr>
<td>Camden</td>
<td>490</td>
<td>741</td>
</tr>
<tr>
<td>Westminster</td>
<td>2,397</td>
<td>3,906</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>1,793</td>
<td>2,252</td>
</tr>
<tr>
<td>Islington</td>
<td>914</td>
<td>1,256</td>
</tr>
<tr>
<td>Hammersmith and Fulham</td>
<td>1,197</td>
<td>1,962</td>
</tr>
<tr>
<td>Wandsworth</td>
<td>1,013</td>
<td>1,683</td>
</tr>
<tr>
<td>Southwark</td>
<td>937</td>
<td>1,331</td>
</tr>
<tr>
<td>Leeds</td>
<td>39</td>
<td>40</td>
</tr>
<tr>
<td>Cambridge</td>
<td>91</td>
<td>78</td>
</tr>
<tr>
<td>Epping Forest</td>
<td>74</td>
<td>88</td>
</tr>
<tr>
<td>St Albans</td>
<td>111</td>
<td>133</td>
</tr>
<tr>
<td>Dacorum</td>
<td>70</td>
<td>84</td>
</tr>
<tr>
<td>Welwyn Hatfield</td>
<td>69</td>
<td>113</td>
</tr>
<tr>
<td>Lambeth</td>
<td>1,865</td>
<td>2,940</td>
</tr>
<tr>
<td>Hackney</td>
<td>2,021</td>
<td>No data</td>
</tr>
<tr>
<td>Warwick</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Solihull</td>
<td>90</td>
<td>87</td>
</tr>
<tr>
<td>Newcastle upon Tyne</td>
<td>34</td>
<td>51</td>
</tr>
<tr>
<td>Haringey</td>
<td>2,997</td>
<td>5,546</td>
</tr>
<tr>
<td>York</td>
<td>65</td>
<td>69</td>
</tr>
<tr>
<td>Total</td>
<td>16,283</td>
<td>22,371</td>
</tr>
</tbody>
</table>

43. This was suggested as a potential outcome in Potential effects of the sale of higher-value council homes – interim report, Liverpool Economics, 2015
44. Live Table 600 and Detailed Local Authority Level Homelessness Figures – January to March 2015, Department for Communities and Local Government
The number of people living in temporary accommodation has grown significantly in recent years, following years of decline. Having fewer council homes to house homeless households is very likely to accelerate this trend. This will mean that more families with children are forced to stay in places like bed and breakfasts or hostels for longer. Or be placed out of area, sometimes in a different region from their home borough.

The continued reliance on temporary accommodation will not only be bad news for those families left homeless. It will also have serious cost implications for councils. Temporary accommodation subsidy had previously met the cost of housing people in temporary accommodation, but the recent freezing of this subsidy means that councils are increasingly being forced to meet the costs from their own budgets.

For Southwark Council, in combination with other factors including increased demand, this has meant that the net deficit of spending on bed and breakfast temporary accommodation increased from £52,000 in December 2012 to £2.5 million in December 2014. This increasing cost pressure comes at the same time as substantial cut backs in council budgets.

Figure 3a: The growing cost of temporary accommodation – the cost of bed and breakfasts for Southwark Council

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45. Temporary Accommodation and Homelessness, report of the Housing and Community
46. Ibid.
Some of the impact of the forced council house sales policy on housing waiting lists and temporary accommodation could be ameliorated if the replacement scheme was successful and proactive. Recommendations for how to do this are presented in Section Five, on replacement.

**Loss of specialised stock**

Previous moves to sell off social housing have recognised that some social homes serve specific social purposes that would be disproportionately impacted if the homes were sold. Selling social homes designed for older people, sheltered accommodation, or homes that have been specially adapted to meet the needs of disabled residents, risks wasting public investment and requiring further expensive adaptations to other properties. For this reason, the existing Right to Buy scheme specifically excepts a large number of housing types, including:

- Homes for older people
- Homes due to be demolished
- Sheltered housing
- Temporary housing on development sites
- Homes owned by employers for their employees
- Almshouses
- Certain tenancies held by members of the police force

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There are also restrictions to the Right to Buy on a range of rural social homes, as these can be particularly scarce, valuable, and hard to replace. These homes will be particularly vulnerable to forced sale, unless sensible exceptions are included in the policy.

Mitigation ii: protect public investment in specialist stock by exempting such properties from forced sale

Perverse incentives

Despite government policy that has actively encouraged councils to transfer their homes to housing associations, in more than 160 areas they have decided to hold onto their council homes. For those areas that continue to believe that council housing is an important public good and wish to retain it, the forced sales scheme could create some new perverse incentives on local authorities to keep current tenants in their homes, and even to keep down the value of their homes. This could see them:

- Encouraging fewer households to downsize or move for work;
- Doing less to tackle anti-social behaviour; and
- Investing less in their homes.

Less effective stock management

Councils currently take steps to try to make the most of the limited number of homes that they have available, including incentivising people who no longer need large properties to downsize, and moving over-crowded families into larger homes. These moves account for a significant proportion of the current reasons that homes become vacant and re-let: 29% of all council lets in 2013/14 were due to internal transfers and a further 8% of re-let vacancies were caused by a transfer to another social landlord.

Government policy has intentionally sought to promote efficient use of stock. For example, the under-occupancy charge (the Bedroom Tax) was designed as a way of encouraging more efficient use of the available larger homes. The last government established the HomeSwap Direct scheme to facilitate mutual exchanges between social tenants so that they could be helped to move to more appropriate housing or closer to a new job. The top 20 most affected councils saw 3,195 mutual exchanges in 2013/14 (see figure 4).

The government has not said whether the vacancies created by such moves will be excluded from forced sale. If they are not, mutual exchange may become impossible, as one or both of the homes to be swapped may have to be sold as they become vacant in the process of the exchange. This would seriously undermine the government’s drive for more efficient use of social stock.

Not tackling anti-social behaviour

Councils are currently able to evict tenants who are behaving anti-socially as a matter of last resort. This is a power that is used only rarely, with good reason. But councils have the option in exceptional circumstances to protect tenants, leaseholders and people living nearby whose lives are being made a misery by their neighbours.

If councils in high value areas face the prospect of being forced to sell the home as a result of creating a vacancy, they may cease to see eviction as an option, even as a matter of last resort. The full implications of this are difficult to predict, but under the scheme currently proposed, the prospect of forced sale will also be a consideration for other grounds for possession, including rent arrears.

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48. See, for example, Bristol’s Making Best Use of Stock project
49. Social Lettings 2013/14, Department for Communities and Local Government
50. HomeSwap Direct offers fresh opportunities for social tenants, Department of Communities and Local Government press release, 27th October 2011, accessed on 25/08/2015
Disinvestment
Councils invest millions of pounds into their homes every year, making day-to-day repairs and conducting major works, by replacing things like old windows, bathrooms and kitchens. This improvement of existing council homes has been one of the successes of the last decade’s public housing policy.

But this investment also increases the value of council homes. For those councils that want to avoid being forced to sell their homes, the potential that the future investment would push a council home above a regional sale threshold will become a new consideration.

Figure 4: Mutual exchanges from the top twenty most affected councils in 2013/14

51. Local authority housing statistics 2013/14, Department of Communities and Local Government
Mitigation iii: prevent perverse incentives for councils to stop useful tenancy moves by making sensible exemptions from what counts as a vacancy, including:

- New tenancies created through transfers from elsewhere intended to reduce overcrowding or under occupation;
- Homes involved in mutual exchanges;
- Vacancies created as a result of taking action on anti-social behaviour; and
- Homes that have had major works in the previous 15 years.

Figure 5: Proportion of total number of council homes that were non-decent in England 2003-2012\(^{52}\)
The forced council home sell-off

4. THE INDIRECT IMPACT

The forced sales policy will also affect areas that are not forced to sell off large numbers of homes by adding to existing pressures, as poorer households are pushed out of more expensive areas and into others. For those areas that experience a sudden increase in people moving in from more expensive areas, it can create new stresses for local services and lead to a sharp growth in the private rented sector.

Concern already exists that people on lower incomes are being displaced from more expensive areas, notably central London, and that the city is being “hollowed out”. The Mayor of London has warned that the forced sales policy may further contribute to “the dejumblification of London or the dispersion of the socioeconomic groups of the city”.

The reason that some areas will be forced to sell large numbers of council homes is that house prices in those places are expensive compared to the rest of their region. The outward migration of lower income households from the more expensive areas, particularly inner London boroughs, is being driven by rising rents and house prices and a shortage of affordable homes. These fundamentals have been exacerbated by a number of recent policy decisions, including:

- The 60% drop in grant for new affordable homes, following the 2010 Comprehensive Spending Review;
- A tougher environment for the delivery of new low rent affordable homes through planning obligations, following changes to national planning policy;
- The growing gap between levels of Local Housing Allowance (LHA) and private rents, due to the freeze on LHA rates; and
- The greater loss of council housing stock following the increase in levels of Right to Buy discounts in 2011.

The effect of the forced sales policy must be seen within this existing policy environment as well as in the context of other proposed policy changes that will also add further pressure. These include the proposals to:

- Lower the benefit cap to £20,000 (£23,000 in London); and
- Introduce ‘pay-to-stay’ rules, meaning that households in social housing with combined earnings above £30,000 (£40,000 in London) will be forced to pay market rents.

It is very likely that the forced sales policy will accelerate this existing trend by reducing the prospect that low income households will be able to access low rent social homes. It is impossible to know exactly how much the forced sales policy will increase the rate of displacement. Whether and how quickly families choose to leave their neighbourhoods depends on their capacity to find ways of staying by making ends meet. This will include their capacity to reduce expenditure on other things like food and utilities, go into debt or arrears or choose to live in a smaller, potentially overcrowded home. There is evidence to suggest that families will go to extreme lengths to ensure that they are able to stay in their home. Survey data by YouGov for Shelter shows that families will cut back on food and even in some instances skip meals in order to pay their housing costs.

It will also depend on their preference to continue to wait for a home, which will likely be influenced by a wide range of things that are difficult to quantify. This is likely to include their perceived chance of getting a council home, and the strength of...
of their ties to the local community, such as the location of children’s schools, family or jobs. It also includes the draws that may attract them to particular areas, such as family, prospects of getting a job and availability of low cost accommodation.

Which places will be most affected?

It is difficult to predict where low income families will be displaced to. However, the forced sales policy is likely to accelerate an existing pattern of migration of lower income households from areas with high housing costs to cheaper areas. So locating the places that low income households are already moving to will suggest where they may move in the future.

We can identify those areas by looking at:

- A comparison of census data on socio-economic class and
- Office for National Statistics data on internal migration between local authority areas.

Census data can be used to identify the areas where there have been the largest increases in the number of people from lower socio-economic classes. This shows a clear pattern of increasing numbers of people in lower socio-economic classes in outer London and London’s satellite towns (see figure 6).

Figure 6: The 20 areas where there was the largest net growth in the proportion of people in lower socio-economic classes between 2001 and 2011.

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58. There were a large number of people in 2001 who could not be classified due to misinterpretation of the question. The question wording was changed for the 2011 census. This means that comparison will not be fully accurate.

The publicly available census data doesn’t track individual households. Therefore, it is difficult to separate out how much of the growth in low income households was caused by non-housing factors. However, Office for National Statistics data on internal migration can be used to show that large numbers of people have over the same period moved to these areas from the expensive areas that are likely to be forced to sell council homes.

There was net migration of over 120,000 people from the 20 areas likely to be forced to sell council homes identified in Section 3, to the areas where low income households grew the most between 2001 and 2011. This suggests that internal migration and displacement is likely to have been a significant factor in the growth of low income households in those areas. This is a trend we would expect to continue or be exacerbated as fewer affordable homes become available in these 20 areas.

For example, Croydon saw a large growth in lower income households between 2001 and 2011, and also experienced net migration of over 25,000 people from the top 20 areas that will be forced to sell council homes. This suggests that many of those 25,000 people were likely to have been low income households forced out of more expensive areas by high housing costs.

Table 9: Internal migration from the 20 areas where most council homes will be sold to each of the 20 areas where there was the largest net growth in the proportion of people in lower socio-economic classes

<table>
<thead>
<tr>
<th>Origin of internal migrants (20 areas likely to have most council sales)</th>
<th>Destination of internal migrants (20 areas with highest increase in low income households from 2001 to 2010)</th>
<th>Number of internal migrants (between 2001 and 2011) from all origin local authorities to the individual destination local authorities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Gross</td>
</tr>
<tr>
<td>Cambridge</td>
<td>Barnet</td>
<td>68100</td>
</tr>
<tr>
<td></td>
<td>Brent</td>
<td>52340</td>
</tr>
<tr>
<td></td>
<td>Crawley</td>
<td>2830</td>
</tr>
<tr>
<td></td>
<td>Croydon</td>
<td>60730</td>
</tr>
<tr>
<td></td>
<td>Ealing</td>
<td>52860</td>
</tr>
<tr>
<td></td>
<td>Enfield</td>
<td>77080</td>
</tr>
<tr>
<td></td>
<td>Harrow</td>
<td>18510</td>
</tr>
<tr>
<td></td>
<td>Hounslow</td>
<td>17630</td>
</tr>
<tr>
<td></td>
<td>Haringey</td>
<td>29630</td>
</tr>
<tr>
<td></td>
<td>Islington</td>
<td>24400</td>
</tr>
<tr>
<td></td>
<td>Kingston upon Thames</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Lambeth</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Leeds</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Newcastle upon Tyne</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Solihull</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Southwark</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>St Albans</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Wandsworth</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Warwick</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Welwyn Hatfield</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Westminster</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>York</td>
<td>42800</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>575,000</td>
</tr>
</tbody>
</table>

60. Such as births, international migration and movements between socio-economic class.
61. Internal Migration by Local Authorities in England and Wales, Year Ending June 2014, ONS
62. Shelter analysis using Internal Migration by Local Authorities in England and Wales, Years Ending 2002-2011, ONS
Looking at internal migration data for 2014 suggests that this displacement is continuing. Over 14,000 more people moved last year\(^\text{63}\) from the 20 expensive areas that will be forced to sell council homes, to the 20 areas where lower income households are growing.

**How will those places be affected?**

Those areas that lower income households are displaced to are likely to experience new pressures associated with growing population and changing demography, including pressures on local services and growth in the private rented sector.

**Pressure on services**

Those areas that will be indirectly affected by the forced council sales are likely to experience pressure on local services such as education, health and council services. In part, this is because budgets for local services have typically failed to keep pace with increases in population. But it is also due to the inevitable challenges that come with population growth and churn.

Local council services are the clearest example of money for services failing to keep up with growing populations. Levels of local government grant are in part determined based on population estimates. In many of the fastest growing parts of the country, these estimates have failed to keep pace with the rate of change and as a result the amount of money per resident has declined over time.\(^\text{64}\) While this has provoked understandable controversy in those areas affected (see case study 2), it is an almost inevitable outcome of the difficulty of estimating population size between censuses.

Even with sufficient budgets, population growth and demographic change can place new pressures on local services. Recent primary school place shortages are a good example of this. Some new funding has been made available for accommodating the growth, and the level of arising need has been monitored on an annual basis. But the rate of growth has, in large part,\(^\text{65}\) meant that the main way the shortage has been addressed has been through the expansion of existing schools, with extra classrooms. This patchwork response has led to, for example, siblings being split across different schools or placed long distances from their home (see case study 3). Many of the areas with the largest growths in the number of school children are in the top 20 areas identified as likely to see inward migration (see table 10).

### Table 10: Projected increase in the number of primary school children May 2010-September 2016\(^\text{66}\)

<table>
<thead>
<tr>
<th>Council</th>
<th>Increase in number of children</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barnet</td>
<td>26%</td>
</tr>
<tr>
<td>Brent</td>
<td>30%</td>
</tr>
<tr>
<td>West Sussex (including Crawley)</td>
<td>17%</td>
</tr>
<tr>
<td>Croydon</td>
<td>29%</td>
</tr>
<tr>
<td>Ealing</td>
<td>30%</td>
</tr>
<tr>
<td>Enfield</td>
<td>27%</td>
</tr>
<tr>
<td>Harrow</td>
<td>33%</td>
</tr>
<tr>
<td>Hillingdon</td>
<td>27%</td>
</tr>
<tr>
<td>Hounslow</td>
<td>36%</td>
</tr>
<tr>
<td>Kingston upon Thames</td>
<td>23%</td>
</tr>
<tr>
<td>Luton</td>
<td>20%</td>
</tr>
<tr>
<td>Merton</td>
<td>33%</td>
</tr>
<tr>
<td>Peterborough</td>
<td>36%</td>
</tr>
<tr>
<td>Reading</td>
<td>41%</td>
</tr>
<tr>
<td>Redbridge</td>
<td>27%</td>
</tr>
<tr>
<td>Hampshire (including Rushmoor)</td>
<td>13%</td>
</tr>
<tr>
<td>Slough</td>
<td>43%</td>
</tr>
<tr>
<td>Surrey (including Surrey Heath and Spelthorne)</td>
<td>18%</td>
</tr>
<tr>
<td>Waltham Forest</td>
<td>28%</td>
</tr>
<tr>
<td>Average</td>
<td>24%</td>
</tr>
<tr>
<td>National average</td>
<td>17%</td>
</tr>
</tbody>
</table>

---

63. Internal Migration by Local Authorities in England and Wales, 2014
66. Primary school places: local authority basic need scorecards 2014, Education Funding Agency
Case study 2: The changing face of Croydon

Like other outer London boroughs, Croydon has seen considerable social change over the last fifteen years. It has experienced both rapid population growth and a change in the demography of that population. As part of this, the number of households living in the private rented sector grew by 69% and the number of mortgagors shrunk by 16% in the decade to 2011.67

In the year to June 2014 alone, almost 7,000 people moved from the top twenty areas most likely to be hit by the forced council sales to Croydon.

One of the key issues that rapid population growth has prompted is a failure of local budgets to keep up with the number of people that they are there to serve, which flows from the inevitable challenge of estimating population size between censuses. By the time of the 2011 census, the official estimates of Croydon’s population – which help to determine the level of local government grant – were out by 16,440 people.68 This means that the local council has had fewer resources to deal with more people.

This demographic change has also had political significance. Croydon Central MP Gavin Barwell has lamented the pace of change69 and suggested that it put at risk his majority in the 2015 general election – and cost the Conservatives seats in Enfield, Ealing, Redbridge and Hounslow. In an interview on the website ConservativeHome following the election he said

“London is turning into Paris: the centre is gentrifying and pushing poorer people out… the decline in home ownership is more significant in London because of the craziness of the property market”70
More private renters, fewer owners with a mortgage

While there has been a marked national growth in the private rented sector, this trend has been stronger in those areas that are likely to be hit by displacement (see figure 7).

Figure 7: Growth of the private rented sector 2001-2011 and decline of mortgagors in those places likely to be hit by displacement

Households who live in the private rented sector stay in their home for a considerably shorter period of time than households who own or rent from a social landlord, in large part because English law affords private tenants very weak security of tenure. This instability is both bad for many of those private renting households, particularly families with children, and can have consequences for people living in the existing local community. Research by the Department of Communities and Local Government in 2006 found that the instability of private renting can:

- "Create feelings of anxiety and have a de-stabilising effect on long term residents …"
- "Cause fears that the community identity will change…"
- "Give rise to perceptions of ‘special treatment’ for newcomers…"
- "Lead to mixed feelings among communities about specialist services that may be offered [aimed at new arrivals]."

71. Comparison of property by tenure type, Census 2001 and 2011, Office for National Statistics
72. See a Better Deal, Shelter 2012
73. Moving On: Reconnecting Frequent Movers, 2006, Department of Communities and Local Government
Case study 3: The changing face of Peterborough

In the years 2004-2013, Peterborough’s population increased by 24,900 people, the second highest rate of growth in England. Like in Croydon, this was accompanied by a rise in the number of people living in the private rented sector of 135% (2001-2011). The number of home owners with a mortgage also fell by 8%.

Also in line with Croydon’s experience, concerns in Peterborough have focussed on the new pressures that population growth and change in demography can have on local services. The number of children of primary school age in Peterborough increased by 36%, the ninth largest increase in the country. This has placed a considerable pressure on local primary schools, which have been forced to expand. This has led to some negative consequences such as “parents who have four children in four different schools… [and] twins split between schools because of where they sat in the order of intake”.

Peterborough MP Stewart Jackson has said that he welcomes ‘growth if there is sufficient infrastructure to support it – not just population increase alone’.

Likewise, John Bridge, the chief executive of the local chamber of commerce has also said that it’s ‘important that funding for the local authority should keep pace with the growth in population, for instance for health and education’.

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74. Cities Outlook 2015, Centre for Cities
75. Comparison of property by tenure type, Census 2001 and 2011, Office for National Statistics
76. Primary school places: local authority basic need scorecards 2014, Education Funding Agency
77. Peterborough: The pressure for primary school places, BBC, 16th April 2015, accessed on 25/08/2015
78. Population growth rate is fastest in UK but Peterborough people are not that happy – report, Peterborough Today, 29th January 2014, accessed on 25/08/2015
79. Ibid.
While it is impossible to predict exactly what the indirect impacts of the forced sale of council homes are, the evidence suggests that poorer households will be pushed out of more expensive areas – particularly in inner London – and into the surrounding areas, such as Barnet and Croydon. This will place increased pressure on already strained local housing markets, infrastructure and public services.

**Mitigation iv:** identify those areas that are likely to be indirectly affected by the displacement of low income households, monitor pressure on local services and provide additional resources for infrastructure and service provision.
5. REPLACEMENT

To fully mitigate the negative effects of the forced sales policy will require an effective scheme to replace the homes that are sold. An effective replacement scheme will ensure that the available stock of homes for people who are homeless or on housing waiting lists does not decrease and will relieve some of the pressure on displacement of low income families.

However, in order to be effective and do this the replacement scheme must:

- Be financially sound;
- Be timely; and
- Replace homes on a like-for-like basis.

If the scheme isn’t financially sound then there is a significant risk that there won’t be enough money left over to pay for replacements – or replace them on a like-for-like basis. If replacements aren’t delivered in a timely way, the negative effects of the scheme may have already occurred before replacement homes are built. And if homes are not replaced on a like-for-like basis then the stock of low rent family homes in the expensive areas where they are most needed will fall.

Is the scheme financially sound?

**Figure 1:** The difference between the total receipts and the total costs over four years is £2.45 billion$^5$
The main barrier in funding replacements for the low rent council homes sold is that the scheme is linked to the extension of the Right to Buy to housing associations. The revenue for replacement homes is therefore dependent on something entirely unconnected: the number of housing association tenants who decide to buy their home under Right to Buy and the cost of paying for the discounts on those homes.

Nor are replacement homes and Right to Buy discounts the only two costs. Receipts from the sale of low rent council homes in expensive areas are also expected to cover:

- Historic debt on the council homes that are sold; and
- A £1 billion brownfield decontamination fund.

Shelter’s projections based upon the latest data on turnover, council stock value, distribution of stock and the reported thresholds suggest that the amount raised will not be enough to cover these costs. This is because the revenue raised from selling low rent council homes in expensive areas will only be marginally higher than the cost of discounts for the extension of Right to Buy. The further costs of paying off historic debt, replacing homes and paying for the decontamination fund are thus largely unfunded. The full methodology underpinning each of the estimates used in this calculation can be found in Appendix A.

Table 11: Revenues and costs of the sales policy when combined with the extension of Right to Buy to housing associations

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from forced sales of low rent council homes in expensive areas</td>
<td>7,200 million</td>
</tr>
<tr>
<td>Repayment of historic debt on homes forcibly sold</td>
<td>-750 million</td>
</tr>
<tr>
<td>Receipts from forced sales returned to central government</td>
<td>6,450 million</td>
</tr>
<tr>
<td>Cost of Right to Buy discounts for housing associations</td>
<td>-7,000 million</td>
</tr>
<tr>
<td>Brownfield land decontamination fund</td>
<td>-800 million</td>
</tr>
<tr>
<td>Replacement of council homes at social rent</td>
<td>-1,100 million</td>
</tr>
<tr>
<td>Surplus / Deficit</td>
<td>-2,450 million</td>
</tr>
</tbody>
</table>

The high cost of Right to Buy discounts gives the government very little room to minimise other costs. For example, even if the government decided to replace sold homes with Affordable Rent instead of social rent, which has a lower initial cost in grant but places extra burdens on the housing benefit bill over the long term, there would still be a considerable deficit. Even if the brownfield land decontamination fund was entirely scrapped as well, the funding gap would still be almost £1 billion.

Table 12: Cost of replacing sold homes at Affordable Rent, with no brownfield fund

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receipts from forced sales of low rent council homes in expensive areas</td>
<td>7,200 million</td>
</tr>
<tr>
<td>Repayment of historic debt on homes forcibly sold</td>
<td>-750 million</td>
</tr>
<tr>
<td>Receipts from forced sales returned to central government</td>
<td>6,450 million</td>
</tr>
<tr>
<td>Cost of Right to Buy discounts for housing associations</td>
<td>-7,000 million</td>
</tr>
<tr>
<td>Brownfield land decontamination fund</td>
<td>-</td>
</tr>
<tr>
<td>Replacement of council homes at Affordable Rent</td>
<td>-400 million</td>
</tr>
<tr>
<td>Surplus / Deficit</td>
<td>-950 million</td>
</tr>
</tbody>
</table>
This funding gap fundamentally threatens the government’s ability to replace the low rent council homes that are sold. It is therefore essential that the schemes are separated and that an alternative funding mechanism is found for the extension of Right to Buy to housing associations, if it is to go ahead. One option for doing this by offering Right to Buy discounts as Help to Buy style equity loans is discussed in more detail in Section 1.

**Development lag and retrospective replacement**

The lag between homes being sold and their replacements being started has been a feature of the current replacement programme for Right to Buy. Homes have been replaced at a significantly slower rate than they have been sold (see box 1).

This is inevitable if work on replacement homes starts only retrospectively, once the original homes have been sold. This is because it takes time to:

- Identify or acquire land for the replacement (potentially as part of a larger scheme);
- Secure the remaining finance to build it;
- Secure planning permission;
- Commission the builder; and
- Build the home.

When homes are replaced retrospectively, the number of council homes that are available at any one time is dictated by the relationship between the rate at which homes are sold and the time it takes to replace them, not by whether they are ‘ultimately’ replaced. Even in the best possible scenario, where all homes are replaced within a reasonable period of time (three years, for example) there will always be a deficit in the number of available homes on an ongoing basis. To take a simple example, if 100 council homes are sold in one area every year and all replaced after three years, then there will be a rolling deficit of 300 council homes.

This reduction in council homes on a rolling basis is the cause of the negative effects outlined earlier in the briefing, such as growing housing waiting lists. So even a completely successful replacement programme – if retrospective – will only lessen those negative effects.

However, the problem of development lag could in large part be resolved if replacement homes were started and completed before forced sales have taken place. This would mean that there would be a lower or no net impact on the number of available council homes at any one time. Ensuring that this would not create any long-term cost to the Exchequer could be achieved by accurately projecting the anticipated levels of future sales.

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**Mitigation v:** fund replacement homes up front, in anticipation of future sales so that there is a low or no net impact on the number of available council homes on an ongoing basis. Commit to replacement homes being built within three years.
The existing replacement policy

When the coalition government ‘reinvigorated’ the Right to Buy for council tenants in 2012 it made a commitment to “ensure every home sold is replaced”. Although there are controversies about the quality of the government figures, as of August 2015 they show that roughly one replacement home had been bought or started for every nine that had been sold over the course of the scheme. In some parts of the country the rate of replacement has been much lower and across the whole of the North West only two homes have been built to replace the 1,264 that have been sold.

Figure 8: Cumulative Right to Buy sales and replacements started since 2012/13

There are a number of reasons that replacement has failed to keep up with sales. The first is the inescapable problem of development lag – the time it takes to plan, commission and build replacements after a home has been sold. However, the Chartered Institute of Housing has identified further problems with the scheme, including financial issues and practical problems. The combined effect of this is that under the existing scheme only 21% of councils believe they will ever be able to replace even a majority of homes sold through Right to Buy and fewer than 10% believe they will be able to replace all of them.

The Institute of Fiscal Studies identified this “large” gap and problems with the existing scheme as a “reason for scepticism about whether this more stringent, more expensive commitment [to replace force sold council homes] will be delivered”. However, in spite of the clear gap between sales and replacement the government has stated that it is currently meeting its commitment to replace homes. This claim rests on a careful definition of which homes have actually been replaced, namely by:

- Taking all of the replacements that have been started in the three years since the scheme started and comparing them to the number of homes sold in the first year of the scheme only; and
- Only counting, on the sales side of the ratio, the ‘additional’ homes that were sold in that first year of the scheme than the government estimates would have been sold if Right to Buy discounts weren’t increased.

80. Revitalised Right to Buy will unleash a new generation of home ownership, Department of Communities and Local Government press release, 22nd December 2011, accessed on 25/08/2015
82. Shelter analysis based on Live Tables 691 and 693, Department of Communities and Local Government
83. Ibid.
84. Ibid.
85. For example, councils are prohibited from using Right to Buy receipts to fund any more than 30% of the cost of building a replacement. Where councils are unable to borrow, this makes it impossible to build. Keeping Pace: replacing right to buy sales, Chartered Institute of Housing, 2015
86. Extending Right to Buy: risks and uncertainties, Institute of Fiscal Studies, 2015
87. In the press release accompanying the statistical release on 25th June 2015 housing minister, Brandon Lewis said “we are making good on our promise to replace council homes with those sold in the first year of the reinvigorated scheme now being replaced.”
88. Fact check: Right to Buy stats, Inside Housing, 26th June 2015, accessed on 25/08/2015
The record of the current replacement scheme provides three lessons which must be learned for any new scheme:

- **The practical problem of development lag.** As long as replacement homes are funded through receipts from actual sales, instead of being given in advance to cover future sales, there will always be a lag in replacing homes. At the very least, the record of the replacement scheme so far demonstrates this lag.

- **The importance of basing replacement schemes on rigorous evidence and financial modelling.** The existing replacement scheme is failing in some parts of the country because it just doesn’t stack up or because of practical barriers.

- **The problem with pledging to replace without a deadline.** If there is no pledge to replace homes within a particular period of time, it is possible regardless of performance to claim that the commitment is being met, just slowly. This removes the pressure on officials to actually deliver.

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89. Shelter analysis based on Live Tables 691 and 693, Department of Communities and Local Government
The forced council home sell-off

Like-for-like

Although the government has said that it will build a replacement for every home that is force sold, it has not made a commitment to replacing them like-for-like in terms of their:

- Tenure;
- Size; and
- Location.

Each of these different aspects of replacement homes will influence how successfully they mitigate the negative direct and indirect effects outlined earlier. A shared ownership studio built in Huddersfield would not in any meaningful way replace a three bedroom family social rented home sold in Harrogate, nor mitigate the effects of the loss of that home.

Tenure

Given the wider direction of government policy and the refusal to commit to like-for-like there is a significant risk that forcibly sold council homes will be replaced by:

- Affordable Rent homes; or
- Low cost home ownership homes.

Since 2011 the default tenure of new build rented homes funded by the government has been Affordable Rent. 90 Affordable Rents are charged at up to 80% of local private rents, where social rents are typically 50%-60% of local private rents, making Affordable Rents significantly more expensive than social rents. In 2013/14, the last year for which figures are available, median weekly rents were £79 in social rented homes and £109 in Affordable Rented homes.91

There is a further risk that forcibly sold council homes will not be replaced by sub-market rented homes at all, but by low cost home ownership homes such as shared ownership or Starter Homes.92 We do need new intermediate homes for those who are struggling to buy, but not at the cost of our tight supply of social rented homes for low income families.93 Low cost ownership homes will not be suitable for the majority of families on the housing waiting list, who are unlikely to qualify for a mortgage or meet their housing costs without state support.

Size

Larger, family-sized homes are more likely to be sold under the forced sell-off than smaller homes.94 This is because there is a particular shortage of family-sized homes in the areas where housing costs are higher, pushing up their price. Much of the need for homes in areas where council homes are likely to be forcibly sold is for larger homes. Nationally, almost a fifth (19%) of the households on local housing waiting lists are overcrowded.95 But the problem is even worse in London, where most homes are likely to be forcibly sold. In London 38% of those on waiting lists are living in overcrowded or insanitary conditions, and 12% living in social rented homes are already overcrowded and need a larger home.96

90. The Framework to Affordable Homes Programme, 2011-2015 states that “Affordable Rent is expected to be the main element of the product offer from providers both for new supply and conversion of re-lets.”
91. Social Lettings 2013/14, Department for Communities and Local Government
92. In Fixing the Foundations: creating a more prosperous nation, Treasury stated that “…the government will take further steps to re-focus Department for Communities and Local Government (DCLG) budgets, focussing on supporting low cost home ownership for first time buyers.”
93. See In the Mix, Shelter 2014
94. GLA: London will see 4,500 council homes sold off under Right to Buy plans. Inside Housing, 16th July 2015, accessed on 25/08/2015
95. 19%, Local Authority Housing Statistics 2013/14 dataset, Department for Communities and Local Government
96. 38%, Local Authority Housing Statistics 2013/14 dataset; English Housing Survey 2014 Household Report, Department for Communities and Local Government
The existing replacement scheme for Right to Buy has focussed only on the number of homes that have been replaced, not on the size of homes. It is particularly important for families that the replacement scheme for homes takes into account the number of larger properties that are needed in the area.

**Location**

The replacement programme will only help to mitigate the negative effects of the forced sales policy if households in areas that are forced to sell council homes are also able to access their replacements.

The current commitment, to replace within the same ‘area’, may be ineffective if it is considered too loosely. For example, if replacement homes are built in outer London to replace homes that are forcibly sold in inner London, households on waiting lists in inner London boroughs will not even have the opportunity to bid for them. At the very least, households on waiting lists in areas where homes are force sold must have the opportunity to bid for replacement homes.

**Mitigation vi:** replace homes on a like-for-like basis, building new homes that are in line with the needs of the community where homes were forcibly sold, taking into account tenure, size and location.
6. CONCLUSION

The government has made a commitment to extend the Right to Buy to housing associations and run a national programme to force councils to sell low rent homes in expensive areas.

Despite the pledges made, it is highly unlikely that the homes forcibly sold under the policy as proposed will be replaced, and certainly not like-for-like.

The resulting net loss of low rent homes will have serious detrimental consequences for households, councils and communities in those areas that will be most directly and indirectly affected.

The forced sale policy is highly likely to:

- Reduce the number of homes available for working families at affordable rents;
- Leave councils less able to house homeless families and people on their housing waiting lists;
- Jeopardise council building and regeneration plans;
- Undermine efforts to use the social stock more efficiently;
- Leave the Treasury facing a multi-billion pound deficit on the scheme; and
- Impose new costs on communities as people are forced to move.

The government should urgently reconsider its proposed package of housing reforms, and drop the forced sale of high value council housing. Shelter does not support extending the Right to Buy to housing association tenants – but if the government is determined to do this it must find an alternative means to fund the discounts and decouple this from forced sales of council homes.

If the government insists on proceeding with the forced sale of council homes, at the very least it should reduce the worst impacts and risks by including sensible exemptions and mitigations to the policy.
APPENDIX A – METHODOLOGY OF PROJECTIONS

1. National projection of stock over thresholds by local authority

To project the number of council homes that would be subject to forced sales, two factors needed to be estimated at local authority level. These were:

- the profile of the council housing stock; and
- the turnover of the council housing stock.

By comparing in each local authority the estimated profile of the council housing stock and the turnover rate of homes, we could estimate the number of homes that would be subject to forced sales each year.

The profile of the council housing stock was estimated for each local authority based on a number of different sources of data. This included:

- the total stock of council housing in each local authority;
- the distribution of council housing stock by number of bedrooms by local authority;
- the median house price of market homes by local authority;
- property transactions data across England for 2015; and
- comparison of the values of market housing and council housing stock.

By collating this information, an estimate of the distribution of council housing stock in each local authority was estimated by price and the number of bedrooms. Comparing this distribution to the regional thresholds published by the Government provided an estimate of the stock in each area above the designated price thresholds at which stock would be sold.

The turnover rate of council housing was calculated based on lettings data from 2013-14. The turnover rates does not include re-lets from one council home to another. While it is uncertain whether the policy will exclude re-lets within the council housing stock or not, if it does not exclude re-lets from the sell-off policy, then it is likely that movement within the stock will decline significantly.

By applying the turnover rate to the proportion of stock estimated above the threshold each year, we can estimate the amount of stock that would be sold off in a single year. Future years are adjusted for increases in house prices, and decline in the overall stock due to the sell-off.

2. Cost estimates of forced sales and associated policies

The cost estimates of the forced sales are based on the projections of stock above the regional thresholds released by the government. Associated policies that the forced sales are expected to fund include:

- repaying the historic debt on forced sale homes;
- replacing the sold council home;
- a £1 billion fund to decontaminate brownfield land for development; and
- funding the extension of Right to Buy for housing association tenants.

The historic debt estimate is based on the average debt that was paid off due attributed to the rejuvenated Right to Buy, and adjusted to reflect the value of council homes sold. The cost of replacing the

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97. Live Table 116, Department for Communities and Local Government
98. 2011 Census, Office for National Statistics
99. Land Registry
100. 2009 English Housing Survey, Department for Communities and Local Government
council home is assumed to be equivalent to the average grant required for social rent and affordable rent developments, respectively.

Funding the extension of Right to Buy is estimated on the rate of uptake of Right to Buy when the scheme was first introduced for council homes, where over 10% of the stock was bought under the scheme in the first five years.\textsuperscript{101} This uptake rate is applied to the number of households that would become eligible for the Right to Buy, estimated to be 1.4 million. The total cost of funding the discounts is based on the uptake rate, and average discount per home.\textsuperscript{102}

\textsuperscript{101} Live Table 671, Department for Communities and Local Government
\textsuperscript{102} Right to Buy extension estimated to cost £12 billion, National Housing Federation, 14th April 2015, accessed on 25/08/2015
APPENDIX B – COUNCIL BUILDING PROGRAMMES

Building programmes sizes were found in local news sources and on council websites, all accessed on 20/08/2015.

**Cambridge:** Keeping the Pledge: City Council to build new council houses, Cambridge Labour website, http://romsey.cambridgelabour.org.uk/city_council_to_build_new_council_houses;

**Camden:** We are building new council housing, Camden New Journal, http://www.camdennewjournal.com/letters/2014/feb/letters-we-are-building-new-council-housing;

**Dacorum:** Building for the Future, Dacorum Council website, https://www.dacorum.gov.uk/docs/default-source/housing/building-for-the-future.pdf?sfvrsn=0;


**Hackney:** Building Hackney’s Empire, Inside Housing, http://m.insidehousing.co.uk/building-hackneys-empire/7004514.article;


**Haringey:** Draft Housing Strategy, Haringey Council, http://www.minutes.haringey.gov.uk/Published/C00000118/M00006978/AI00041306/$Cabinet170315AppxAHousingStrategydraftforconsultationFINAL.docx.pdf;

**Islington:** Islington to build 2900 social rented homes, Inside Housing, http://www.insidehousing.co.uk/islington-to-build-2900-social-rented-homes/7001870.article?adfsuccess=1;

**Kensington:** What’s happening, Kensington and Chelsea Council website, https://www.rbkc.gov.uk/housing/regenyour-neighbourhood/whats-happening;


**Southwark:** 11,000 new council homes, Southwark Council website, http://www.southwark.gov.uk/info/200537/11000_new_council_homes;

**St Albans:** 400 new homes a year proposed for St Albans District, Hertfordshire Advertiser, http://www.hertsad.co.uk/news/400_new_homes_a_year_proposed_for_st_albans_district_1_3289512;


**York:** It was kidology, York Press, http://www.yorkpress.co.uk/news/13407385.It_was_kidology_York_s_new_planning_boss_slams_predecessors_and_says_Get_York_Building_achieved_nothing/
Shelter helps millions of people every year struggling with bad housing or homelessness – and we campaign to prevent it in the first place.

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