

The Cost to Councils

How much could local authorities lose from the forced council home sell-off?

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Summary

The forced sale of high value council homes is a key part of the Housing and Planning Bill. Under this policy, councils will have to sell their low-rent homes which are valued above thresholds determined by the Treasury. This analysis builds on previous research by Shelter in order to put a monetary value on how much councils - particularly new combined authorities created in recent devolution deals – may lose to the Treasury as a result.

In total, councils nationally could have to hand over £1.2bn to the Treasury per year. This money could be used to build around 20,500 genuinely affordable homes.

The National Cost of Forced Council Sales

The projected annual number of council homes sold and the total expected annual receipts on a local level are estimated in our report from September 2015, 'The Forced Council Home Sell-Off'¹.

To get the gross amount of these receipts that could flow to the Treasury, we work out the average value of each sold home nationally and subtract deductions that councils are likely to be able to keep hold of to give a net figure per home. This average is then multiplied by the number of homes sold to get the total potential amount accruing to the Treasury.

The government has in principle committed to one-for-one replacement on a national level from forced sales (though there is currently nothing in the Housing Bill requiring this). When calculating the potential amount flowing to the Treasury from forced sales, we therefore need to take in to account how much councils across the UK are likely to be able to keep in order to replace these houses.

The best estimate of this is based on how much councils were allowed to keep from Right to Buy sales to council tenants following the raising of the discount offered to them in 2012. A FOI request from Inside Housing² determined that £588.3m of Right to Buy receipts were retained by councils for replacement.

This was allocated, however, to replace the number of additional properties sold due to the increased discount. Figures from June 2015³ suggest that the government believed that around 65% of sales were additional. The estimated retained per home for replacement calculated by the government is therefore:

Retained replacement per home = £588.3m/(65%* number of Right to Buy sales between 2012 and FOI request)

¹ Shelter, 'The Forced Council Home Sell-Off' (September, 2015).

https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/report_the_forced_council_home_sell-off

² Inside Housing, 'Treasury grabs £358m of Right to Buy receipts'. (1st September 2015)

<http://www.insidehousing.co.uk/treasury-grabs-358m-of-right-to-buy-receipts/7007621.article>

³ Inside Housing, 'Fact check: Right to Buy stats'. (26th June 2015) <http://m.insidehousing.co.uk/fact-check-right-to-buy-stats/7010488.article>

This comes to approximately £39,000 per replacement home on average. We also deduct the average £22,000 per home likely to be kept by councils to cover historical debt against the property and admin fees incurred in selling⁴.

Taking in to account one-for-one replacement, councils nationally could have to hand over £1.2bn to the Treasury per year. This money could be used to build around 20,500 genuinely affordable homes⁵.

Forced Sales in New Combined Authorities

The table below shows the gross receipts from forced council sales that could potentially leave newly formed combined authorities, based on a similar methodology to the above⁶.

Combined Authority	Total homes sold each year	Average value of each home sold	Potential £ leaving area per year from forced sale	Number of genuinely affordable homes built per year if money stayed in area for reinvestment ⁷
Greater Manchester	89	£148,000	£11.3 million	235
West Midlands	159	£169,000	£23.4 million	543
Sheffield City	65	£143,000	£7.8 million	178
West Yorkshire	242	£158,000	£32.8 million	743
North East	194	£145,000	£23.8 million	540

This figure does not take in to account money that may come back in to an area via grants to replace council homes that have been sold off, as the government has not committed to sold homes being replaced in the same area.

⁴ Chartered Institute of Housing, 'Selling off the Stock' (October 2015)
<http://www.cih.org/resources/PDF/Policy%20free%20download%20pdfs/Selling%20off%20the%20stock%20-%20final.pdf>

⁵ Assuming the national average grant of £60,000 per home under the National Affordable Homes Program
<https://www.nao.org.uk/wp-content/uploads/2012/07/1213465.pdf>

⁶ Combined authorities based on www.parliament.uk/briefing-papers/SN06649.pdf . NB Liverpool City is not projected to have any council homes subject to forced sales in 2016-2020.

⁷ Assuming regional average grants per home under the National Affordable Housing Program
<https://www.nao.org.uk/wp-content/uploads/2012/07/1213465.pdf>