

## **SALE/DISPOSAL OF VACANT HIGHER VALUE COUNCIL HOUSING**

### **1 Introduction**

- 1.1 This discussion paper looks at the new Government policy “Disposal of Vacant Higher Value Social Housing” due to be introduced from April 2017. This is one of many provisions within the Housing and Planning Act 2016 (the Act) which received Royal Assent in May 2016.

### **2 Background**

- 2.1 The Act was introduced following an announcement made in the 2015 Queen’s speech that legislation would be introduced to support home ownership. Part four of the Act covers social housing with Chapter two detailing vacant higher value local authority housing. The rationale behind the introduction of this was to fund the extension of the Right to Buy scheme to housing association tenants.
- 2.2 The Conservative Party made initial estimates that £4.5bn would need to be raised to fund the extension. This would come from the sale of approximately 15,000 local authority properties each year.
- 2.3 An independent analysis undertaken by the charity Shelter has predicted that the New Forest could be asked to raise approximately £17m through selling on average 67 homes per year.

### **3 Current Situation**

- 3.1 Ministerial changes have delayed guidance on the implementation of this policy. However, DCLG have confirmed that the process is likely to be the following;

Stage 1 – Consultation on Formula

Stage 2 – Respond to Consultation, set regulations for 2017/18 which will define, thresholds, exemptions and determine what is to be classed as “Vacant”.

Stage 3 – Draft determinations issued, identifying amount to be paid to Government by each Local Housing Authority.

- 3.2 The DCLG will request stock data from all Local Authorities in December. This suggests that this Council is unlikely to have a figure until the early part of 2017 as further consultation is still required.

### **4 Policy Fact Sheet: Disposal of Vacant High Value Social Housing**

- 4.1 Below are extracts from a fact sheet provided by the DCLG when this Policy was first considered;

### ***What is the Act hoping to achieve?***

The Act requires local authorities to make a payment to Government based on the estimated value of their higher value vacant housing in order to:

- increase housing supply by funding the building of more homes
- increase home ownership by funding the Right to Buy discounts for Housing Association tenants

### ***Why is legislation needed, and how can Peers influence the details?***

We are legislating to require councils that own housing to make a regular payment to the Government in respect of their high value housing that is expected to become vacant in a financial year. The Act sets out the framework needed to achieve this. Details of the definition of 'high value' and the types of housing that may be excluded from being sold will be set out in secondary legislation. We will continue to engage closely with local authorities and other stakeholders on these matters.

### ***How do we see this working in practice?***

A formula will be used to calculate how much each local authority will have to pay based on how much of its high value housing is expected to become vacant over the next financial year. This will be set out in a determination which Government will consult local authorities on. Payments are likely to be due quarterly, in line with current arrangements for the payment of right to buy receipts to Government. It is possible for determinations to be made which relate to more than one financial year.

The use of a formula to calculate payments will give greater certainty to local authorities to manage their finances, and provide flexibility for them to decide which properties to sell. However they will be expected to sell their high value housing as it becomes vacant in order to make the payments. The formula will include a deduction for the transaction costs and debt supported by the housing that is expected to be sold.

A portion of the receipts will be used to fund the building of new homes which reflect housing need. The Secretary of State and a local authority can enter into an agreement for the local authority to retain part of the payment to lead on the delivery of more homes. If this agreement is made with a local housing authority in London then it must result in two new affordable homes for each high value dwelling that is expected to be sold in the relevant year. The remaining receipts will be used to fund the Right to Buy discounts for Housing Association tenants.

### ***What is the definition of 'high value'?***

We are currently in the process of updating data that will be used to help inform the high value threshold. This includes data from local authorities on their housing stock considering bedroom size, market value and other information on the type of housing they hold. No decision has been taken yet on whether the threshold will be set at a national, regional or other spatial level.

### ***What effect will this policy have on housing supply?***

A key part of this policy is to release the value locked up in vacant high value housing in order to build more homes and increase overall housing supply.

### ***Why there is no commitment to ensure new homes are built in the same area where high value housing is sold?***

Increasing housing supply is at the heart of the proposals. We want to ensure that as many new homes are built as possible, and have heard from a number of authorities

that have asked for flexibility over the tenure and location in the building of additional homes.

***Will this policy affect all councils?***

This policy will affect the 165 councils that own their own housing and operate a Housing Revenue Account. This covers a total of around 1.6 million council homes. Of these homes it will only be those that come within the definition of 'high value' and which are likely to become vacant during the year concerned that will fall within the scope of this legislation. The legislation will not apply to local authorities that have transferred all their stock to a new landlord before the legislation comes into force.

***How much money do you expect to raise from the policy?***

The amount of receipts raised will depend on a number of factors and decisions, and we are in the process of collecting data which will enable informed decisions to be made on the detail of the policy. That detail will be published in due course.

***Will councils be required to sell off all their assets?***

Councils will be required to make a payment to Government in respect of their high value housing that is expected to become vacant within a financial year. They will have discretion about whether individual properties are sold as they become vacant.

***What types of housing will be excluded?***

The legislation provides for types of housing to be excluded from the housing which is taken into account under a determination, and for cases when housing will not be considered to have become vacant. The department is engaging widely and collecting data to inform policy development, including potential exclusions. No decisions have been made yet on types of housing that will be excluded.

**5 Issues for consideration and requiring clarity**

- 5.1 Should the sale of council homes fund the discounts given to Housing Association Tenants. Is there a better way to fund this? Is there an alternative model for longer term sustainability being considered?
- 5.2 Implementation of this Policy may impact on the viability of a Council to run its core Housing Services due to reduced revenue streams.
- 5.3 This could reduce planned new build programmes due to reduced funding.
- 5.4 It could reduce the Council's capacity to borrow due to the uncertainty of stock levels and future income generation, as well as borrowing limitations that already exist.
- 5.5 Councils may not be able to build or acquire new homes in high value areas without them becoming subject to future sale.
- 5.6 Additional management, marketing and administration costs associated with the sale process included loss of rental income between vacancy and sale.
- 5.7 Should there be limits on the number of sales required per year?
- 5.8 What will/should the exemptions include? Older persons accommodation, bungalows, new properties, properties with high debt levels, properties that cost more to replace.

- 5.9 Should the formula/calculation be on actual vacancies rather than previous/projected vacancies?
- 5.10 Will appropriate thresholds be used for New Forest District Council? Or will it be by regions which could penalise NFDC due to higher than average house prices?
- 5.11 Potential purchases may seek to push down market sale where Councils have no option to sale?
- 5.12 Multiple council house sales may depress market values should they represent a significant proportion of local sales.
- 5.13 Will the formula/calculation be changed annually? Or periodically?
- 5.14 The lack of a pledge on like-for-like replacements means that replacement homes could be built in different areas to where they're sold, in different sizes and different tenures. This could result in systematic replacement of genuinely affordable council housing with unaffordable starter homes at a time when homes that ordinary families have the means to live in are so desperately needed. It is likely social housing numbers will reduce, at least in the short term.
- 5.15 Should sales only be required when there is a replacement available? If not, stock numbers across Local Authorities and Housing Association will reduce leaving homeless households living in temporary accommodation.
- 5.16 Will this Policy actually generate the funds that will be required? and if it doesn't what next?
- 5.17 Will the sale of high value homes lead to "social cleansing" of high value areas? This could lead to areas within NFDC without any council housing (rural)?
- 5.18 Will sufficient sites be available for replacement homes, especially in rural areas?
- 5.19 Will Housing Associations have the capacity to replace homes?

**For Further Information please contact:**

Richard Topliss

Service Manager – Housing Property & Performance

Tel: 023 8028 5588

E Mail: [richard.topliss@nfdc.gov.uk](mailto:richard.topliss@nfdc.gov.uk)