

Research Note

# 'Higher value' council homes - how could the government make £4.5bn?

April 2016

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Shelter helps millions of people every year struggling with bad housing or homelessness. We provide specialist advice and support on the phone, face to face and online, and our legal teams can attend court to defend people at risk of losing their home.

However at Shelter we understand that helping people with their immediate problems is not a long-term solution to the housing crisis. That's why we campaign to tackle the root causes, so that one day, no one will have to turn to us for help.

We're here so no one has to fight bad housing or homelessness on their own.

We provide practical advice and support to over 4 million homeless or badly housed people a year via our website, telephone helpline and network of advice services. We employ over 200 advisers and 40 solicitors to give advice and offer representation.

## Summary

The government is proposing to force local authorities to sell 'higher value' council homes in order to fund the extension of Right to Buy to housing association tenants. A recent amendment to the Housing and Planning Bill gives the Secretary of State the power to demand that any council sell a yet to be defined proportion of their vacant stock.

This analysis finds that in order to raise the £4.5bn per year needed - as calculated by the Conservatives - each local authority could be asked to raise an average of £26 million.

In total, this corresponds to the sale of 23,503 council homes per year - six times more than was estimated would be sold under the previous threshold regime.

## Introduction

When the extension of Right to Buy for housing association tenants was announced in the Conservative election manifesto, it was proposed that it would be funded via the sale of 'high value' vacant council homes. This was defined as those valued above regional thresholds.

The party estimated that £4.5bn a year could be raised to fund Right to Buy discounts, create the Brownfield Regeneration Fund, pay off outstanding debts on the council homes sold and replace them, nationally, on a one-for-one basis. They estimated this would come from the sale of 15,000 local authority properties per year<sup>1</sup>.

Previous Shelter analysis<sup>2</sup> found that if the announced thresholds were applied, 3,875 homes would be sold each year. This would, however, only raise £1.4bn a year, leaving the scheme with a large shortfall.

It is little surprise, therefore, that a recent government amendment to the Housing and Planning Bill changed the definition of council homes liable for sale from 'high value' to 'higher value'<sup>3</sup>.

This gives the Secretary of State the power to demand that any council sell vacant stock in their area that is relatively more expensive. In effect, each local authority could be required to sell a defined proportion of their homes, including homes that were not caught by the previous thresholds<sup>4</sup>.

In addition, councils will still not simply be asked to forward on receipts after a sale has happened. Each will be presented with an amount that they must pay based on a government estimate of the value of their vacant stock. It is then up to the council how this is raised.

This analysis asks if the government wishes to raise £4.5bn, how much is likely to be asked of councils with social housing?

## Key assumptions

- Each council contributes the same proportion of their vacant local authority stock
- The same proportion of stock by size (defined by number of bedrooms) is sold off

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<sup>1</sup> Conservative Party press release from April 2015 - available on request.

<sup>2</sup> 'The forced council home sell-off'. (Shelter, Sep 2015). Available from: [https://england.shelter.org.uk/professional\\_resources/policy\\_and\\_research/policy\\_library/policy\\_library\\_folder/report\\_the\\_forced\\_council\\_home\\_sell-off](https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/report_the_forced_council_home_sell-off)

<sup>3</sup> [http://www.publications.parliament.uk/pa/bills/lbill/2015-2016/0110/amend/110\(g\).pdf](http://www.publications.parliament.uk/pa/bills/lbill/2015-2016/0110/amend/110(g).pdf)

<sup>4</sup> For more information, see 'Forced council sales: a small amendment that makes things a whole lot worse' (Shelter, Apr 2016). <http://blog.shelter.org.uk/2016/04/forced-council-sales-a-small-amendment-that-makes-things-a-whole-lot-worse/>

These assumptions mean that, for example, if Birmingham is required to sell off its top 30% by value of homes that become vacant, Camden is also required to sell off its top 30% of vacant homes. This means that the burden is spread evenly amongst local authorities in terms of the loss of available housing stock.

The second assumption is that, in the example above, each council sells off 30% of homes by number of bedrooms. If this was not the case, councils would be obliged to sell off their larger (and typically higher value) vacant homes first, which would fundamentally change the types of households their available stock could accommodate.

It is important to note that the government has not clarified how the policy will operate under the new amendment; these are reasonable assumptions made in order to estimate the potential impact on councils.

## What stock is available in each local authority?

Firstly, the likely available stock in each local authority, by number of bedrooms, is estimated. The proportion of one, two, three, four and five or more bedroom council properties is taken from the 2011 Census<sup>5</sup>. This is then applied to the total stock of council housing in each local authority<sup>6</sup>.

To find out how many properties by number of bedrooms are likely to become available each year, turnover rates are calculated from local authority lettings data<sup>7</sup> and then multiplied by the total number of homes of each size.

## Estimating the value of vacant local authority stock

The next step is to estimate the price distribution for properties by number of bedrooms, for each council. A sample of local authority properties was last valued in the 2009 English Housing Survey (EHS)<sup>8</sup>. This analysis uses the difference between local authority and market homes in 2009 to scale down 2015 market prices to give the current value of council homes in each area, according to the latest available data.

The 2009 data shows that the gap between council and market home values is not consistent along the price distribution. Council homes at the 10th percentile are generally worth around 75% of market homes at the 10th percentile, whereas council homes at the 90th percentile are generally only worth 55% of 90th percentile market homes.

For this reason, the ratio between council and market prices is calculated for each decile by region. The current, 2015 market price deciles to be adjusted are then constructed using Land Registry Price Paid data<sup>9</sup>.

Applying the council-to-market ratio to these deciles gives the overall current price distribution of social housing in a given local authority.

To achieve a price distribution by number of bedrooms, the proportion of social housing stock by property size that falls in each of the overall distribution's deciles is calculated from the 2009 EHS data<sup>10</sup>.

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<sup>5</sup> 2011 Census, Office for National Statistics. Available from: <http://www.nomisweb.co.uk/census/2011>

<sup>6</sup> Live Table 116, Department for Communities and Local Government. Available from: <https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants>

<sup>7</sup> General needs and supported housing, from CORE 2013/14 data.

<sup>8</sup> 2009 English Housing Survey, Department for Communities and Local Government. Available from: <https://www.gov.uk/government/collections/english-housing-survey>

<sup>9</sup> Land Registry Price Paid data, available from: <https://data.gov.uk/dataset/land-registry-monthly-price-paid-data>

## What proportion needs to be sold?

Once price distributions for each bedroom size and local authority are obtained, an iterative process was used to establish the percentage of vacant stock each local authority would need to sell in order for the total value to equal £4.5bn.

For example, the total raised by selling the highest 15% of 1 beds in a given local authority is:

$$\begin{aligned} & \textit{Total raised by 15\% of 1 beds}_{LA} \\ &= \left( \textit{Number of vacant 1 beds} \times 10\% \times \textit{2009 proportion of 1 beds in 10th decile} \right. \\ & \times \left. \frac{\textit{2009 council value of 10th decile}}{\textit{2009 market value of 10th decile}} \times \textit{2015 market value of 10th decile} \right) \\ &+ \left( \textit{Number of vacant 1 beds} \times 5\% \times \textit{2009 proportion of 1 beds in 9th decile} \right. \\ & \times \left. \frac{\textit{2009 council value of 9th decile}}{\textit{2009 market value of 9th decile}} \times \textit{2015 market value of 9th decile} \right) \end{aligned}$$

This was repeated for each property size and summed to give the total value to be sold-off for a given local authority. It was found that in order to reach £4.5bn, each local authority with vacant stock would need to sell off the top 30% of each property size by number of bedrooms.

## Results

Once it has been established that all local authorities with vacant council homes will need to sell 30% of them each year, it is possible to calculate the total to be raised and average to be raised by each council, both nationally and regionally.

As can be seen from the table below, if the Secretary of State is given the power to use whatever definition is necessary to raise £4.5bn per year, this could result in councils across England facing an annual bill of £26m on average.

This corresponds to the sale of 23,503 homes each year in total - this is six times more than Shelter estimated would be sold yearly under the previous threshold regime.

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<sup>10</sup> This is done on a national level to ensure accuracy given the sample size

Region	Yearly amount to be raised by region	Yearly homes to be sold by region	Yearly average to be raised per council	Yearly average stock to be sold per council	Number of councils hit
<b>England</b>	<b>£ 4,500,000,000</b>	<b>23,503</b>	<b>£ 26,000,000</b>	<b>137</b>	<b>172</b>
East	£ 545,000,000	2084	£ 22,000,000	83	25
East Midlands	£ 351,000,000	2782	£ 14,000,000	111	25
London	£ 1,428,000,000	2935	£ 49,000,000	101	29
North East	£ 218,000,000	1843	£ 27,000,000	230	8
North West	£ 222,000,000	1836	£ 20,000,000	167	11
South East	£ 450,000,000	2035	£ 14,000,000	62	33
South West	£ 271,000,000	1512	£ 19,000,000	108	14
West Midlands	£ 426,000,000	3511	£ 28,000,000	234	15
Yorkshire and the Humber	£ 588,000,000	4965	£ 49,000,000	414	12

Inherent to the methodology is an estimation of how much each council could be asked for and how many homes this represents. These results are presented in the table below.

The consequence of a move from flat thresholds to a relative proportion is that councils that were previously only moderately affected are now amongst those facing the highest levies.

Under the threshold policy, Birmingham would have had to sell off 53 homes annually to fund a bill of around £7.3 million, placing it as the 33rd worst affected council. Following the new amendment, if £4.5bn is to be raised it could be the hardest hit area, having to raise around £145 million each year by selling off 1190 homes. Similarly, Sheffield would go from having to raise £6.4 million to £120 million each year and from having to sell just 44 homes each year to 1010.

This is because these areas have some of the highest numbers of council homes and the highest turnover rates. Previous, only some of these would have been above the flat regional thresholds and would have been liable for sale. Under the current proposal, 30% are likely to be sold.

Higher value London areas still feature as some of the worst affected councils although the more evenly distributed burden assumed in this analysis means that some will face a lower yearly levy. For example, Westminster could now be expected to pay £90.4 million a year by selling 98 homes, instead of £176.5 million under the previous policy funded by selling 246 homes.

Cheaper London boroughs with higher levels of stock and faster turnover rates are, however, harder hit. For example Southwark could be made to pay £122 million per year instead of £40 million, selling 249 homes per year instead of 78.

## All local authorities

Region	Local authority	Amount to be raised each year	Stock to be sold off each year
West Midlands	Birmingham	£ 144,640,919	1190
Yorkshire and The Humber	Leeds	£ 128,858,684	956
London	Southwark	£ 122,038,731	249
Yorkshire and The Humber	Sheffield	£ 119,765,488	1010
London	Camden	£ 116,412,303	162
Yorkshire and The Humber	Kirklees	£ 115,744,570	1040
London	Wandsworth	£ 99,368,254	170
London	Islington	£ 99,209,919	161
London	Hackney	£ 90,402,410	184
London	Westminster	£ 90,369,835	98
London	Haringey	£ 74,159,705	163
London	Lambeth	£ 69,190,256	143
London	Greenwich	£ 68,115,263	190
South West	Bristol	£ 66,570,105	369
London	Hammersmith and Fulham	£ 62,394,229	79
North West	Manchester	£ 58,959,804	482
London	Lewisham	£ 57,940,429	158
Yorkshire and The Humber	Rotherham	£ 53,524,390	468
North East	Newcastle upon Tyne	£ 52,794,830	401
London	Kensington and Chelsea	£ 51,625,811	41
East	Dacorum	£ 51,390,436	148
West Midlands	Wolverhampton	£ 48,846,611	451
East	Epping Forest	£ 48,135,588	120
Yorkshire and The Humber	Kingston upon Hull	£ 45,427,434	513
London	Ealing	£ 43,429,762	99
West Midlands	Dudley	£ 42,483,669	338
North West	Wigan	£ 42,118,738	395
West Midlands	Sandwell	£ 41,623,088	392
London	Hillingdon	£ 40,218,792	110
West Midlands	Stoke-on-Trent	£ 37,894,043	455
London	Waltham Forest	£ 37,744,769	100
East	Norwich	£ 37,711,324	205
North East	County Durham	£ 35,757,357	374
South East	Milton Keynes	£ 34,618,795	169
East	Cambridge	£ 34,479,320	82
South East	Southampton	£ 33,982,869	215
East Midlands	Leicester	£ 33,000,632	283
North East	North Tyneside	£ 32,444,073	240

Region	Local authority	Amount to be raised each year	Stock to be sold off each year
London	Barnet	£ 31,889,325	68
London	Enfield	£ 31,542,607	93
West Midlands	Solihull	£ 31,202,664	153
East	Basildon	£ 30,696,813	122
Yorkshire and The Humber	Doncaster	£ 30,186,471	277
East Midlands	Derby	£ 30,000,217	244
North East	Gateshead	£ 29,914,660	267
Yorkshire and The Humber	Barnsley	£ 29,850,461	304
North East	South Tyneside	£ 29,761,074	264
London	Brent	£ 29,288,101	65
South West	Swindon	£ 28,605,422	187
East	Thurrock	£ 28,323,618	120
South East	Brighton and Hove	£ 28,215,092	108
East	Welwyn Hatfield	£ 27,243,550	82
South West	Cornwall	£ 27,200,392	156
London	Newham	£ 27,181,549	87
London	Hounslow	£ 26,673,466	73
London	Kingston upon Thames	£ 26,293,729	61
East	Southend-on-Sea	£ 26,272,084	110
North West	Stockport	£ 25,968,238	167
East Midlands	Nottingham	£ 25,855,590	258
London	Harrow	£ 25,701,468	61
East Midlands	Chesterfield	£ 25,377,765	218
South East	Winchester	£ 24,909,576	79
East	Colchester	£ 24,370,667	106
North East	Northumberland	£ 24,326,996	180
Yorkshire and The Humber	East Riding of Yorkshire	£ 23,902,266	181
South East	Oxford	£ 23,388,163	76
East	Luton	£ 22,833,833	114
East Midlands	Northampton	£ 22,039,469	152
London	Barking and Dagenham	£ 21,906,879	88
East	Stevenage	£ 21,370,511	87
London	Tower Hamlets	£ 21,041,949	48
East	St Albans	£ 20,764,894	43
East	Harlow	£ 20,429,012	86
East	Ipswich	£ 20,331,749	114
South West	Cheltenham	£ 19,982,791	101
Yorkshire and The Humber	York	£ 19,738,765	108
West Midlands	Warwick	£ 18,775,620	87
East	Central Bedfordshire	£ 18,712,961	71



Region	Local authority	Amount to be raised each year	Stock to be sold off each year
South East	Portsmouth	£ 18,673,631	123
North West	West Lancashire	£ 18,554,400	123
London	Redbridge	£ 18,539,524	51
North West	Salford	£ 18,260,211	167
South West	Stroud	£ 18,220,523	96
South East	Guildford	£ 18,182,736	54
London	Havering	£ 18,141,821	61
South East	Slough	£ 18,126,410	82
East Midlands	South Kesteven	£ 17,076,232	108
South East	New Forest	£ 17,072,323	67
East	Uttlesford	£ 16,814,431	46
East Midlands	Charnwood	£ 16,273,338	102
East Midlands	Newark and Sherwood	£ 15,915,216	117
Yorkshire and The Humber	Harrogate	£ 15,913,778	76
East Midlands	Lincoln	£ 15,728,076	138
East	South Cambridgeshire	£ 15,516,093	46
East	Waveney	£ 15,324,862	85
East Midlands	Mansfield	£ 15,246,198	142
North West	Cheshire West and Chester	£ 15,050,877	95
South West	Exeter	£ 14,878,286	78
South East	Woking	£ 14,374,149	48
East	Great Yarmouth	£ 14,360,241	91
South West	Taunton Deane	£ 14,290,812	82
South East	Gravesham	£ 14,249,083	70
East Midlands	Ashfield	£ 14,230,318	127
South West	Bournemouth	£ 13,882,271	73
South West	Sedgemoor	£ 13,525,852	86
South East	Reading	£ 13,481,936	62
West Midlands	Nuneaton and Bedworth	£ 13,178,199	109
South East	Ashford	£ 13,110,320	63
South West	Poole	£ 13,034,226	60
North East	Darlington	£ 12,931,390	115
South West	East Devon	£ 12,831,425	60
East Midlands	Bolsover	£ 12,767,854	129
South East	Canterbury	£ 12,626,661	59
East	Babergh	£ 12,484,968	49
South West	Wiltshire	£ 12,073,429	61
South East	Lewes	£ 12,070,566	49
East Midlands	Bassetlaw	£ 12,046,435	102

Region	Local authority	Amount to be raised each year	Stock to be sold off each year
East	Tendring	£ 11,989,584	65
North West	Bury	£ 11,808,292	96
East	Mid Suffolk	£ 11,589,035	49
North West	Lancaster	£ 11,576,988	95
South East	Dartford	£ 11,394,165	53
London	Croydon	£ 11,220,181	36
South East	Waverley	£ 10,982,187	32
East	Brentwood	£ 10,769,990	31
South East	Havant	£ 10,708,546	54
West Midlands	Rugby	£ 10,328,056	64
South East	Wokingham	£ 10,188,956	31
East Midlands	South Derbyshire	£ 10,119,960	68
South East	Eastbourne	£ 10,044,071	56
South East	Runnymede	£ 10,041,632	33
London	Sutton	£ 9,845,666	29
East Midlands	North Kesteven	£ 9,761,311	65
South East	Arun	£ 9,712,471	45
South East	Tandridge	£ 9,488,915	28
South East	Medway	£ 9,439,567	58
East Midlands	Broxtowe	£ 9,398,941	72
South East	Thanet	£ 9,386,867	59
South East	Dover	£ 9,317,957	53
South East	Crawley	£ 9,286,162	42
East Midlands	North West Leicestershire	£ 9,254,707	58
South East	Shepway	£ 9,011,779	50
West Midlands	Redditch	£ 8,976,122	61
East Midlands	Hinckley and Bosworth	£ 8,805,340	58
East Midlands	North East Derbyshire	£ 8,749,310	61
South West	Gloucester	£ 8,732,316	61
East Midlands	Corby	£ 8,444,379	65
East Midlands	South Holland	£ 8,346,861	60
East Midlands	Kettering	£ 8,116,355	58
West Midlands	Tamworth	£ 7,948,668	62
South East	Fareham	£ 7,923,863	37
West Midlands	Shropshire	£ 7,619,184	48
North West	Blackpool	£ 7,581,921	86
South West	Mid Devon	£ 7,369,812	43
North West	Barrow-in-Furness	£ 6,908,972	72
West Midlands	Cannock Chase	£ 6,879,462	59

Region	Local authority	Amount to be raised each year	Stock to be sold off each year
<b>East Midlands</b>	High Peak	£ 6,655,938	47
<b>South East</b>	Wealden	£ 6,441,707	27
<b>London</b>	City of London	£ 6,016,942	7
<b>North West</b>	Oldham	£ 5,674,279	57
<b>West Midlands</b>	North Warwickshire	£ 5,523,343	38
<b>East Midlands</b>	Melton	£ 5,143,377	33
<b>South East</b>	Gosport	£ 4,951,069	33
<b>South East</b>	Adur	£ 4,145,990	18
<b>Yorkshire and The Humber</b>	Richmondshire	£ 3,415,178	21
<b>East Midlands</b>	Oadby and Wigston	£ 2,795,192	19
<b>East</b>	Castle Point	£ 2,449,150	9
<b>Yorkshire and The Humber</b>	Selby	£ 1,592,617	11
<b>East</b>	Broxbourne	£ 542,358	2
<b>South East</b>	Vale of White Horse	£ 492,240	2
<b>West Midlands</b>	Coventry	£ 371,931	3
<b>North East</b>	Hartlepool	£ 197,240	2

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