

Committee	Dated:
Housing Management and Almshouses Sub Committee	14 September 2015
Subject: Proposed extension of Right to Buy policy	Public
Report of: Director of Community and Children's Services	For Information

Summary

In the Queen's Speech the government set out its intention to bring forward legislation to extend the Right to Buy to housing association tenants. The government has stated that the policy will be funded by requiring local authorities to sell high value social rented homes when they become vacant.

This report sets out the details of the policy that the government has communicated to date, and alerts Members to the potential impact.

Approximately half of the City's social rented housing stock is above the high value thresholds indicated. As such the City could experience a loss of housing stock as a consequence, particularly within the Square Mile. Such a loss would have implications for rental income, and therefore asset management and future development plans.

The government has yet to set out details of their proposals, and what details have been shared may change significantly. It is anticipated that these will be contained within a Housing and Planning Bill to be published in the autumn.

Recommendation

Members are asked to:

- note the report.

Main Report

Background

1. The government intends to bring forward legislation that will extend the Right to Buy (RTB) to secure tenants of housing association homes. The proposal, contained within the Queen's Speech on 27 May 2015, suggests that the extension of the RTB will be funded by requiring local authorities to sell off their high value properties.
2. High value homes will be defined as those whose market value is in the top one-third of all (private and social) homes of the same number of bedrooms in a given area. The sale of such properties will only happen when they fall vacant.

3. A government press release supporting the policy proposal set out estimates of what will constitute high value property. The figures for London are given below.

	1 bedroom	2 bedrooms	3 bedrooms	4 bedrooms	5 or more bedrooms
London	£340,000	£400,000	£490,000	£790,000	£1,205,000

4. Receipts from the sale of properties will fund the replacement of homes sold (on a one-to-one basis), the discount offered to housing association tenants (currently £104,000 in London), and the establishment of a “brownfield regeneration fund”. It is assumed that sale receipts will also be used to repay any local authority debt held against the homes being sold.
5. The government suggests that this policy will lead to the sale and replacement of around 15,000 homes a year.
6. The City has participated in a Londonwide research project to estimate the impact of this policy, based on the details of the policy communicated by the government, and the briefing notes supporting the Queen’s speech. This modelling suggests that half of the City of London’s stock of 1,800 social rented homes would be above the high value threshold and would therefore be required to be sold when becoming vacant (assuming the policy is implemented as proposed).
7. The annual turnover rate of properties varies from year to year, and many of the City’s vacancies are homes that would not be affected by this policy due to their size (studio flats) or their location in comparatively lower value areas. However, it is estimated that the City may have to sell 97 properties in the first five years of this policy, and over ten years could see 12 per cent of its stock sold.
8. Any loss of stock for the City arising from this policy would reduce future rent revenue with a consequent impact on investment in asset management. There is also a risk that any new homes developed by the City as part of a development programme would be above the high value thresholds and risk being sold at a future point.
9. The City’s higher value stock is likely to be concentrated on its estates within the Square Mile, and therefore could see the steady reduction of this stock and the role of the City as a landlord locally.
10. For central London boroughs the cost of replacing any homes sold is likely to be greater than the residual receipt from sales. Therefore the implication of the policy is a redistribution of resources from central London to outer and outside of London where land values and building costs are lower, and possibly that replacement homes will be smaller (lower cost) homes than those lost. It also implies that the replacement cost of any units will need to be met by additional borrowing.

11. More broadly the policy will in practice mean that delivering additional affordable housing in certain parts of central London, including the City, will become unviable.
12. A cross party letter has been sent to the Secretary of State for Communities and Local Government from Sir Steve Bullock on behalf of London Councils. The letter raises concerns about the policy and the impact it may have on local authority plans to develop new homes. London Councils has also expressed concerns that the policy may impact negatively on London's social mix, and it may have considerable financial impact on some local authorities who will be less able to meet their statutory housing duties.
13. The details of the proposed policy remain limited and may change considerably before their anticipated publication within the Housing and Planning Bill scheduled for October 2015.

Corporate & Strategic Implications

14. The Department of Community and Children's Services Business Plan commits to delivering investment in new and existing properties and implementing the Asset Management Strategy. The implementation of the government's policy may impact negatively on the department's ability to deliver this commitment.

Conclusion

15. The proposed extension of the Right to Buy to housing association tenants could have significant implications for the City of London. However, the details of this policy remain limited and will not be fully known until published in the autumn.

Appendices

- None

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