

The sale of high value vacant housing: Part 4

The most eye-catching proposal on housing in the Conservative party's 2015 general election manifesto was the promise to extend the right to buy to housing association tenants. That promise would be funded by "*requiring local authorities to manage their housing assets more efficiently, with the most expensive properties sold off and replaced as they fall vacant.*" Before the election, the Conservatives published indicative values above which any vacant local authority housing would be sold: in London, this was as low as £340,000; in the South East, £165,000; in the Midlands, Yorkshire and Humber, North East and North West between £80,000-£105,000.

The proposal was fiercely opposed by, among others, the Local Government Association, who argued that local authorities should retain 100% of the proceeds of sale of their high value vacant housing stock and that the voluntary right to buy should be funded by other means.

When the Bill was first presented to Parliament, the mechanism adopted would require local authorities to make a payment to the Secretary of State in respect of each financial year; the amount of that payment would be determined by the Secretary of State as "*an estimate of ... the market value of the authority's interest in any high value housing that is likely to become vacant during the year*" less certain costs or deductions to be prescribed. Given the serious financial implications for local authorities posed by this clause, there was alarmingly little detail set out on the face of the Bill; the detail would be dealt with under secondary legislation – drafts of which have still not been published at the time of writing.

The Bill as presented to Parliament contained express provision requiring local authorities to account for the value of (and, by necessary implication, to sell off) a proportion of its housing stock, as promised in the Conservative manifesto. However, it contained no express provision, as had also been promised in the manifesto, that guaranteed the replacement of housing stock that was sold off during the course of the year. The government eventually introduced an amendment which would guarantee a one-for-one replacement for local authorities outside of Greater London and a two-for-one replacement for Greater London authorities.

The House of Commons and the House of Lords fought a pitched battle over Lords amendments which sought to make express provision for local authorities to retain at least some of the proceeds of sale which would then be applied to the provision of a replacement property for the one which has been sold. Lord Kerslake, in proposing the amendment, observed that this was consistent with the manifesto promise that high value vacant housing would not only be sold off, but replaced. The government, however, flatly rejected these “wrecking amendments” which would significantly reduce the funding available for the voluntary right to buy and therefore, in the government’s view, frustrate a manifesto commitment.

One potentially important concession made by the government during the passage of the Bill was to replace “high value” housing with the phrase “*higher value*” housing. The rationale was explained, on the government’s behalf, by Baroness Williams, who said that the government had acknowledged concerns that defining “high value” housing liable to be sold by reference to national or regional thresholds could lead to a significant proportion of dwellings in local authorities with acute levels of housing demand falling within that definition. The amendment, adopting the phrase “higher value” housing, means that the housing stock liable to be sold under these reforms will be defined as a proportion of the housing stock in a local authority’s own area – i.e. within an inner London borough, where all houses are objectively “high value” when compared against national or regional property prices, only a proportion of those houses will be “higher value”. This represents an important departure from the approach indicated in the Conservative manifesto.

However, at the time of writing, no information has been published about the detail of how the government will calculate higher value houses. Fundamentally, it seems unlikely that money raised by the sale of higher value vacant housing stock will be sufficient to fund both the cost of the voluntary right to buy and the replacement of the housing stock that has been sold. Moreover, in heavily developed local authority areas, it is also highly unlikely that replacement housing stock will be constructed in the same areas as the high value stock which has been sold. Unsurprisingly, there is no express provision requiring the replacement housing stock to be of the same tenure as the high value stock which has been sold. Therefore it seems almost inevitable that the result will be a drastic erosion of social rented stock and a hastening of the decline in the number of council houses, especially in areas with high property prices.

If this does come to pass, it will not trouble the government who have made it plain that the object of the Act is to privilege home ownership over – and, in many cases, at the expense of – other forms of tenure, especially the social rented sector.

Matt Lewin
Cornerstone Barristers