



ARCH Media Statement 15 April 2015

Conservative Party Manifesto: Extension of Right to Buy

The Conservative Party Election Manifesto launched today contains proposals to give all housing association tenants the full Right to Buy that has been a right of council tenants since 1980.

This will be paid for by forcing councils to sell off higher value council homes in their area as they become vacant when existing tenants die or move on to other accommodation. ARCH understands that this will apply not just to high value property in London and the South East but to the most highly valued top third of all council homes in each council area across the country relative to local property valuations. This could apply to around 15,000 council properties that become vacant each year across the country and the sell-off of higher value council housing into the private market could net the government around £4.5billion.

It is understood that the proceeds will be split 3 ways and only a proportion will be used to replace the council homes sold on a one to one basis.

The rest will be split 2 ways:

- Part will be used to fund discounts of up to £102,700 to those housing association tenants' fortunate enough to be in a position to buy their home.
- The rest will go to create a £1billion fund to help clean up derelict or contaminated land for housing.

ARCH believes that the proposal to compel councils to sell off council housing that becomes vacant when the present tenant moves on is unfair and any decision to sell higher value council housing should be a matter for local determination by each council.

The present system of financing council housing is based on a "self-financing regime" introduced by the Coalition government in 2012 which had all party support and to introduce a policy to force councils to sell off council housing goes against the principles of the self-financing regime introduced only 3 years ago.

John Bibby ARCH Chief Executive comments:

“The present system of council housing finance was based on a one off payment to or from each individual council based on the value of their housing stock – this valuation took into account both high and lower value housing in their stock. The vast majority of councils whose housing debt was lower than the valuation of their housing stock borrowed to pay the difference to the government at the time and this additional borrowing was funded by the predicted future revenue income stream from the rents on those properties.

If councils are now to be forced to sell off their higher value stock and handover the receipts to central government to fund Right to Buy discounts to housing association tenants then council tenants will in effect be paying twice. Councils will also lose the higher rental income from any vacant properties sold and this could adversely affect the financial sustainability of councils’ housing business plans and their ability to properly maintain and improve the remaining lower value housing stock.

At present councils have not been able to replace council housing sold under the right to buy on a one for one basis and the replacement ratio is currently around 1 for every 7 council houses sold under the Right to Buy. Furthermore unless adequate safeguards are introduced there is the danger that any council properties sold with vacant possession will be bought by buy to let landlords and then let to tenants at much higher rents than the council needs to charge – simply adding to the housing benefit bill if those tenants happen to be in receipt of welfare benefits.

The 2012 council housing “self-financing” reforms were introduced under the Localism Act 2011. In the spirit of localism, ARCH believes that it should be for each local authority to decide at a local level, in consultation with their tenants and in the context of their Housing Business Plans and the efficient asset management of the whole of their stock, whether they wish to dispose of higher value stock to reinvest the full capital receipt from such sales into new replacement housing at lower cost.”

If the Conservative Party form the next government we look forward to receiving further details of how this proposal would work in practice”

Note for Editors

The Association of Retained Council Housing represents the interests of those councils that in consultation with their tenants have decided to retain ownership and management of their council housing stock. ARCH has 62 members who between them manage over ½ million council homes.

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