

Thoughts on the Right to Buy

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Manifesto commitments

1. *“Every tenant, however, will have a chance first to buy from the Council the house he lives in.”*
2. *“In the first session of the next Parliament we shall ... give council and new town tenants the legal right to buy their homes, while recognising the special circumstances of rural areas and sheltered housing for the elderly.”*

Right to Buy - background

- RTB October 1980 – almost 2 million sold
- By April 2012 maximum discount was £38,000
- Maximum discounts now £77,900 (£103,900 in London)

Right to Buy – impact to date

- 1980 – 2002 owner occupation **rose** from 57% to 70%
- 1980 – 2015 social housing **fell** from 31% to 17%
- 220,000 sales in Yorks/Humberside to date
- 40% now in PRS

VRTB – background

- 2015 Conservative manifesto pledged *“to extend the RTB to the tenants in Housing Associations to enable more people to buy a home of their own”*
- 2015 Queen’s speech - a Housing Bill *“would dramatically extend the Right to Buy to tenants of Housing Associations”*
- September 2015 – NHF makes offer to Government for Voluntary RTB

NHF offer – opening statement

“This document sets out the terms of an offer the National Housing Federation has made to the Government for a potential agreement that would give all 2.3 million housing association tenants the opportunity of home ownership through Right to Buy discounts.”

NHF offer – principles

- RTB to be offered as per national scheme
- RP will have final say on whether to sell
- *“Presumption that they will sell a tenant their current home where they can”*
- RP will receive full value of home, with discount funded by government
- Flexible one for one replacement on a national basis

NHF offer - voting

- Offer made 24 September 2015
- Ballot closed 2nd October 2015

- 323 NHF members voted YES, 37 voted NO
- 11 abstained. 231 did not reply.
- The 37 RPs voting NO control 111,500 homes

Right to Buy on a voluntary basis

Part 4 Chapter 1

- SoS may make grants to RPs *“in respect of right to buy discounts”* (plus HCA and GLA)
- HCA must, if requested, monitor compliance with the home ownership criteria = means criteria *“that relate to the sale of dwellings by RPs to tenants otherwise than in exercise of a right conferred by an Act”*
- The HCA must report on compliance with the home ownership criteria
- The SoS may publish reports on RPs that have not met the criteria
- *“Right to buy discount means a discount given to a tenant of a dwelling ...otherwise than in the exercise of a right conferred by an Act”*

VRTB exemptions at Board discretion could include

- Properties in rural areas, exception sites
- Supported housing adapted for special needs tenants
- Properties provided through charitable or public-benefit resources
- Properties held in a Community Land Trust
- Tied accommodation
- Co-ops and TMOs
- Section 106 sites with covenants – “affordable housing” in perpetuity, etc
- Portable discount to be offered to buy an alternative HA home

VRTB – who is eligible?

- Up to 1.45 million tenants*
- 5 to 10% of those eligible will buy? < 145,000 over a five year period
- Average RTB sale in 2013/14 was £126,000 – average discount close to 50%
- This would amount to <£20 billion: £10 billion receipts and £10 billion discounts
- £2 billion of each per annum

*John Perry study for CIH 2015

VRTB – discounts

- Full compensation for the discount funded by High Value sales
- The Government will pay VRTB discounts directly to RPs - 70% paid on sale and 30% when there is evidence of a 'start on site' or acquisition

Voluntary Right to Buy – pilots

- L&Q, Riverside, Saffron, Sovereign, Thames Valley
- 5% of eligible tenants applied
- First sales September 2016

Saffron HA

- 10 years to qualify. Paid £250 deposit on application.
- Marketed to 1,600 tenants
- 123 expressions of interest (8%)
- 45 applications
- Tenants averaged 44% discounts on an average property price of £160K

RTB – recent replacement history

- 2012 - Commitment to 1 for 1 replacement
- RTB sales = **2,638** in 2011/12, **12,246** in 2015/16
- 2012/13 to 2015/16 = **41,755** sales
- 2012/13 to 2015/16 = **6,526** dwelling starts and acquisitions
- Replacement rate roughly one for each six sold

VRTB – questions

- If RPs voted no, can they decline to participate?
- Are the Home Ownership criteria enforceable; will it lead to a regulatory downgrade?
- How will Board discretion be exercised?
- Will higher value sales cover the costs of discounts?
- Higher value sales income = Rationing?

ONS re-classification

- Avoiding ONS re-classification was a primary reason for NHF offer on VRTB
- 30 October 2015 – ONS re-classifies Housing Associations as public bodies (Public Non-Financial Corporations)
- Decision based on past legislation
- De-regulation measures in Housing & Planning Act

Vacant higher value local authority housing

Part 4 Chapter 2

- SoS *“may make a determination requiring a local housing authority...to make a payment to the SoS in respect of a financial year”*
- Payment = estimate of *“the market value of any higher value housing that is likely to become vacant during the year LESS any costs or other deductions”*
- Only applies to LAs with an HRA
- *“determination may provide for assumptions to be made...whether or not those assumptions are, or are likely to be, borne out by events”*

Vacant higher value local authority housing

Part 4 Chapter 2...(cont'd)

- SoS will define higher value, can be different for different areas and types of stock or housing authorities
- Where LA disposes of stock it may be treated as a stock holding authority
- Payment may be by instalments. Late payment may be charged interest.

What is higher value? Answer: We don't know

Conservative press release during election campaign

	1 bedroom	2 bedroom	3 bedroom	4 bedrooms	5 or more bedrooms
North East	£80,000	£125,000	£155,000	£250,000	£310,000
North West	£90,000	£130,000	£160,000	£270,000	£430,000
Yorkshire and the Humber	£85,000	£130,000	£165,000	£265,000	£375,000
East Midlands	£105,000	£145,000	£175,000	£320,000	£430,000
West Midlands	£100,000	£145,000	£180,000	£305,000	£415,000
East	£155,000	£220,000	£265,000	£440,000	£635,000
London	£340,000	£400,000	£490,000	£790,000	£1,205,000
South East	£165,000	£250,000	£320,000	£495,000	£755,000
South West	£135,000	£200,000	£260,000	£375,000	£535,000

Original purpose of high value sales

- Pay off debt of sold property
- Replace sold stock
- Pay for RP discount
- Finance brownfield regeneration

Can Higher Value Sales pay their way?

- Higher value sales up to 6,800 sales per annum (manifesto figure = 15,000)
- Sales receipts will be up to £2.2 billion per annum (manifesto = £4.5 billion)
- Both RTB sales and sales of high value council stock *“are likely to produce levels of sales some way below the original expectations....funds raised by HV sales sales will not fully cover the cost of local authority (LA) replacements & the cost of discounts under an extended right to buy.”* (CIH)

Replacements for VRTB & High value sales*

- One for one replacement would imply between 31,000 and 36,000 new LA and HA dwellings over five years
- Higher value sales and VRTB sales & receipts only likely to support a programme of 24,600-33,700 new LA and HA dwellings a year
- Both policies reduce the pool of homes available at social rents.

*John Perry report for CIH 2015