

UK Government 'Right to Buy' Consultation: An LHG Response

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Executive Summary

Although many of us believe strongly that reform of certain existing elements of the Government's 'Right to Buy' scheme (henceforth, 'RTB scheme' or simply 'RTB') is important in order to both ensure a fairer and more sustainable playing field, I am somewhat in agreement with members who do not perceive that it is a necessary nor sufficient pursuit for the Department for Housing, Communities & Local Government to embark upon, at this particular time. The scope of the Government's proposed policy reform has been defined as an opportunity to enable two consultation objectives: a capacity boost in local Council social housing and better legislative protections for future social housing stock. Within this twofold bracket, there are six further concise elements which Government have outlined are of significant relevance. Three of which in this consultation response will include: defining tenant eligibility more stringently, reducing initial and maximum discounts, and tightening up existing Council policy on the governing of the use of RTB receipts between now, 2029 - when Government's target homebuilding deadline finally manifests.

If the relevancy of introductory points (i) and (iii) in the Journal of Housing Economics research article published by University College London's Richard Disney and University of Sussex's Guannan Luo (2017) are to be considered worthy of disputing my strong belief in the inadequacy of the timing of reform, then by publishing work alongside the acknowledgment and support of renowned British Economists such as the likes of John Gathergood and Dale Mortensen, Disney and Luo's (2017) study on RTB welfare analysis has attempted to crop itself within the realm of central debate by elaborating on two out of three of the consultation's six-point gauge for a proposed scope of reform to RTB policy, as found in the Government's consultation objectives.



Alfred Mayaki

Vice-Chair of Peckham Branch

The Nature of the Debate

How do we define what social housing is? According to the National Housing Federation, social housing exists “to help people who cannot afford to rent or buy a home on the open market and is usually built with the support of government funding”. RTB was introduced in 1980 by then Thatcher-led Conservative Government. From April 1980 to March 2021: 1,992,799 social housing dwellings were sold through RTB schemes. That figure is now over 2 million.

The COVID-19 outbreak occurred in March 2020. However, crucially, before this catastrophic event in February 2020, we know the then Conservative Government moved to appoint the **Rt Hon. Rishi Sunak** as the first BAME Chancellor of the Exchequer¹ in control of social housing investment. Since this appointment, social housing builds as an investment end, under the last Government unfortunately have not been very well vested. In 2020-2021, £35bn was set aside as part of the then Treasury's Infrastructure and Construction Pipeline for use on newly commissioned social infrastructure projects, i.e. community infrastructure, libraries and public houses etc. There is a stark similarity between the figures quoted in the previous Government's publications for social infrastructure and social housing (the Affordable Homes Programme sets aside £11.4bn a year). In 2020–2021, the average discount for a Council tenant purchasing a property under the RTB scheme was £67,050, which amounted to roughly 42% of property valuations. This was an increase from the average discount of £26,690 in 2011–2012, which was 27% of valuations. The number of RTB sales in 2020–2021 were 6,865, which was a 35% decrease from 2019–2020. This decrease was likely due to restrictions that were put in place in response to the COVID-19 pandemic. If we also estimate, in today's prices, an investment of £11.5bn per year in social housing between 2020-2024, does a figure of £35bn rationalise an income for Councils, which in 2020 procured over £6bn in RTB discounts? Not greatly, I shall argue. I concur with the LGA, that the prospect of an expansion of RTB (to housing association tenants under so-called Right to Acquire (RTA) policy in subsequent pilot schemes in the West Midlands) has thus provoked questions of policy effectiveness. However, whatever the debate, the last Government's forecasted pipeline for social housing has been largely inadequate. We know this adjacent concept of RTB replacement concurrently exists where Government, while *increasing* the discount to Council tenants, promise to replace all RTB sales within a specific period of sale. The discontinuation of the replacement policy prescription is what matters to this question of policy expansion.

Eligibility, Discounts, and Receipts: Facts & Opinions

It is with deep regret that I inform LHG members that such drastic action to reduce the RTB maximum discount is simply not suitable nor is it proportionate. It unfairly penalises the aspirations of hard-working prospective London-based RTB applicants and should be opposed. The amount of RTB receipts a Council receives into its Housing Revenue Account (HRA) is calculated based on the number of sales made, the discount level applied to each sale, the original purchase price of the properties sold, and any caps on the receipts that can be retained by the Council itself. However, before a sale is made, how do Councils accurately measure eligibility across the tenant population? There are various forms of eligible criteria, one of which is **Preserved Right to Buy**, which describes those who qualify for RTA as secure and solvent *housing association* tenants, transferred to this status by former Council landlords through the sale of a property. Conventional technique for gauging eligibility, however, is to allocate a minimum threshold for public sector tenancy (typically 3 years) and require the assurance that such property not be marked for demolition in the immediate or near future. Whether a dwelling is a house or a flat, until recently maximum discounts were up to **£136,400** in London and **£102,400** outside of London. Following the Government's review of RTB discounts the maximum discount has been reduced as of **Thursday 21 November 2024**. The maximum discount for RTB property in London now stands at a mere **£16,000**.

¹**Please Note:** You can apply for the Right to Buy scheme if you are a secure tenant and you live in a house, bungalow, flat or maisonette which the council owns or on which it holds an appropriate lease, if you are purchasing either in your sole name; or jointly with other people named on the secure tenancy. On a joint tenancy, the Right to Buy belongs to all tenants so you can either buy jointly; or individually where the other tenants agree to this, if you occupy the property as your only or principal home, or if you have the minimum qualifying tenancy period of 3 years public sector tenancy. The 3-year period does not have to be consecutive and can include your current tenancy and any previous public sector tenancy. If the council delays your Right to Buy application, you can: 1) send an Initial Notice of Delay (RTB6) which requires the council to rectify the delay within a given response period – you cannot give the landlord less than a calendar month to respond. 2) send an Operative Notice of Delay (RTB8) – you can only do this if the council does not rectify the delay within the response period allowed by the RTB6 or serve a counter-notice. You may be entitled to a reduced purchase price if a valid RTB8 is received by the council. You can ask the council to provide you with the delay forms. You can also download the forms at: <https://www.gov.uk/right-to-buy-buying-your-council-home/delays>.

A Final Word

The final section of the response is unavailable to the public.

END

References

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