



Llywodraeth Cymru  
Welsh Government

# Study into the influence of the Right to Buy and related Rights on the development of social housing by Local Authorities

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## Summary

This report summarises the findings of a research study undertaken to inform the work to develop a draft Bill to end the *Right to Buy* and associated rights.

The study sought to ascertain the influence of the *Right to Buy* and *Right to Acquire* on Local Authorities' development and investment decisions for building new social housing over the last decade. It also sought to compare the locally assessed level of housing need with the numbers of social housing units planned in the same period. It considered whether the housing pressure, in terms of excessive demand against supply, on social housing was likely to be exacerbated in the next five years and the influence abolishing the Rights could have on their new build development plans.

Seventeen Local Authorities responded to the request for information which was issued for the study.

The key findings are:

- No correlation between the existence of the *Right to Buy* and related Rights and the development of new social housing over the last decade.
- The *Right to Buy* has had very little or no impact on their ability to invest in new social housing over the last ten years. Other factors, such as the economy and the availability of land and funding appear to carry greater influence.
- Whilst the information provided by respondents on the need for social housing and plans to build more must be treated with caution, given differences in methodology for assessing need and the factors affecting plans, the summary information highlights the housing pressures which exist and which are well documented.
- Abolishing the *Right to Buy* and associated Rights would not have a significant effect or impact on local proposals to develop new social housing. Other developments, such as exit from the Housing Revenue Account Subsidy system appear to have had a much greater effect. However, the proposal is strongly supported as it would complement measures being planned and taken to manage pressures on social and affordable housing by protecting social housing stock from further erosion.

# 1. Introduction

- 1.1 This report summarises the findings of a study, which was undertaken by the Welsh Government to consider the influence of the *Right to Buy*, *Right to Acquire* and *Preserved Right to Buy* on social housing developments.
- 1.2 The study was undertaken using a questionnaire, which was issued to all Local Authority Chief Executives and Heads of Housing. The request was also sent to the Chief Executives of the Large Scale Voluntary Transfer Bodies, which were created when a Local Authority, with the agreement of its council tenants, transferred the ownership of its social housing stock to a registered social landlord i.e. a housing association
- 1.2 Responses covering seventeen Local Authority areas were received.

# 2. Background

- 2.1 The *Right to Buy* scheme was introduced by the Housing Act 1980. It came into effect in October that year. The Act allows tenants of Local Authorities and Registered Social Landlords, which are more commonly known as “Housing Associations”, to purchase the home they rent from their social landlord at discounted prices, if meeting certain qualifying criteria.
- 2.2 Historically, the discounts have ranged from 32 per cent to 70 per cent of the market value and, prior to 14 July 2015, up to a maximum discount of £16,000. The discounts depend on the type of property, the residential area and how long an individual had been a tenant in social housing. The *Right to Buy* does not apply to certain types of property and there are some restrictions to sales in rural areas.
- 2.3 The *Right to Acquire* was introduced by the Housing Act 1996 and came into effect on 1 April 1997. It only applies to the tenants of Housing Associations. It gives qualifying tenants a right to purchase their home if the property was built with support from public funding - Social Housing Grant - or where the ownership of the property was transferred from a Local Authority on or after 1 April 1997 to a Large Scale Voluntary Transfer body. The latter were created where the tenants of a Local Authority decided by ballot to transfer the ownership of an Authority’s housing stock. A new Housing Association was formed.
- 2.4 Qualifying tenants are entitled, prior to 14 July 2015, to a discount of 25 per cent of the value of the property, up to a maximum of £16,000. The *Right to Acquire* was subject to certain exceptions.
- 2.5 The aim of the *Right to Buy* legislation was to extend home ownership and it achieved this. Since its introduction October 1980, around 139,000 social rented dwellings have been sold across Wales. As a result, there has been a significant reduction in the availability of social rented homes for those who cannot afford to buy a home, or to rent from a private landlord, and who are

dependent on social housing or some other form of subsidised provision. Whilst the intention was to boost home ownership, research in Scotland<sup>1</sup> and Wales<sup>2</sup> has shown that a proportion of the properties are now in the private rented sector.

- 2.6 Between January and April 2015, the Welsh Government consulted on proposals for changes to the legislation on the *Right to Buy* and *Right to Acquire*. A White Paper in 2015 put forward two main proposals:
- changing existing legislation to reduce the maximum discount available to a tenant
  - developing new legislation which, if passed by the National Assembly for Wales, would end the *Right to Buy* and *Right to Acquire*.
- 2.7 Further information on the consultation, including a summary of the responses, are available at the following link: [http://gov.wales/consultations/housing-and-regeneration/future-of-right-to-buy/?status=closed&Local Authoritylang=en](http://gov.wales/consultations/housing-and-regeneration/future-of-right-to-buy/?status=closed&Local+Authoritylang=en)
- 2.8 Following the consultation the then Minister for Communities and Tackling Poverty in the last Government reduced the maximum discount available. The Statutory Instrument, which came into force on 14 July 2015, reduced the maximum discount from £16,000 to £8,000.

### **3. The Influence of the *Right to Buy* and *Right to Acquire* on investment in social housing**

- 3.1 The study asked if the existence of the *Right to Buy*, *Right to Acquire* and *Preserved Right to Buy* affected the organisations' level of investment in new build social housing over the last ten years and if so, how it influenced it.
- 3.2 Almost all seventeen respondents said the existence of *Right to Buy*, *Right to Acquire* and *Preserved Right to Buy*, had not influenced their decisions. The one possible exception was a case where the new Housing Association created as a result of stock transfer indicated its use of the *Right to Buy* sales to fund affordable housing development. However, even in this case, the new affordable housing was yet to be delivered.
- 3.3 Four Authorities confirmed they had not invested in any new build social housing over the last ten years so the *Right to Buy* had had no impact on the level of investment of new build social housing. Two of these attributed the lack of development to the need to pursue achievement of the Welsh Housing

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<sup>1</sup> University of Glasgow, Sprigings and Smith, Unintended Consequences: Local Housing Allowance meets the Right to Buy. (2012).

<sup>2</sup> Welsh Government, Study into the level of transfer of former Local Authority stock into the Private Rented Sector following sale via the Right to Buy. (2017).

Quality Standard as the priority and the existence of Housing Revenue Account subsidy system. One Authority indicated it thought exit of the system would lead to it reviving its plan to build.

- 3.4 Similarly, another Authority reported little significant development during the decade and hence little influence over decisions to invest in new social housing. One Authority suggested the number of new builds was governed more by the level of grant awarded rather than any direct impact from existence of the *Right to Buy* or the *Right to Acquire*
- 3.5 One of the respondents confirmed it is building significantly more property than it is selling under the *Right to Buy* scheme. Statistics for the Authority in question show for the last five year period, new social house building completions of 162 units, compared to statutory sales under the *Right to Buy* of 21 dwellings. These figures are set against a backdrop of a waiting list of approximately 4,500 applicants on the housing register. Notwithstanding caveats on the accuracy of waiting lists, this indicator of the level of housing need was stated to have remained static in recent years. Although including funding within its Housing Revenue Account business plan for 2016/17 onwards to commence a house building programme, the Authority was unable to define the number of properties it intends to deliver due to the influence of other factors, such as land availability and land prices.
- 3.6 Conversely, one Authority confirmed it has sold approximately 760 social rented properties since 2005 through the *Right to Buy*. Approximately 70 per cent have been three bedroom properties, which are still considered to be in over supply in many parts of the area. The vast majority of its identified need is for one or two bedroom properties. Irrespective of the existence of the *Right to Buy*, the Council suggests it would have needed to target investment into smaller social rented properties. The picture is diverse. For example, another Authority in the same region, reported no investment in new builds from *Right to Buy* sales, though the Large Scale Voluntary Transfer body in its area had planned to use *Right to Buy* sale proceeds towards the delivery of new affordable housing. At the time of the fieldwork for this study, these were yet to be built.
- 3.7 Eight Authorities said the *Right to Buy* had no impact. One more responded along similar lines, although from a strategic housing role, reported on the influence of the Large Scale Voluntary Transfer body which had been created in its area on its own development rather than on the overall development of affordable/social housing locally.
- 3.8 Overall, the responses from Local Authorities do not indicate that the *Right to Buy* has been a particular influence on their considerations for new build development in the last decade. Factors which appear to have had a greater influence include, for example, the Housing Revenue Account Subsidy System, investment to achieve the Welsh Housing Quality Standard and the reduced level of subsidy support being cited. In addition, other factors have caused pressures which have affected development plans. For example, the downturn

in the economy reduced construction levels in general and reductions in Local Authorities' budgets. Looking ahead, with changes in some of these factors such as the economy, it appears that the *Right to Buy/Right to Acquire* continued, it would feature more prominently in considerations by Local Authorities and their housing partners for developments to increase their housing stock. This, it is under these circumstances, it is felt there will be a positive impact from the protection of new supply dwellings immediately, and the safeguarding of further reductions in social housing stock.

## **4. The need for social housing over the next five years**

- 4.1 Responses to the request for information on the number of social housing unites needed over the next five years varied. The variance reflects the scale of housing need and the geographic size and population of Local Authority areas. The data was provided with reference either to Local Housing Market Assessments or Local Development Plans. The figures are estimates, having been formulated in a variety of ways. Some incorporated the pro-rata figure from 15-year estimates from the respective Local Development Plan while others made their conclusions from two-year projections in their current Local Housing Market Assessments or quoted projected annual delivery figures.
- 4.2 There was also a variance in identifying social housing need and affordable housing. The table on the next page summarises the information provided by respondents. Caution must be exercised in the use of this data due to references to affordable housing and social housing and difference in the currency or timing of the information when it was submitted.

**Table 1: Information on Future Housing Need, Next Five Years, by Local Authority Area**

Local Authority Area	Data Source and Date (where provided)	Estimated Identified Housing Need
A	LHMA 2013	134 affordable homes per year for the next five years - total of 670 affordable homes
B	LHMA	333 social housing units over the next 5 years, equating to approximately 67 per year
C	LHMA	2,345 units of social housing are required in the period, averaging 469 per year.
D	LHMA 2015	2,024 new affordable units required each year for the next 5 years – a total of 10,120 in the five year period
E	LDP	Local Development Plan gives a total of all housing units required per annum at 400 dwellings The social housing requirement within this total is not identified.
F	Strategic Plan	295 over the next five years, averaging 59 per annum
G	LDP for 2006-2021 LHMA	3,000 affordable homes in the Plan period. This suggests an affordable housing requirement of between 750-1000 over the next five years. LHMA identifies an affordable housing need of 769 for the next two years and this figure is taken as a more robust assessment. This would equate to some 385 per year, over a five year period this would give a total affordable housing need of 1,925 for the 5 year period.
H	Strategic Plan	2,705 over the next five years, which would average 541 per year
I	LHMA 2015	1,690 over the five year period averages 338 per annum
J	LDP	960 over the ten-year Plan period, indicating 96 per year, totalling 480 over the 5 year period
K	LHMA	206 social units per year, which would total 1,030 in the five year period
L	LHMA	New social housing units needed is 1,450 per year for the next five years, some 7,250 units
M	LHMA	Approximately 1,765 over five years
N	LDP	690 units over the 5 years
O	LHMA	1,655 over five years
P	LHMA 2014	A social rental housing need for 1,068 overall for the 5 year period
Q	LHMA	3,158.8 units of social housing over the next five years. This has factored in areas with a total surplus of 602.64 units per annum and areas of total deficit of 631.76 units per annum. The vast majority of these properties are three bed terraces which are still being let in the most part through under-occupation

Key: "LHMA" = Local Housing Market Assessment; "LDP" = Local Development Plan, "Strategic Plan" = Unitary Development Plan or Single Integrated Plan

- 4.3 The significant variation in the range of identified social housing need is readily apparent, from 41 per year in a Local Authority area in West Wales to 2,024 per year in an Authority in south Wales.
- 4.4 The table below combines the information provided to provide a broader picture of housing need but not at the Wales-level; the information is based on the seventeen of twenty-two Local Authorities which responded. Caution is also advised as the composition of the data is not consistent, has been drawn from different sources and does not reflect only one point in time.

**Table 2: Summary figures from Information provided by Respondents on Housing Need over the Next Five Years**

	<b>Estimated Identified Need (Units) per Annum</b>	<b>Estimated Identified Need (Units) over next 5 Years</b>
<b>Social Housing:</b> Based on response from 13 Authorities and one Authority which provided a combined Social and Affordable housing figure.	3,764	18,820
<b>Affordable Housing:</b> Based on 3 Authorities submitted figures only on "Affordable housing need" and one Authority which provided a combined Social and Affordable housing figure.	2,572	12,860
<b>Total</b>	6,336	31,680

(Respondents = 17)

- 4.5 Overall, the responses indicate the need – in the seventeen areas for which a response was received – for an estimated 6,336 units per year, of which 3,764 are categorised as social housing units.
- 4.6 The information received appears to be fairly consistent with other estimates of housing need. The lower of the two projection of future housing need and demand by the Public Policy Institute for Wales<sup>3</sup>, cites 3,500 per year in the social sector while for the higher principal project, the figure is 5,000 a year. The figure above of 3,764 lies between these two figures. As the figure is based on only seventeen Local Authority areas, it is reasonable to assume the figure for all Local Authorities in Wales would be closer to and possibly above, the higher projection. The Public Policy Institute for Wales' report can be accessed via the following link: <http://ppi.w.org.uk/ppiw-report-publication-future-need-and-demand-for-housing-in-wales/>.

<sup>3</sup> PPIW Report Publication – Future Need and Demand for Housing in Wales, October 2015, Alan E Holmans.

## 5. Plans for social housing in the next five years

5.1 In considering estimates of future housing need, the opportunity was taken to capture information on Local Authorities' plans to build new social housing.

**Table 3: Development of Social Housing over Next Five Years, by Respondents, by Area**

Local Authority Area	Planned no. of social housing units	Timeframe	Source of data	Comment
A	225	Between 2015 and 2018	LHMA	To be delivered through Social Housing Grant, Vibrant and Viable Place Programme, Smaller Properties Programme, Housing Finance Grant and own development programme.
B	Between 84 and 120	2016/17 to 2020/21	LHMA	Dependent on available funding
C	500 new affordable units	2016/17 to 2020/21	LHMA	No planned development programme of its own. To be delivered by Housing Association partners
D	360	2016/17 to 2020/21	LHMA	Delivered through partnership working. Circa 1,500 new homes (2016-17 to 2024-25), 40% of which, circa 600, will be Council homes.
E	276 affordable social rented units	2014-2019	Development Plan	Further indicative funding through Housing Finance Grant 2 is projected to see an increased rate of affordable housing delivery for 2018-2020.
F	80	2016/17 to 2020/21	Strategic Plan	---
G	--	2016/17 to 2020/21	LDP	Only recently started to discuss of investment in social housing. Not in a position to submit substantive figures.
H	175 social homes.	2016/17 to 2020/21	Strategic Plan	Social unit delivery supplemented by increasing the affordable and social stock through other initiatives such as Houses into Homes.
I	64 Social Housing Units	2016/17 to 2020/21	LHMA	Delivered through Social Housing Grant
J	883 affordable units	2016/17 to 2020/21	LDP	Due to unfavourable economic conditions, this level unlikely to be achievable. 138 units being delivered with Social Housing Grant and 695 being delivered through the planning system via S106 units
K	530 -579 affordable homes	2016/17 to 2020/21	LHMA	Total includes estimated units delivered via s106 agreements, Social Housing Grant and/or Vibrant and Viable Places. Also intend to purchase 15 properties per annum plus one for one replacement for <i>Right to Buy</i> sales.

Local Authority Area	Planned no. of social housing units	Timeframe	Source of data	Comment
L	--	--	LHMA	Yet to commence building programme and could not quantify delivery numbers. Delivery dependent on land availability and prices.
P	approximately 300 new builds	2016/17 to 2020/21	LHMA	Delivered through Social Housing Grant provision via developing partners. Also includes a target of 20 units per annum in direct investment plans and a target of 136 units via s.106 agreements.
Q	688	2016/17 to 2020/21	LHMA	Figure qualified by optimistic delivery forecast. Likely to exceed figure as it excludes s.106 agreements and additional capital funding.
M	--	--	LHMA	Unable to quantify any number as new build programme yet to be developed.
N	Potentially 600 dwellings	2016/17 to 2020/21	LDP	Dependent on sites delivered with max affordable housing planning gain. Recent delivery reported to have been 10% below thresholds. Social Housing Grant stated to have delivered approx. 15 units per annum
O	230	2016/17 to 2020/21	LHMA	---

Key: "LHMA" = Local Housing Market Assessment; "LDP" = Local Development Plan, "Development Plan" = Unitary Development Plan prior to the LDP being adopted, " Strategic Plan" = Single Integrated Plan.

- 5.2 For the purposes of the above, the "next five years" means the financial years 2016/17 to 2020/21. Local Authorities were specifically asked for 'planned' new build development proposals. The many factors influencing these decisions and the potential differences in what will, or can, actually be delivered should be noted.
- 5.3 Generally speaking, the development of new social housing units is funded by the Welsh Government's Social Housing Grant programme or from agreements reached as part of the Planning system, where new developments by house builders includes a specific number of social housing units.
- 5.4 Overall nearly all respondents reported planned development proposals of varying scale, although many are aspirational and include significant numbers delivered through the Planning system. The mix of affordable and social units presents difficulties in quantifying the full contribution to housing supply.

## 6. Likely effect on plans for new social housing of legislation to end the Right to Buy, Preserved Right to Buy and the Right to Acquire

- 6.1 Local Authorities were asked to say how any plans they have to build new social housing over the next five years could be affected if the National Assembly of Wales legislated to end the *Right to Buy*, *Right to Acquire* and *Preserved Right to Buy*.
- 6.2 Responses varied but markedly in favour of ending the Rights. No respondent suggested retaining the *Right to Buy*, *Right to Acquire* and *Preserved Right to Buy*. Some respondents took the opportunity of responding to the study to express their support for the proposed legislation but this report has focused on the specific questions asked on past effect and possible future effect on social house building of the *Right to Buy*, the *Preserved Right to Buy* and the *Right to Acquire*.
- 6.3 Some Local Authorities indicated that although there was little effect or impact on their development plans from abolition, they did see a positive or beneficial effect in protecting the existing stock and new social housing. Five Authorities indicated it would have a positive effect, largely because it would stop the further diminishment of their social housing stock. One Authority reported between 1981 and 2015, 3,000 Council homes were sold through the *Right to Buy*, which has put pressure on the housing waiting list. Abolition of the Right would permit replenishment of the social housing stock. Three Authorities simply indicated their support and were in favour of abolition.
- 6.4 One respondent specifically expressed concern if the *Right to Buy* remains in place, it would affect the viability of its ambitious 30 year plan, envisaging 1,300 new council homes. The plans assume the *Right to Buy* is ended and would need revisiting otherwise. One Authority confirmed that ending the *Right to Buy* would allow it to more effectively plan its future investment programme for new build and that fluctuating sales under *Right to Buy* would no longer be a risk factor to consider. Similarly, another suggested the benefits of the proposed legislation would be the Council's ability to provide additional new stock without losing existing stock to *Right to Buy*. It considers the impact on it in terms of capital receipts would be marginal, and intends bringing forward a number of actions which aim to maximise the number of affordable homes including new build social housing. It felt it important that any gains are not eroded by the *Right to Buy*.
- 6.5 One Authority stated it supports the proposed legislation on the basis it is not possible to build a new unit of accommodation from the money raised via a sale under the *Right to Buy*. Therefore, the Council's social housing stock will slowly diminish. Four Authorities indicated housing need significantly outstrips delivery so the retention of affordable housing could only have a positive impact on managing with housing need. One more suggested that as the 'Council has

such a high need for affordable housing it will continue to maximise developments and seek all finance options available to expand its building programme.

## 7. Conclusions

- 7.1 This study was undertaken to inform the development of a Bill to abolish the *Right to Buy*, *Right to Acquire* and the *Preserved Right to Buy*.
- 7.2 The responses indicate reasonably clearly there isn't a correlation between the existence of the *Right to Buy* and related Rights and the development of new social housing over the last decade. Responses indicate the *Right to Buy* has had very little or no impact on their ability to invest in new social housing over the last ten years. Other factors, such as the economy and the availability of land and funding appear to carry greater influence.
- 7.3 Whilst the information provided by respondents on the need for social housing and plans to build more must be treated with caution, given differences in methodology for assessing need and the factors affecting plans, the summary information highlights the housing pressures which exist and which are well documented.
- 7.4 In terms of the proposed legislation to abolish the *Right to Buy* and associated Rights, responses indicate it would have little significant effect or impact on proposals to develop new social housing. Other developments, such as exit from the Housing Revenue Account Subsidy system appear to have had a much greater effect. However the proposal to abolish the *Right to Buy* and related Rights is strongly supported as it would complement measures being planned and taken to manage pressures on social and affordable housing by protecting social housing stock from further erosion.

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