

## Right to Buy position statement

Our call on Government to make the scheme work for everyone.

The Right to Buy scheme allows most council tenants the opportunity to buy their council home at a discount. The scheme has helped countless families to get on the housing ladder, and [more than 2 million sales to tenants](#) have occurred since the scheme's commencement.

Whilst the Right to Buy can and has delivered home ownership for many, we do not believe the system in its current format works for local authorities and those in need of social housing.

The Government has made numerous changes to the scheme over the 40 years since its implementation. In particular, we are concerned that rising discounts alongside other measures that restrict councils use of Right to Buy receipts mean that one household's home ownership is increasingly being prioritised over another's access to secure, safe, social housing. Councils are also unable to replace the properties sold on a one for one basis.

With more than one million people on council housing waiting lists and [106,000 households living in temporary accommodation](#) at an estimated cost of £1.74 billion in 2022/23 alone, we are calling on the Government to take action, giving councils:

- **Control** over how and when monies raised through the scheme should be used on the development, delivery or acquisition of new homes.
- **Power** to protect a council's financial investment in both existing and new social housing stock from a loss-making transaction.
- **Flexibility** for councils to shape the scheme locally so it works best for their local area, housing market and people.

This Position Statement sets out our asks which would help make the scheme work for everyone whilst protecting our stock of social homes.

### The history of the Right to Buy scheme

The Right to Buy scheme was introduced more than 40 years ago by the Housing Act 1980. It is estimated that [more than 2 million sales to tenants](#) have occurred through the scheme since 1980. [Sales have slowly decreased over the years](#), with nearly 1 million homes sold in the first decade of the scheme alone, to a low of just 2,340 in 2009/2010.

When the Right was first introduced it extended to those tenants who had lived in their property for three or more years with a minimum discount of 33% (which could not exceed £50,000). If a property were sold within five years of purchase from the local authority, the discount had to be paid back to the council.

The scheme evolved further over the 1980's and 1990's to increase uptake and amend eligibility, including discounts for flats and reducing the tenure requirement to two years. From 1997, the government of the time took steps to reduce incentives to purchase by reducing and varying the discounts available as well as increasing the tenure requirement back to five years.

In 2012, the government made changes to re-incentivise purchases from the scheme by once again increasing discounts and reducing the qualifying period for tenures. At this time, they also made [a commitment to replace properties sold on a one-for-one basis at a national scale](#), noting that receipts would not be large enough in all areas to fund such replacements.

The 2012 commitment to replacing homes sold on a one-to-one basis nationally has not been achieved, [with over 110,000 homes sold and only 44,000 replaced in that period](#). [Our research predicts](#) that a further 100,000 homes will be sold up to 2030, with only 43,000 replaced – a net loss of 3.61% of stock over that period alone.

Following devolution of housing powers, Scotland and Wales both abolished Right to Buy through The Housing (Scotland) Act 2014 and The Abolition of the Right to Buy and Associated Rights (Wales) Act 2018 respectively. The scheme ended for housing association tenants in Northern Ireland in August 2022 following the Housing (Amendment) Act (Northern Ireland) 2020.

### **LGA’s position on Right to Buy**

The LGA has long argued for changes to the Right to Buy scheme on behalf of our member local authorities, challenging the Government on the schemes reforms and seeking to ensure the scheme works best for everyone.

We believe that the scheme has contributed to the housing challenges in this country, with the sales of homes and demolitions coupled with a significantly reduced council housebuilding programme resulting in an [annual net loss of 24,000 social homes since 1991](#).

As the housing challenges deepens with more than one million people on council housing waiting lists and 106,000 households living in temporary accommodation, it is not fathomable for the scheme to exist in its current guise culminating in the net loss of our much-needed social housing stock year on year.

Now more than ever local authorities need to be given the control, power and flexibilities to build more social homes and use receipt monies in a way that works best for their local areas.

### **Our asks of Government**

<b>Our asks</b>	<b>How this would help</b>
<b>The control over how and when monies raised through the scheme should be used on the development, delivery or acquisition of new homes</b>	
<b>Retain 100% of receipts permanently</b>	<p>In March 2023, the Government announced that councils would be able to retain 100% of their receipts from Right to Buy sales for two years (2022/23 and 2023/24).</p> <p>Prior to, and (subject to any further announcements) following this period, councils must return a portion of the sales receipts to HM Treasury, as determined individually in the self-financing agreements in 2012.</p>

Our asks	How this would help
	<p>The <a href="#">average annual receipt</a> in 2022/23 was £102,000 in England, though this ranged greatly from £48,000 in the North East to £205,000 in London. Retaining 100% of receipts would put councils in a greater position to fund the delivery or acquisition of new social homes.</p>
<p><b>Combine receipts with grants or other funding pots</b></p>	<p>Flexibility should be built into the scheme so that Right to Buy receipts can be combined with other government grants or funding such as the Affordable Homes Programme to deliver new, acquire existing and regenerate social homes.</p> <p>This would particularly help in relation to bringing forward brownfield redevelopment or other sites with exceptional costs ie cost of remediation or general viability issues. It would also simply increase the number of homes that a council are able to build each year.</p>
<p><b>Restriction on % of new homes funded by receipts</b></p>	<p>The Government currently stipulates that only 40% of a replacement home can be funded using Right to Buy receipts, with 60% of costs needed to be found from other sources such as borrowing or within the Housing Revenue Account (HRA).</p> <p>Removing this restriction would help to make housing schemes viable in certain areas as receipts may be the most common and flexible funding source. Direct funding from within HRA's is progressively difficult and complex owing to an increasingly burdensome regulatory environment and competing financial pressures, such as fire safety and retrofit.</p>
<p><b>Remove time limit on spending money</b></p>	<p>Local authorities have five years to spend receipts on replacement dwellings. Once that time has passed, authorities must return their receipts to HM Treasury.</p> <p>Given the significant financial challenges such as increased borrowing rates, inflationary and interest rate pressures, as well as the other restrictions which Government have imposed on the spending on receipts, reinvesting receipts within five years is proving increasingly challenging.</p> <p>Further, for more complex sites, land assembly, design and planning may delay the use of receipts.</p> <p>Allowing councils to retain the receipts they receive from sales indefinitely would help assure future development and prevent risk of both the finances of</p>

Our asks	How this would help
	future schemes as well as the risk of non-delivery of homes.
<b>The power to protect a council's financial investment in both existing and new social housing stock from a loss-making transaction.</b>	
<b>Increase the tenancy requirement from 3 years to 15 years</b>	<p>Tenants in social homes can purchase their properties after a qualifying period of three years.</p> <p>We believe this should be increased to 15 years, with local authorities given discretion on the discount available to account for the increase of years in which rents have been paid.</p>
<p>For the <b>cost floor to be an indefinite protection</b> for properties purchased through Right to Buy, and <b>allowing the cost floor to be increased by inflation</b> – specifically an index based on construction cost inflation</p>	<p>The cost floor protection limits the discount on Right to Buy properties to ensure that the purchase price of the property does not fall below what has been spent on building, buying, repairing or maintaining it over a certain period of time. That period of time is currently 15 years.</p> <p>To act as a proper incentive to local authorities, we believe that the cost floor protection should be indefinite.</p> <p>Given that the existence of the cost floor mechanism is to ensure costs are recovered, and in the case of new build units, to (in theory) enable the further replacement of the sold unit, there would seem to be a strong case for allowing the cost floor to be increased by inflation, specifically an index based on construction cost inflation, in order to ensure that this mechanism still serves its purpose.</p> <p>Such an approach would enhance the capability to achieve increased replacement of properties built within the last 15 years, and would seem to be a straightforward and appropriate reform that may also assist authorities in deciding, positively, to develop new council housing.</p>
<b>Consideration of a complete exemption for new build properties, and those which have been retrofit or improved</b>	<p>In many areas of the country, the existence of the Right to Buy scheme is a disincentive to developing new council properties, particularly in these uncertain economic times.</p> <p>Councils run the risk of not only losing the stock of homes in which they have invested heavily, but also making a financial loss.</p> <p>This is also true of properties which have been either retrofit or improved to the highest standards, where councils stand to make a loss on their investment.</p>

Our asks	How this would help
	<p>We believe that all new build properties, should be exempt from the Right to Buy. In order for this to be fully accounted for in local authority housebuilding programmes and planning, this should apply to all properties which commence delivery from 1 April 2025.</p> <p>We propose to undertake an assessment as to how properties which have been retrofit or improved should be considered financially through the scheme.</p>
<p><b>The flexibility for councils to shape the scheme locally so it works best for their local area, housing market and people.</b></p>	
<p><b>For local authorities to set the discount levels at which homes can be purchased</b></p>	<p>The Government sets the size of discounts – though a precedent has been set by altering the discount rate on a regional level for councils in London.</p> <p>Allowing councils to set their own discount could include setting the discount at 0%, removing the economic advantage of tenants purchasing a social home in their area.</p> <p>Whilst this may create different scenarios in neighbouring councils, local authorities are best placed to make decisions for their localities to reflect the economic circumstances of their area.</p>
<p><b>Remove the cap on the number of homes which can be acquired using receipts</b></p>	<p>The Government wishes to encourage new supply, and so favours the delivery of new homes over acquisitions of houses. In March 2023, councils were informed that the cap set on the use of receipts for acquiring properties, which is set as a percentage of the number of homes that a local authority starts or acquires each year, would be frozen at 50% for two years. The <a href="#">Government had previously announced</a> that the cap would be phased in, from 50% in 2022/23 to 30% in 2024/25 and onwards.</p> <p>The first 20 units of delivery in each year are excluded from the cap for all local authorities. Councils are not prevented from acquiring properties above the cap but will not be able to use Right to Buy receipts to do so.</p> <p>For some local authorities, particularly in areas with a high number of vacant or empty properties or an over-supply of housing, acquisition of properties may be a faster or more cost-effective approach to delivering replacement social homes.</p>

## **Our next steps**

To supplement this Position Statement, research will be undertaken which will provide recommendations on the following:

- How properties which have been subject to retrofit or improvements should be considered.
- If new build properties should be exempt from Right to Buy, and for how long.
- If an alternative to the Right to Buy, such as a “help to buy / invest / own / rent” could be devised which works better for local authorities.

We will also continually add case studies from local authorities around the country showcasing how these asks could bring about new social homes for rent.