

## **Council – 21st September 2015**

### **Notice of Motion - Right to Buy**

#### **Information**

The Right to Buy scheme was introduced through the Housing Act 1980, to allow tenants to buy their council home at a discounted price, provided they met certain conditions. The scheme currently only applies to council housing tenants. Discount levels for houses and flats start at 3 years of eligible tenancy, increasing to a maximum of 70 per cent of the property value (maximum of £77,900 outside of London), depending on how long the tenant has been there:

The government announced in the 27<sup>th</sup> May 2015 Queens Speech that it proposed in a new Housing Bill for consideration by parliament later this year to extend the right to buy scheme to registered social housing provider tenants. The announcement included a requirement for councils to sell high value council houses which 'would help fund the Right to Buy extension discounts and the building of more affordable homes in the area'. It is unclear how this will affect councils which have transferred their housing stock, such as Walsall.

#### **Registered social housing provider**

Housing associations (now known as registered social housing providers) gained prominence during the late 1980s, when the Housing Act 1988 helped establish them as the main providers of social housing. It is estimated that since 1988, over a million properties have been transferred from local authorities to registered social housing providers. Such was the case in Walsall with the large-scale voluntary transfer (LSVT) in March 2003 of 23,000 properties and creation of Walsall Housing Group (Whg). The residual 1,750 council homes were transferred to WATMOS. Current stock held by Whg is 19,342 with right to buy estimated to account for circa 1,500 and the remaining reduction as a result of demolitions.<sup>1</sup>

Upon being transferred to registered social housing providers, the tenants of such homes kept a 'Preserved Right to Buy', meaning they could still purchase their home under Right to Buy terms. The National Housing Federation the body that represents housing associations estimated that nationally 550,000 households still retain this Preserved Right to Buy. Additionally home ownership is still made possible for those without a (Preserved) Right to Buy through similar schemes, such as Right to Acquire (RTA). Under this plan, tenants can purchase their home though the eligibility requirements are more restrictive and the discount is much lower than it would have been under Right to Buy. Consequently the numbers sold through RTA are very low.

As an example, Whg's credit assessors (Moody's) indicated that Whg has an estimated 10,478 properties with preserved right to buy (circa 54% of stock) with stock that is in good

condition and relatively low-value and the net receipt from the sale of a Right-to-Buy unit is less than 50% of the value and the cost of replacing this property.<sup>1</sup>

### **Other matters impacting on the Right to Buy proposal**

Many registered social housing providers are also registered charities and a new clause 9 has been added to the Charities (Protection and Social Investment) Bill 2015 that;

“the Charity Commission shall ensure that independent charities are not compelled to use or dispose of their assets in a way which is inconsistent with their charitable purposes”.

It is considered that this clause will impact on the proposal for right to buy to extend to social housing tenants. The Charities Bill has its third reading in the House of Lords on 14<sup>th</sup> September 2015 prior to its first reading in the House of Commons.

### **Current Status of the Housing Bill**

As at 3<sup>rd</sup> September 2015 no formal consultation or timetable has been published for the proposed Housing Bill.

Reference:

1. Moody's Credit Opinion of Whg September 2014.

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