

Reintroduce the Right to Buy scheme

Y Pwyllgor Deisebau | 18 Tachwedd 2024
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Petition Number: P-06-1457

Petition title: Reintroduce the Right to Buy scheme

Text of petition: Reintroducing the Right to Buy scheme in Wales would stimulate economic growth and empower citizens. By providing individuals with the opportunity to purchase their homes at a discounted rate, the scheme fosters a sense of ownership and financial responsibility. This would lead to increased investment in property maintenance and improvements, revitalising communities in Wales.

The scheme might contribute to a more dynamic housing market, attracting potential buyers and encouraging a healthier balance between renting and owning. Ultimately, the Right to Buy scheme could be a catalyst for positive change, both for individuals and the overall housing landscape in Wales.



1. Background

The Right to Buy (RTB) was introduced by the *Housing Act 1980*. It gave tenants in social housing the right to purchase their home at a discount on the market value. Tenants were initially entitled to a minimum discount of 33% where they had been a secure tenant for at least three years and up to 50% if they had been a secure tenant for four years or more. The discount was capped in cash terms at £25,000. By the end of the first quarter of 1981 some 28,000 people in Wales had applied to buy their own home under RTB.

For housing association tenants, RTB was known as the 'right to acquire' (RTA), introduced by the *Housing Act 1996*. While based on the RTB, the RTA was less generous in its discounts and excluded some types of property.

While RTB allowed many families to become homeowners, it was criticised for its part in reducing the availability of social housing. Between 1980 and 2018, when RTB was ended in Wales, the total number of Welsh **social homes** fell from over 300,000 to around 230,000. While new social homes were built, almost exclusively by housing associations, they were not built in sufficient numbers to replace the stock that was sold through RTB.

2. Welsh Government action

Local authorities may have wanted to build new homes with RTB receipts, but the way local authority housing was financed (via the Housing Revenue Account Subsidy system or HRAS) meant it did not happen. Under the HRAS, local authorities were required to give around **£73 million of their income** from RTB sales and rents to HM Treasury every year. This changed with the *Housing (Wales) Act 2014*, which allowed local authorities to exit the HRAS. However the Welsh Government went ahead with abolishing RTB, **stating that:**

'...the argument for using receipts from Right to Buy discounted sales to build more social housing is undermined by the fact the finances mean they only allow the building of a lower number of replacement dwellings due to the cost of replacement social homes being higher than the value of sales. The net impact would therefore be a continued reduction in the social housing stock.'

The *Abolition of the Right to Buy and Associated Rights (Wales) Act 2018* received Royal Assent on 24 January 2018. The Act abolished the RTB and the RTA in Wales on 26 January 2019.

When the RTB was ended, tenants had a twelve-month notice period to consider purchasing their home under RTB, apart from in the seven local authority areas where RTB had already been suspended.

The Welsh Government's stated purpose of the Act was to safeguard Wales's existing social housing stock for people who are unable to acquire homes through the housing market, and also to encourage local authorities and housing associations to invest in new social housing.

There is clearly high demand for social housing. Social housing waiting list information is not collected centrally in Wales, but a Freedom of Information request by the BBC in 2023 found that 139,000 people were on a waiting list for social housing.

To put that in context, the latest affordable housing provision statistics from the Welsh Government show that 3,013 additional affordable homes were 'delivered' in 2022-23 across Wales, 69 per cent by housing associations. 'Delivered' means that the unit is completed and available for occupation.

Recently the Welsh Government has been providing financial support to social landlords to buy back properties formerly sold under the RTB and RTA. The Transitional Accommodation Capital Programme grant was established in 2022-23, receiving £163m in its first two years.

Prior to abolishing the RTB, the Welsh Government had already taken steps over a number of years to disincentivise RTB to protect the social housing stock from further reduction. Discounts were reduced to a maximum of £8,000. Also, seven local authorities across Wales had opted to suspend the RTB using powers under the *Housing (Wales) Measure 2011*.

The Welsh Government's response to this petition states that the Welsh Government provides funding for several home ownership schemes for people who would like to own their own home but need financial assistance to be able to do so. The suite of housing schemes available can be found on the Your Home in Wales website at the following link <https://gov.wales/your-home-in-wales>.

3. The Right to Buy in England and Scotland

Wales has followed Scotland in abolishing RTB, but devolution has highlighted a clear divergence from England where, since 2012, there has been a policy to continue the RTB. The maximum RTB discount in England currently stands at £102,400, except in London where it's £136,400.

Recent research by the Local Government Association found that nearly six out of ten homes sold under the English RTB won't be replaced, as the discounts are leaving local authorities unable to afford to build. The LGA stated that 'RTB can enable families to get on the housing ladder and own their own home, but every home sold that isn't replaced risks pushing more families into the private rented sector, driving up housing benefit spending and rents, along with exacerbating our homelessness crisis.'

On 7 May 2024 the then Cabinet Secretary for Housing, Local Government and Planning Julie James MS made a plenary statement about delivering affordable homes. In response to a question from Jenny Rathbone MS, the Cabinet Secretary said that the RTB was one of the factors behind low rates of housebuilding in England because 'as fast as you build them, they're sold off':

'We stopped that, and you can actually see the exponential growth in the build from the point we stopped it, so there's a quite clear cause and effect going on there. That's not because we don't want people to own their own homes, but it's because we don't want people to be in temporary accommodation. In an ideal world, where we were building absolutely enough and you could walk up and ask for your social home, then it would be great to do that, but we're not in that ideal world.'

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