

Briefing Paper

Extension of 'Right to Buy' to Housing Associations: Proposals and Implications

September 2015



Broadgate Gardens in Ambleside, Cumbria.

An Impact Housing Association scheme to which the 'Right to Buy' will be extended.

Introduction

The Conservative Party manifesto for 2015 contained the following:

"We will extend the 'Right to Buy' to tenants in Housing Associations to enable more people to buy a home of their own. It is unfair that they should miss out on a right enjoyed by tenants in local authority homes. We will fund the replacement of properties sold under the extended 'Right to Buy' by requiring local authorities to manage their housing assets more efficiently, with the most expensive properties sold off and replaced as they fall vacant. We will also create a Brownfield Fund to unlock homes on brownfield land for additional housing."

The Queen's Speech of May 2015 contained the following:

"Legislation will be introduced to support home ownership and give housing association tenants the chance to own their own home."

The government has said it will extend the 'Right to Buy' to housing associations in a Housing Bill due to be published later in 2015. Ministers are proposing to fund the extension by forcing councils to sell off their most expensive vacant homes and replace them with cheaper properties.

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At the Chartered Institute of Housing conference in June 2015 Brandon Lewis MP, the Minister for Housing explained the policy. He acknowledged that it 'will be challenging for housing associations', but insisted that their tenants should not 'be treated differently' to council tenants. He said:

"I know these changes will be challenging for housing associations but I also know they care deeply about their tenants. That's why I'm calling on them to support our vision and become the champions of aspiration... For thirty years, 'Right to Buy' has set a benchmark for how the government can help working people. But there is a problem – and that is the unequal treatment of 1.3 million tenants living in social housing managed by housing associations, who have received far less assistance, or none at all.

"There's no reason why these tenants should be treated differently. They live in the same streets, their kids go to the same schools, and they share the same ambitions for their families. And yet they don't benefit from the same opportunities... This is clearly unfair. Aspiration should not be limited by the organisation that manages your home, especially if it is funded by the taxpayer."

Earlier he had said:

"We want to help anyone who works hard and aspires to own their own home to turn their dream into a reality... It really is the benchmark of how a one nation government can help hard-working people realise their ambitions and that is why we want to extend it to housing association tenants, so that they too have the chance to own their own home.

"The details will be set out in the impact assessment when the housing bill is published, but it is all about ensuring that we support people who aspire to own their own home and extend home ownership to as wide a group of people who wish to have it as possible, and on equal terms to those who have had it for so many years."

Ken Clarke, the long-standing Conservative MP and former Chancellor of the Exchequer told the 'Financial Times' that:

"Housing associations are the biggest private landlords in the country... We need to get them selling those homes and building new ones with the proceeds."

The policy has significant implications for housing associations in England that go beyond the implications of selling homes at a discount. Housing Associations are currently in the private sector but the government's view appears to be that they should be treated as if they are in the public sector. This view was reinforced by the proposal to extend the freedom of information act to housing associations. The extension of the 'Right to Buy' to housing associations means that tenants in housing association homes would benefit from substantial reductions in the purchasing price for their home.

Proposed 'Right to Buy' for Housing Associations

In line with the discounts applied to council-owned 'Right to Buy' schemes, discounts of up to £77,900 outside London and £103,900 inside London are intended to be introduced. According to the National Housing Federation, 221,472 tenants could be eligible and able to afford to buy their housing association home. To fund the scheme, 210,000 'high value' council properties in England would be sold off to generate a projected receipt of £4.5billion (see below).

These receipts will then be used to compensate housing associations for the discounts given to tenants with the government calculating that there would be sufficient resources for the housing associations and the local authorities to build sufficient new homes to replace those that had been sold. Under the proposals, homes built without government grant will also fall under the same regulations as homes built by housing associations using government financial support.

The new secretary for Communities and Local Government, Greg Clark, confirmed that the proposal would be implemented. He said:

"Our Housing Bill will offer over a million people a helping hand onto the housing ladder. That is what a government for working people is about – making sure people have the security they need to build a brighter future for them and their families."

The scheme will only affect England. Social housing is a devolved matter in Scotland and Wales. In Scotland, the Housing (Scotland) Act 2014 abolished the 'Right to Buy' for all tenants in social housing. In Wales, the Welsh assembly has reduced the available discounts from up to £16,000 to up to £8,000. The Welsh Government plans to abolish 'Right to buy' altogether following the elections in Wales on 5th May 2016.

Commentators have called for exemptions to an extended 'Right to Buy' including exemptions for sheltered housing and rural areas. The Government has said it will 'carefully consider the potential impact of this reform on the different areas of the country, and this will include rural areas'.

Eligibility of Tenants

The National Housing Federation has estimated that an additional 850,000 tenants could become eligible under an extended 'Right to Buy'. Clearly, people will only be able to buy their home under this scheme if they are eligible and able to. Firstly, they need to have lived in their property for at least three years – 1.4 million households fit this criterion. Secondly, those who currently have Preserved 'Right to Buy' should not be counted as they can already buy with a large discount. The National Housing Federation estimates that there are around 550,000 households that are already eligible for this leaving 850,000 households eligible for the new proposal.

However, not all of the 850,000 newly eligible households will be able to afford to exercise the 'Right to Buy'. Assuming the same discounts and qualifying period as a tenant as under the current 'Right to Buy' scheme, the National Housing Federation estimates that based on the average length of occupancy (between nine to twelve years depending on the region) and the household income required to afford a 95% mortgage; not every household could afford such a mortgage even after taking account of the discount, and that the proportion of tenants who would be eligible for and able to afford 'Right to Buy' will vary by region from 15% to 35%. This means that across the country there are 221,000 households that would be eligible for the new proposal and able to afford the mortgage. And if all of these households decide to take up the scheme, it would cost £11.6billion. Furthermore, the longer the scheme operates for, the more households would become eligible.

The National Housing Federation's calculations are summarised below:

Region	Proportion able to afford	Number of homes impacted	Value of the total discount £,000
Northeast	35%	19,620	808,796
Northwest	35%	54,169	2,229,817
Yorkshire & Humber	35%	26,752	1,047,753
East Midlands	35%	12,512	507,166
West Midlands	35%	29,522	1,279,817
Eastern	20%	14,923	1,033,199
London	15%	23,445	2,036,118
Southeast	20%	24,629	1,702,805
Southwest	20%	15,902	998,890
Total		221,474	11,644,361

Impact on Housing Stock

The Chartered Institute of Housing has estimated that 145,000 housing association tenants of the 221,000 that would be eligible will exercise the 'Right to Buy' over the next five years. This calculation was included in their submission to the Communities and Local Government Committee inquiry into the viability and sustainability of housing associations. John Perry, Policy Advisor at the Association told 'Inside Housing' that:

"Our initial analysis of 'Right to Buy' is that about 1.45 million tenants will be eligible and about 10% will exercise the 'Right to Buy' in the first five years... This is based on experience with local authority 'Right to Buy' in the 1980s, taking into account that the proportion of housing association tenants in employment now is a lot lower than was the case with council tenants then... We expect most of these sales to be in years two and three.

"While we understand the government's desire to encourage people to become home owners, the Chartered Institute of Housing is very concerned about doing this by using yet more social rented homes... New sales of housing association properties are in addition to 'Right to Buy' sales by local authorities and conversions of homes to affordable rents... An alternative option for the new 'Right to Buy' would be giving tenants portable discounts they could use in the open market, so that social rented stock could be kept and re-let to people on waiting lists."

The Institute also warned that 86,000 social rented homes will be converted to affordable rent over the next four years, based on data from the Homes and Communities Agency and Greater London Authority affordable homes programmes. The figure includes 75,000 expected conversions through the Homes & Communities Agency programme and 11,000 under the Greater London Authority programme.

In July 2015, Richard Blakeway, Deputy mayor for housing at the Greater London Authority, admitted that housing associations' commitments to build 18,000 homes under the Affordable Homes Programme will be reviewed in light of the extension of the 'Right to Buy' to housing association tenants and new requirements to cut social rents. He told 'Inside Housing' that:

"The primary [programme] we want to focus on will be the affordable housing programme... And I just want to say we will clearly work with providers to review the commitments they have."

Impact on the Status of the Sector

A number of commentators have questioned the legitimacy of legislating to allow the sale of assets owned by housing associations as they are not part of the state but are charities and not-for-profit companies. For example, Brendan Sarsfield, Chief Executive of Family Mosaic Housing Association told 'Inside Housing' that:

"We are independent organisations trying to meet housing need. We are not agents of the state and this is treating us as if we are. It is starting to feel more about the destruction of social housing than enabling aspiration."

Ian Munro, Chief Executive of New Charter said:

"It's ludicrous. We are private not-for-profit organisations and this is a sequestration by any other name."

Housing associations are currently considered private providers and carry their debts as private organisations, but if they were classified as public bodies by the Office for National Statistics their total debt would have to be carried on the national balance sheet. According to the Homes and Communities Agency's latest global accounts, total debt for the 336 biggest providers was £59.3billion in the 2013/14 financial year. This is 4% of the total national debt, which was valued at £1.47trillion in 2015 by the Treasury.

A spokesperson for the Office for National Statistics told Inside Housing that:

"If the control arrangements for organisations were to change then we might have to review the classification... of that organisation."

When asked whether this would mean total debt would be added to the national balance sheet, he said:

"Yes, certainly... That's the purpose of the classification decisions."

However, they declined to say whether forcing housing associations to sell homes at a discount would constitute a change of control.

It has also been suggested that the policy may breach the rules of the Charity Commission. Charity trustees are supposed to be free to make decisions in the best interests of their charity, but forcing associations to sell assets at a discount could mean this freedom is diminished. However, the Charity Commission has declined to comment on this.

The Office for National Statistics has confirmed to Clive Betts MP, the Chair of the Communities and Local Government select committee that:

“At such a time that HM Government submits a policy proposal, or the policy has been enacted, we will certainly consider implications for the economic ownership of housing associations’ housing assets, associated liabilities, and indeed for housing associations themselves.”

However, the government view is that, as housing associations already offer their tenants the ‘right to acquire’ and the ‘preserved right to buy’ the extension of ‘Right to Buy’ would not make a fundamental change and would therefore not affect the status of housing associations.

There have been suggestions that housing associations would be prepared to launch legal challenges against an extension to the ‘Right to Buy’: It is argued that because housing associations are private not-for-profit businesses, forcing the sale of homes at below market value could potentially breach Article 1, Protocol 1 of the European Convention on Human Rights, which gives everyone the ‘right to the peaceful enjoyment of one’s possessions.’

In the meantime, the House of Lords has approved an amendment on Report (254 votes to 174) to the Charities (Protection and Social Investment) Bill 2015-16 to insert a new clause. Although the amendment refers to charities and does not specifically mention housing associations, it extends protection to much of the housing sector, as many associations have charitable status. The amendment says:

“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.”

Lord Kerslake, Chair of Peabody Housing Association, who backed the amendment, said:

“One wonders what George Peabody would have made of this. In 1866 he said that his donation would ‘act more powerfully in future generations than in the present; it is intended to endure forever’. Far from enduring forever, the sequestration of property built with private philanthropic money would seriously undermine the charitable foundations and ongoing objectives of Peabody and other charitable housing associations like it.”

The House of Lords vote could potentially lay a roadblock for the government on the ‘Right to Buy’ extension, before it has even published the Housing Bill that will extend the eligibility for enhanced ‘Right to Buy’ discounts to housing association tenants.

However, the Charities Bill has yet to go back to the House of Commons, where MPs could vote down the House of Lords amendment. The government would not say if it would seek the support of the House of Commons to overturn the amendment but it is expected that it will do so. Housing Minister Brandon Lewis told ‘Inside Housing’ that:

“We are determined to help anyone who works hard and aspires to own their own home to turn their dream into reality. That’s why we are committed to extending the ‘Right to Buy’ to give ‘Right to Buy’ level discounts to over a million housing association tenants, with the homes sold replaced with new affordable homes.”

Baroness Hayter of Kentish Town (Labour) explained the purpose of the amendment as follows:

“The amendment is about the rights and the duties of independent charities which hold in trust various assets for their beneficiaries, both today and in perpetuity. Charitable law, which dates from Elizabethan times, developed to preserve and protect such assets, which are normally bequeathed or gifted for very specific charitable purposes. There are therefore rules covering the disposal of assets and the role and responsibilities of trustees, all with the same aim—to ensure that a charity’s resources are spent only on the purposes laid down in its trust deed and in compliance with fiduciary and charitable law. Amendment 7 essentially restates the existing legal position and aims to give comfort to charity trustees that they cannot, without a change in the law, be compelled to sell assets where it is contrary to their charitable purpose.

“In terms of this Bill, the concern is that the Government want to interfere with the duties of charitable trustees to put their beneficiaries first and comply with their own trust deed. Many housing associations might sometimes welcome right to buy for their tenants where that accords with their charitable objectives. We support that. The problem, of course, is where it conflicts. The amendment seeks to prevent a charity being compelled to do something that is not in its best interest. In the letter of 16 July written to me by the noble Baroness, Lady Williams of Trafford, she admitted that what the Government propose would be a “substantial change”. She acknowledged that housing association charities have some apprehension about being compelled to dispose of their assets and how that fits with charities law. Quite so—that is why this Bill is the place to debate this issue.

“Our amendment is about charities, many of whose tenants live in homes built with private charitable money. They are different from local authority tenants or tenants whose homes were built with some public money after 1974. Amendment 7 confirms the existing position that assets belonging to a charity must be used for that charity’s purpose. Sometimes, indeed, that will be by sale to raise money or replace stock. The amendment simply says that it is for the trustees of these independent organisations to decide that—not some outside body. I beg to move.”

In July 2015, Clive Betts MP, chair of the Communities and Local Government committee, wrote to the Office for National Statistics asking for a review of the classification of housing associations.

Impact on Financial Standing of the Sector

The financial impact that an extension to the ‘Right to Buy’ would have on housing associations has also attracted attention. Credit agency, Standard and Poor’s, reportedly said that while the capital receipts raised from sales could be:

“Positive from a credit perspective (in the short term) the scale of the proposed discounts would imply a weakening of housing association balance sheets that may affect their creditworthiness, and hence their capacity to develop, over the longer term.”

Since the election, Moody’s, which provides credit ratings to 43 housing associations, warned that the impact of a Right to buy extension – if introduced – would be ‘mixed’. It said the impact would depend on how many tenants took up the policy and if housing associations were compensated for the discount.

Jeanne Harrison, one of their analysts, told 'Inside Housing' that:

"Right to buy sales give housing associations short-term cash flow upside, but could also erode their long-term rental income streams and potentially impair both their balance sheets and future borrowing capacity, if it hampers replacement of housing stock."

Before the election the agency had listed housing associations alongside life insurers, banks and renewable energy developers as the sectors that may see increased risk as a result of the Conservative victory.

Analysis by Savills has also focused on risks around valuations. They consider that valuations will be crucial in determining the impact of extending the right to buy to all tenants of English housing associations.

Fitch Ratings that assesses A2Dominion Group, Genesis Housing Association and Great Places Housing Association, added its concerns saying that an extension of the right to buy to housing associations could deplete the sector's rent-generating asset base, constrain borrowing capacity and push up the cost of debt.

Adrian Bell of debt markets at 'Canaccord Genuity', has reportedly warned of potential insolvency risks as valuers would lower the value of housing association properties used as security for loans, which could see some highly-g geared associations pushed towards insolvency. All properties subject to the right to buy would have to be valued at Existing Use Value for Social Housing that takes a sum of rent receipts. This could see some associations lose as much as 30% of their security. He told 'Social Housing' that:

"There is a very real danger to the financial stability of the sector arising from this proposal... It's going to force everybody to convert to Existing Use Value for Social Housing, some landlords will not be able to handle that, and will be short of security and go bust."

At present, English housing associations use two main methods of valuing their homes: 'Existing Use Value for Social Housing' and 'Market Value Subject to Tenancy'. Under the former approach if the sum received by a housing association for a home sold under the extended right to buy is less than the value of future lost rent from the property, values might fall. Under the second method, 'Market Value Subject to Tenancy', if existing tenants were granted the right to buy and this right was preserved were the properties to be sold to a private landlord, the value of the home would be likely to fall if the sum receivable was less than its market value. If the right to buy were not preserved upon sale then values would be unaffected.

Existing Use Value for Social Housing is currently the only option for stock transfer landlords, where many properties are subject to the preserved right to buy so extending its use to all housing associations when the 'Right to Buy' is extended to their tenants would appear to be a consistent accounting treatment.

Anne Johnson, director of housing valuations at Savills, said:

"This (the extension of 'Right to Buy' to housing association tenants) would require housing association business plans to be reviewed to ensure that lending covenants were not breached... On the other hand, values could rise if the sums receivable are more valuable and there are no restrictions on the use of the sales receipts by associations."

"However, housing associations would have to face the practical problem of providing their lenders with replacement security when homes were sold. Assessing the impact on housing association asset values and business plans is not straightforward and will depend on the fine detail of any legislation."

The impact of associations losing control over their assets is a further issue. Richard Petty, director of housing at JLL told 'Social Housing':

"The big concern is that it could make associations unfundable because it would take away control of their assets. You would have to build that into loan agreements, and I don't think lenders would accept a situation where security could be sold at a discount."

Replacement Housing

The government has promised to replace every property sold under the extension of 'Right to Buy' with a new 'affordable home'. Under guidance on the existing 'Right to Buy' policy, council homes replaced have to be for social or affordable rent. However, official planning guidance states that 'affordable housing' can include low-cost homes for sale for buyers whose needs are not met by the market. Starter Homes – properties sold at a 20% discount to first-time buyers under forty years of age – will also be counted as 'affordable' under proposed changes to planning guidance.

It was confirmed in August 2015 that 'local areas' will be free to decide the type of affordable housing to replace housing association properties sold under the extended 'Right to Buy' scheme. However, no definition of 'local area' was provided. The Department for Communities and Local Government also refused to deny that shared ownership or 'Starter Homes' could replace social and affordable rented properties sold under the policy.

A spokesperson for the Department for Communities & Local Government told 'Inside Housing' that:

"We want to help anyone who works hard and aspires to own their own home. Further details will be published in the autumn... How broad or how narrow [the tenure options] will be revealed in due course."

It is not clear whether this new definition will only apply to homes that replace those sold under the extended 'Right to Buy' or whether it will also apply to the existing 'Right to Buy' scheme in the local government sector.

Two housing association Chief Executives, who did not wish to be named, told 'Inside Housing' that civil servants have been in discussions with sector figures about allowing sold 'Right to Buy' homes to be replaced with low-cost homeownership properties. One said that:

"There is some support from certain quarters that we should have more flexibility and we can deliver more than one for one if we replace affordable rent with shared ownership."

However, Iain Sim, Chief Executive of Coast & Country, warned against blurring the lines between affordable rented housing and low-cost homeownership properties. He said:

"If you lose a rented social home, there should be a rented social home replaced."

Effect on Retrofits

In June 2015 it was reported that housing associations are looking closely at the financial implications of retrofitting homes to make them more energy efficient in the light of the extension of the 'Right to Buy'.

At a session on fuel poverty at the Health and Social Care conference, Mark Henderson, Chief Executive of Home Group, said that while Home Group wished to continue to invest in retrofits it would have to review its position:

“That’s something we’re actively looking at now. We are potentially investing in a property that could be sold on... I’m not saying yes or no at this stage... There’s a morality to this too. We do need to have a care for our customers as well.”

Orbit Chief Executive Paul Tennant said the extension of the ‘Right to Buy’ might ‘dissuade Orbit from investing’ in some units. The housing association has just agreed an £85million energy efficiency investment programme to improve 30,000 homes.

Challenges and Exemptions to the Policy

There are those in the sector who have questioned whether the policy could be challenged in court or defied in practice.

However, Housing associations have been warned they will face regulatory pressure if they are not ready to implement the ‘Right to Buy’ when it is introduced. In June 2015, Matthew Bailes, Executive Director for regulation at the Homes and Communities Agency said that regulatory standards demand housing associations comply with all relevant law. Therefore, if the government legislates to introduce ‘Right to Buy’ discounts for tenants it will also become a regulatory requirement, with landlords facing potential governance downgrades should they fail. Mr Bailes also stressed that landlords must ensure they have capacity to build replacement homes if required, and understand the impact on loan covenants. He told ‘Inside Housing’ that:

“Associations are required to meet legal requirements as a regulatory standard, so being ready to implement [the ‘Right to Buy’] will be important...I suspect there will be some expectation to replace sold stock, so associations need to know if they can do that within whatever time scale is set... If the stock sold is security for loans, you will need to be able to find replacement security, and have a pipeline to do that without upsetting covenants.”

In July 2015 it was reported that four housing associations established by Victorian philanthropists had taken legal advice on the government’s proposed ‘Right to Buy’ extension and have ‘not ruled out a challenge’. Guinness Housing, the Peabody Trust, Affinity Sutton and Southern Housing met with housing lawyers to understand how the policy would affect their historic charitable stock.

The four organisations, that together own around 180,000 homes, were all established by philanthropists who invested their fortunes to help house poor residents of London. They have specific governing instruments, with Peabody incorporated by an Act of Parliament in 1948 stipulating that it should work solely in London for the relief of poverty. Their historic charitable ‘roots’ are summarised below:

- Sir Edward Guinness set up The Guinness Trust in 1890, donating £200,000 to the Trust in London to provide decent and safe homes for working class people.
- William Sutton, a parcel-delivery entrepreneur, donated his fortune to provide ‘model dwellings and houses for occupation by the poor of London and other towns and populous places in England’ on his death in 1900, founding the organisation which eventually became Affinity Sutton.
- In 1862, London-based American banker George Peabody gave an initial £150,000 to a trust to provide housing to ‘ameliorate the condition of the poor and needy of this great metropolis, and to promote their comfort and happiness’. He increased the gift to £500,000 on his death in 1869.

- Southern Housing Group began as the Samuel Lewis Housing Trust in 1901 when Samuel Lewis, an English money lender died and left an endowment of £670,000 to set up a charitable trust to provide housing for the poor. All the donations are worth many millions in modern terms.

Keith Exford, Chief Executive of Affinity Sutton told 'Inside Housing' that:

"We have met together to consider what steps we might take to protect historic legacy stock... The conclusion was that we need to see exactly what the government is planning, but we have not ruled out a challenge."

Simon Dow, Chief Executive of Guinness, added:

"We met with a range of lawyers to talk about the 'Right to Buy' and the impact on our governing instruments... We thought we might have some legal issues surrounding our legacies, but we concluded there was little we could do until we had a better idea of the detail.... (There is) no appetite for a legal challenge (unless the government proposed something) entirely unworkable, and weren't prepared to listen."

The National Housing Federation is in talks with the government in an attempt to secure more flexibilities under the 'Right to Buy' extension to housing associations. It is understood this could involve a plan under which associations pledge to build more low-cost homeownership properties – a key priority of the Conservative government – in return for 'Right to Buy' being adopted voluntarily. This would reduce the risk of the Office for National Statistics reclassifying housing association debt as public.

Other items understood to be under discussion are possible exemptions for certain types of properties and the idea of a 'portable' discount, under which tenants could use money to buy a property other than their current home.

Paul Tennant, Chief Executive of Orbit Housing Association told 'Inside Housing' that:

"From our point of view, making the 'Right to Buy' voluntary would make sense and we do a lot of shared ownership anyway, so it could be win-win. But there are a whole range of conversations going on at the moment, and I think we a long way from any actual deals being made."

Lord Bob Kerslake, the former senior civil servant at the Department of Communities and Local Government and now a cross-bench Peer told the Chartered Institute of Housing annual conference in Manchester in June 2015, that there is 'significant concern' in the House of Lords, 'of all parties and none', about the plans.

However, as the policy is a manifesto commitment from the Conservative Party opponents are obliged to work towards amending it rather than defeating it. He said:

"A number of amendments have been discussed, including replacing the cash discount with an equity loan... or decoupling the local authority sales proposal from the discounts, allowing a much more sensible approach to that issue... In London the impact would be truly disastrous. It is set to take something like £5billion out of housing in the capital."

The National Housing Federation held a meeting in August 2015 with several housing association Chief Executives at which it is understood landlords agreed to work with government to find common ground. One Chief Executive, who declined to be named told 'Inside Housing' that:

"They are likely to be in power for a long time, so we need to build an effective working relationship with them."

Some commentators anticipate that Greg Clark, the Secretary of State for Communities & Local Government, will announce the outcome of the discussions at the National Housing Federation conference in Birmingham on 24th September 2015.

The National Housing Federation is understood to be hopeful of securing exemptions or flexibilities under the scheme in return for pledging that its members will build more homes for low-cost homeownership.

Impact in Rural Areas

Many in the sector have argued that rural areas should be exempt from the policy on the grounds that, even if funds were to be available for on-to-one replacement suitable sites probably would not be – and that social and affordable housing is a scarce resource that is valued across the political spectrum in rural areas.

In July 2015 the editorial in the 'Cumberland & Westmorland Herald' was entitled: 'Rural Housing Challenge' and included the following:

"Top of the list is concern over the Government's 'Right to Buy' proposals, which it is feared will deprive housing associations of some of their assets, which could be a severe problem in rural areas where there are few, if any, brownfield sites of which houses to replace those bought by tenants could be constructed in a hurry."

"These proposals were condemned as 'madness' in the House of Lords by Lord Dale Campbell-Savours (Labour), the former MP for Keswick, who spelled out the problem of affordable housing in the Lakeland town."

The 'Cumberland News' reported as follows regarding an interview with John Clasper, Chief Executive of Eden Housing Association:

"Mr. Clasper also said that the extension of the 'Right to Buy' scheme to housing associations could lead to the loss of a number of affordable homes in rural areas. Although money has been pledged to replace them, Mr. Clasper argues it will still create at least a short-term problem."

Also in July 2015, Sue Chalkley, Chief Executive of Hastoe Housing Association, wrote in '24 Dash' that:

"This year's Rural Housing Week threatens to be overshadowed by a policy that could see significant reductions in the number of affordable homes in rural communities – the extension of right to buy to properties owned by housing associations."

"Right to buy proves to be a particular problem for rural communities, where the majority of social housing tends to be houses rather than flats."

"We know that houses are more attractive to tenants; in fact Communities & Local Government data shows that only 20% of homes sold under the 'Right to Buy' from 1986 to 2014 were flats. The increased uptake of right to buy in rural areas is largely responsible for the fact that only 12% of housing in rural communities is social housing, compared to 19% in urban communities.

"The latest proposal for the extension of 'Right to Buy' also comes at a time when the government has strangled the supply of new affordable homes in rural areas by saying that developers are no longer required to provide affordable housing on sites of less than ten homes – sites which make up 50-60% of development in rural areas.

"Taken together this means more homes sold and fewer being built to replace them.

"This isn't just going to affect those in need of homes, but will also make it even harder to move home to as a result of the bedroom tax, to move for work or for social reasons.

"On top of the challenges facing rural communities generally, there are specific problems about implementing right to buy on rural exception sites – sites where planning permission has been granted with the understanding that the homes will be held in perpetuity for people from the local area.

"If right to buy is brought in for these sites, the homes could be bought by their tenants and then sold on the open market to anyone, breaking that local connection. This could impact local development in two ways:

- Landowners may stop making land available at an affordable price if they think someone else is going to make a big profit on the home in the future or if they think that the home will not be protected for people with a connection to the community*
- Local people will lose confidence in housing associations and no longer want us to develop in the area if we cannot guarantee that the homes will be held for people with a local connection to the village.*

"This could see the amount of development in small rural communities shrink, making the already chronic shortage of affordable homes even worse.

"The government has claimed that homes bought under right to buy will be replaced – something which has been promised in the past but never achieved.

"Under the government's plans, these homes will be partially funded by local authorities selling their most valuable properties when they have the opportunity.

"However, in the areas where Hastoe operates, only 43% of local authorities own their own council houses – so where is the money to replace homes sold under right to buy going to come from?

"Extending right to buy to housing associations and to those operating in rural communities in particular is going to devastate England's already dwindling social housing stock and is going to see more and more families with nowhere to live for generations to come.

"At a time when we more home building, more affordable homes and more affordable rents, extending the right to buy looks to be in direct opposition for to all those aims.

"Hastoe have been and will continue to campaign for the government to rethink their position."

In September 2015 the 'Country Land and Business Association' that represents owners of land and business in rural areas, warned that the extension of 'Right to Buy' to housing association tenants would deter rural landowners from making land available for affordable housing. It wants an exemption in rural settlements with a population of 3,000 people or less. Andrew Shirley, chief surveyor at Country Land and Business Association, told 'Inside Housing' that:

"Many rural landowners have previously sold potential housing land to housing associations at a considerable undervalue for the purpose of delivering affordable housing... However there is little incentive for landowners to keep doing so if these properties will only be reverted to open market housing under the 'Right to Buy'."

Justification of the Extension of 'Right to Buy'

Councillor Peter Cuthbertson (Conservative) of Westminster City Council justified the extension of 'Right to Buy' to housing association tenants in 'Conservative Home' as follows:

"The expansion of the 'Right to Buy' has received... criticism. It is easy to see why. Socialist ideology aside, the policy has welcome echoes of Thatcher's success in winning so many tenants' votes when she privatised council housing."

"But it is worth responding to the... critics of the policy, who at the moment seem to be despairing on every other page of the Guardian, Independent and New Statesman. These critics seem to have dusted off every stale argument from the 1980s, but they are just as wrong now."

"First is the idea that those who buy their homes under this policy are the only ones to benefit. While we should never underestimate the benefits of expanding home ownership, it is also worth setting out clearly that the benefits of the policy go far beyond the buyers themselves. They are the chief beneficiaries, of course, and even if they were the only ones to benefit, it would be a poor reason to oppose helping so many more people own their own homes."

"But there is no surer law of economics than that which says any expansion in the supply of homes to buy helps all potential buyers."

"Everyone agrees about the difficulty people on remotely normal incomes have owning their own homes – especially in the most prosperous parts of the country. All economically literate analysis also agrees that this problem is one of supply of homes available to buy."

"The new 'Right to Buy' does not entirely eliminate the supply problem. But it will help ameliorate this overriding problem in the housing market. More private sector homes is inherently good for affordable houses and affordable rents."

"Second is the vague notion, never clearly stated, that our policy will somehow destroy housing association properties. If a tenant buys a housing association property, that hardly deserves to be treated as if the house is obliterated! Instead, they simply stop paying rent to the housing association. On top of this, this policy actually provides for the replacement of housing association stock that is sold to its tenants."

"But most fundamentally flawed is the largely un-argued premise that people on low incomes in private sector housing are in a worse position, and therefore a growing private sector share of housing is a bad thing. This is what people really seem to mean when they write as if a house is destroyed when it moves to the private sector."

"It is true that our policy, if successful, will mean a slowly growing share of private sector housing. With every sale the number of homes owned by members of the public will go up by 1, while the number of housing association properties stays the same (because each sold home is replaced)."

"So groups like Shelter aren't mistaken to identify a slowly growing share for private sector housing as a consequence of government policy. Where they go wrong is in thinking that this is a bad thing. The move of millions of properties from the ownership of town halls to the ownership of their tenants was one of the greatest achievements of any post-war government, and it is entirely right to continue this in the 21st Century."

"The alternative – constraining a growing share of private sector housing – is a sure way to deny opportunity, and to keep the poor poor."

"Housing Associations have great reputations and do a lot of good. Everyone loves non-profits, and they do work hard for their tenants and deserve an A for effort. But the figures speak for themselves. All manner of life outcomes are better for private sector tenants and owner occupiers."

"Some cynics like to blame social housing tenants themselves for this, rather than the conditions and culture on so many housing estates. They say that if the same people came to own their own home or rented in the private sector, their life outcomes would be the same. But the figures just don't back up this cynicism."

"Even when one controls entirely for the attributes of their parents, people who grow up in private sector housing are half as likely to be unemployed at the age of 30."

"A study by the London School of Economics found that children in otherwise identical family circumstances were half as likely to leave school with no qualifications if they grew up in private sector housing."

"The Joseph Rowntree Foundation – far from a right of centre organisation – controlled for parents' education, occupation, income, the characteristics of their schools and all manner of other relevant factors and found the same pattern. Those who had always lived in private sector housing were healthier and less likely to smoke, were better qualified and less likely to be out of work."

"Sincere efforts to help people on low incomes means reflecting these realities in housing policy. All the evidence is that a growing private sector share of housing is good for people on low incomes. All the better that our policy helps everyone else by increasing the overall supply of houses to buy."

"Above all, home ownership is a legitimate aspiration, and we should be proud that this government is doing so much to expand it."

Adrian Waite
September 2015

Seminar: Right to Buy Extension, Sale of High Value Council Homes and Rent Reform

September 2015

The Government was elected on a commitment to extend the 'right to buy' to housing association tenants and to fund this through the sale of high value council homes. In its July 2015 budget it also announced new policies for social rents including 1% annual reductions and market rents for tenants with high incomes.

These 'reforms' will have a significant effect on the business plans of both housing associations and local authorities. In particular there is concern about the continued ability of housing associations and local authorities to develop new homes – and even some concern about their continued viability. There is therefore a need for those involved in managing the finances of housing associations and local authority housing services to understand the inter-relationship between these policies.

This seminar will examine the government's proposals in detail and consider all the implications for housing associations and local authorities and the options available for managing those implications.

The seminar will address the following issues:

- Extension of 'Right to Buy' to Housing Associations
- Sale of High Value Council Homes
- Reductions in Social Rents and Market Rents for tenants with high incomes
- The cumulative impact of these changes on Housing Association and Local Authority Housing Business Plans

Who should attend?

All those with an interest in housing association or local authority housing in England, including Managers in Housing Associations, Local Authorities and Arm's Length Management Organisations, Councillors, Housing Association and ALMO Board Members, Housing Accountants and Tenant Representatives.

The session is accompanied by a very useful book entitled: **"Right to Buy Extension, Sale of High Value Council Homes and Rent Reform"**

Venues and Dates:

London: Novotel Hotel, Waterloo – Tuesday 22nd September 2015

North: Clough Manor Hotel, Oldham – Wednesday 30th September 2015

For more information or to make a booking please visit: <http://www.awics.co.uk/rtb.asp>

Webinars

Right to Buy for Housing Association tenants

This webinar considers the United Kingdom government's proposal to extend the 'right to buy' to housing association tenants in England.

Date: 2pm on Thursday 8th October 2015.

For more information or to make a booking please visit: <http://www.awics.co.uk/webinar2.asp>

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Sale of High Value Council Homes

This webinar considers the United Kingdom government's proposal to oblige local authorities to sell high value council homes to fund the extension of the 'right to buy' to housing association tenants.

Date: 2pm on Tuesday 13th October 2015.

For more information or to make a booking please visit: <http://www.awics.co.uk/webinar3.asp>

Social Rent Reforms

This webinar considers the United Kingdom government's proposal to oblige housing associations and local authorities to reduce social and affordable rents by 1% a year over the next four years; and to charge near-market rents to tenants with high incomes.

Date: 2pm on Monday 19th October 2015.

For more information or to make a booking please visit: <http://www.awics.co.uk/webinar4.asp>

Publications

Our publications include: 'Right to Buy Extension, Sale of High Value Council Homes and Rent Reform' published in September 2015 and running to 100 pages. For further information or to buy a copy please visit <http://www.awics.co.uk/publications.asp>

About 'AWICS'

'AWICS' is a management consultancy and training company. We specialise in providing support in finance and management to clients in local government and housing in England, Scotland and Wales. We are well known for our ability to analyse and explain complex financial and management issues clearly.

Our mission statement is 'Independence, Integrity, Value'. We therefore provide support to clients from an independent standpoint that is designed to help the client to achieve their objectives. We are passionate about working with the utmost integrity. We believe that we offer the best value for money that is available today!

For more information about us and our services please visit our website at www.awics.co.uk or contact Adrian Waite at Adrian.waite@awics.co.uk

Services that we offer include:

- Management Consultancy – <http://www.awics.co.uk/ManagementConsultancy.asp>
- Interim Management – <http://www.awics.co.uk/interimmanagement.asp>
- Regional Seminars — <http://www.awics.co.uk/Seminars2015.asp>
- Webinars – <http://www.awics.co.uk/webinars.asp>
- In-House Training — <http://www.awics.co.uk/inHouseCourses.asp>
- Independent Residents' Advice — <http://www.awics.co.uk/IndependentTenantAdvice.asp>
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