

# Briefing Paper

## Right to Buy: Extension to Housing Associations in England

### June 2015



**Nobles Place in Kendal, Cumbria. A recent development by Impact Housing Association where tenants may soon receive the Right to Buy.**

#### Summary

In the United Kingdom, tenants in housing associations have had the statutory 'Right to Acquire' their home at discounts of up to £16,000<sup>1</sup> since 1997. Council tenants have had the 'Right to Buy' since 1980 and in 2012 the maximum discounts were increased to £103,900 in London and £77,900 in other places. During the 2015 election campaign the Conservative Party proposed to extend the 'Right to Buy' to Housing Association tenants at similar discount levels. Following the election of the majority Conservative government the proposal was included in the Queen's speech. Within the sector for social housing the plans have received a mixed and largely negative response.

It has been suggested by many in the sector that the extension of the scheme to housing associations is not legal under current charity law that protects the independence of these companies. It is also argued that the government's contention that any homes sold would be replaced may be unrealistic due to financial constraints and the scarcity of development land in many parts of the country. Finally, it is argued that the scheme would be expensive and would not address the housing crisis in an equitable way.

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<sup>1</sup> Applies to tenancies longer than five years

The government argues that the scheme would help young families onto the property ladder and result in a new building boom in the market for social housing. They propose that housing associations would be compensated for selling their homes at a discount and that the compensation would be funded by local authorities selling high value council houses. We have prepared a separate briefing paper on the proposed sale of high value council houses that can be freely downloaded from our website at: <http://www.awics.co.uk/dynamicdata/data/docs/sale%20of%20high%20value%20council%20homes%20-%20briefing%20paper.pdf>

While the government is clearly committed to extending the 'right to buy' to housing associations it is clear that the details of the scheme have yet to be finalised. Clearly this work has been given a priority within Whitehall and an opportunity exists for the sector to influence the details of the scheme if not the broad principles.

It could be argued that housing associations should take this issue as an opportunity to reflect on their existing housing stock and tenancy composition. This is necessary as part of regular risk assessments but would also help to develop a pragmatic argument to the government to outline the importance of the existing housing association stock for future house provision. At the same time it seems necessary for government to engage with housing associations and consider their concerns in the formulation of detailed policy.

## **Introduction**

The purpose of this briefing paper is to highlight the proposed extension of the 'Right to Buy' scheme to Housing Associations. Since social housing is largely a devolved matter in Wales and Scotland (where it is determined by the respective parliaments), the extension of the 'Right to Buy' to housing associations will only apply in England.

In terms of the structure of the paper, we first review the origin of the statutory 'Right to Buy' in the United Kingdom. To understand the government's proposals, we briefly refer to broader macro-economic and policy shifts that affect social housing in the United Kingdom including the disparity in the conditions given to tenants in housing associations and those in council-owned homes since the 'Right to Buy' scheme was revamped in 2012. We also summarise the implications for housing associations and detail responses to the proposals by those in the sector.

## **The introduction of 'Right to Buy' in 1980**

In figure 1, the historic level of social homes developed by local government is shown for England. The statistics show a 'boom' in the development of council-owned social housing throughout the 1950s and 1960s until the turn around in the 1980s<sup>2</sup> when the original 'Right to Buy' was introduced.

The 'Right to Buy' was designed to help council tenants in England to buy their home at a discounted price and formalised the sales of council homes that had already taken place throughout the 1970s. The 1980s served as a turning point for the construction activity of council owned homes. At the time, council housing was seen by the government as costly and uneconomic due to 'high interest rates, inflation, high levels of subsidy to council housing and low rents relative to management and maintenance costs'<sup>3</sup>.

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<sup>2</sup> Before the introduction of 'Right to Buy', council owned homes could be sold to tenants at the discretion of the local authority. The number of homes sold grew from 7,000 in 1970 to 46,000 in 1972.

<sup>3</sup> Wendy Wilson. House of Commons research paper on "Right to Buy". March 1999.

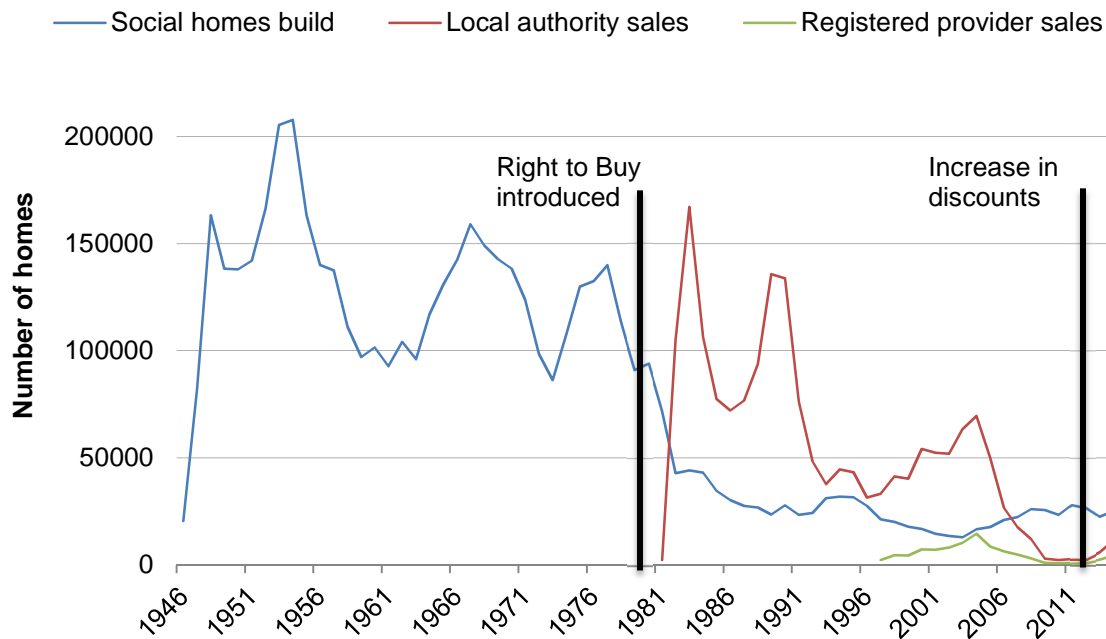


Figure 1: Social homes built by local authorities in England since 1946 and the number of home sales since the introduction of the original Right to Buy in 1980.

The original policy provided long-term<sup>4</sup> tenants in council-owned social housing and non-charitable housing associations the statutory right for purchasing their home at a discount. The discounts were applied to the market value of the house depending on the duration of the tenancy<sup>5</sup>, the locality, and other factors. If tenants chose to sell their home within five years of exercising 'Right to Buy' they had to repay their discount.

Since the introduction of 'Right to Buy', 1.87 million homes have been sold<sup>6</sup>, mostly during the 1980s. With the increase in 'Right to Buy' purchases by mostly long-term residents on one hand and the marked reduction in local authority's development activity, the scheme contributed to a shift in the composition of the local housing stock whereby many council-owned properties went into private ownership. The 1980s also saw an increase in the development activity of housing associations but their development was not sufficient to replenish the dwindling numbers of council-owned homes.

### The role of Housing Associations in housing supply

Across the United Kingdom, the role of independent Housing Associations has increased in importance in serving the demand for social housing (as shown in figure 2 below). Amongst the providers of social housing in the non-governmental sector, registered housing associations play a critical role meeting the United Kingdom's demand for social housing. There are more than 2,500 registered housing associations across the United Kingdom. In England, housing associations account for 2.5 million homes. Scotland's 161 housing associations and co-operatives provide more than 277,000 homes and over 5,000 places in supported accommodation. In Wales, housing associations own and manage 157,000 homes.

<sup>4</sup> Longer than three years.

<sup>5</sup> Those who lived in their home for at least three years could claim rebates of up to 33% on the market price. Those who had lived in their home for more than 20 years could claim a discount of up to 50%.

<sup>6</sup> Shelter England. Housing supply. [link](#) For example, 170,000 homes were sold in 1983 and 130,000 homes in 1989 and 1990 respectively.

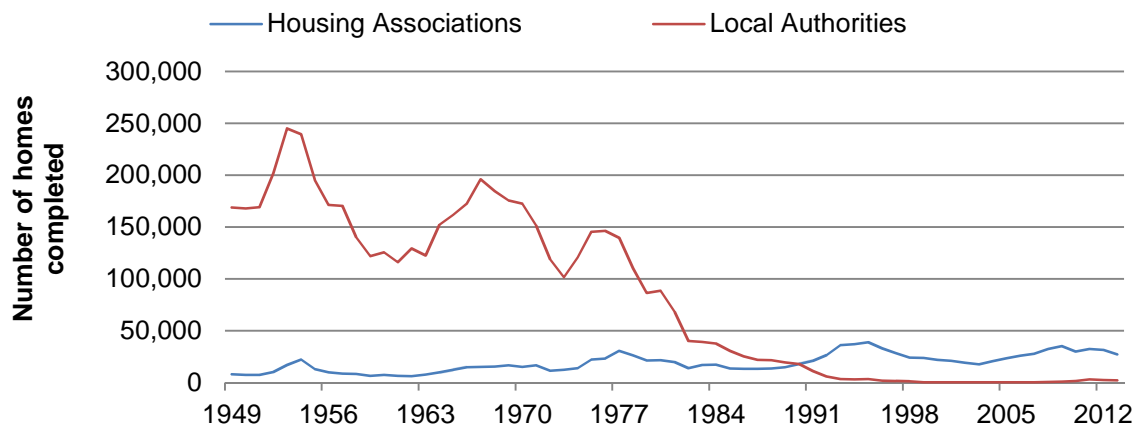


Figure 2: The number of home completions by local authorities and housing associations across the UK since 1949.

## The Right to Buy and the Right to Acquire since 2012

During the credit crunch, 'Right to Buy' sales plummeted. To reinvigorate home ownership, the discounts under 'Right to Buy' were increased from up to £16,000 in some areas to up to £77,900 across England (£103,900 in London)<sup>7</sup>. Under the scheme, tenants are entitled to discounts that vary depending on the type of council owned property that they are living in, the duration of the tenancy, and the investment introduced by the landlord, amongst other factors. This has resulted in a renewed increase in 'Right to Buy' sales since 2012. Since discounts were increased, more than 33,000 households have taken up their 'Right to Buy'.

Since 1997, tenants in charitable and independent housing associations have had the 'Right to Acquire' (see table 1 for a comparison). While discounts under 'Right to Buy' were increased, discounts under 'Right to Acquire' remained largely stable and hence there's been a growing gap in discounts between the different social housing types (see table 1).

Table 1: Comparison of the Right to Buy for tenants in council homes and the Right to Acquire for tenants in housing association homes.

	Right to Buy — Local authority homes	Right to Acquire — Housing association homes
Range of discount given	Up to £77,000; or £103,900 in London (maximum discount 70%)	Between £9,000 and £16,000 (maximum discount 50%)
Conditions	<ul style="list-style-type: none"> <li>Tenant has to have lived in their home for at least three years to five years.</li> <li>35% (for flats: 50%) reduction is applied for tenancies between 3 and 5 years; then each additional year the rebate increases by 1% (for flats it is 2%)</li> </ul>	<ul style="list-style-type: none"> <li>Has to have lived in the property for at least five years (tenancies starting after 2005)</li> <li>Property was build or acquired on or before 1<sup>st</sup> April 1997</li> <li>The property was build or acquired supported by a social housing grant.</li> </ul>

The disparity in the discounts provided to tenants in each group has drawn the attention of the Conservatives to the extension of the scheme to housing associations particularly where the government has part-funded the development of homes owned by housing associations through the national affordable housing programme.

<sup>7</sup> <https://righttobuy.communities.gov.uk/about-right-to-buy/>

## **'Right to Buy' for tenants in Housing Associations**

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 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 is 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.

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 likely 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. 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.



## Responses from around the sector

The extension of 'Right to Buy' to housing associations has faced criticism by many in the sector such as the National Housing Foundation and the Local Government Association. There are questions as to the legality of the measure under current law as housing associations are privately owned charities. Many have challenged the government's assertion that homes sold could be replaced on a 'one for one' basis and criticised the policy as one that will reduce still further the stock of social housing. The scheme is criticised as being expensive and one that will benefit a fairly small number of housing association tenants who are already well housed. Particular issues have been identified in high value and rural areas where it may not be possible for housing associations to secure land that would be required to build replacement affordable homes. The government has also been warned that the scheme could affect the current account balance of public finances if it led to housing associations becoming regarded as part of the public sector. The arguments for and against the introduction of the policy have been summarised below:

*Table 2: Summary of industry response to the proposed policies*

For	Against
<ul style="list-style-type: none"> <li>• <b>Focus on social housing and new social housing developments:</b> "Government's commitment to build more homes"; "support measures to help people into home ownership"</li> <li>• <b>Grant money not repayable by Housing Associations:</b> "Housing Associations would not need to repay the grant"</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Misplaced focus:</b> "not a genuine solution to our housing crisis" [...] since Housing Associations have to "keep pace with replacements rather than building homes for the millions stuck on waiting lists"</li> <li>• <b>Interference:</b> "government interference in independent business" — Charities are part of the private sector. "would have (an impact) on Housing Association business plans"</li> <li>• <b>Not equitable:</b> "make things worse for people on lower incomes" due to "the loss of vital social and affordable homes"</li> <li>• <b>Replacement problematic:</b> replacement is "heavily dependent on land availability" which might be difficult in "inner city areas"</li> </ul>

The responses of those in the sector are summarised below:

### Response of the National Housing Foundation

The National Housing Federation published a press briefing in response to the Queen's Speech. Commenting on the announcements generally, the statement read:

*"The prominence of housing and the Government's commitment to build more homes are both very positive, and we've welcomed them in our response to the media. But we're also explaining in no uncertain terms why we're opposed to the extension of 'Right to Buy', appearing on both ITV and BBC news yesterday to set out housing associations' concerns, as well as highlighting the problem with blanket welfare cuts.*

*"This policy is not a genuine solution to our housing crisis. An extension to the Right to Buy would mean that housing associations are working to keep pace with replacements rather than building homes for the millions stuck on waiting lists. At a time when we need to be increasing the overall amount of social housing, it is like trying to fill a bathtub with the plug taken out.*

*"What's more, forcing housing associations to sell off their properties under the Right to Buy sets an extremely dangerous precedent of government interference in independent business.*

*"We fully support the aspiration of homeownership, but this policy does nothing for the 11 million private renters and three million adult children living at home with their parents. If there is £22.5 billion of public money available for housing, we should use it to build the homes the next generation needs, not just gift it to the lucky few already housed in housing association homes."*

### **Response of the Local Government Association**

The Local Government Association, now led by Conservative councillors, takes a pragmatic approach saying that all council homes that may be sold off should be balanced by a comprehensive rebuilding program:

*"The Government has rightly promised every home sold under the Right-to-Buy proposals will be replaced on a one-for-one basis, and any new proposals must enable that to happen. We will work with Government on how these proposals could be delivered and funded without any unintended consequences on councils' ability to invest and ensure communities include a mix of homes. Many councils are ambitious to increase house building across all tenures and support measures to help people into home ownership."*

*"The current Right-to-Buy system only allows councils to replace half or fewer of homes they have sold. The Government has rightly promised every home sold under the extension of Right-to-Buy will be replaced on a one-for-one basis and any new proposals must enable that to happen."*

*"Councils are ambitious to increase house building across all tenures and support measures to help people into home ownership. At the same time we still have to deliver affordable housing for future generations and those already on waiting lists."*

*"Councils understand the need to provide more homes for first-time buyers and are already taking steps to make first-time homes more affordable. New starter homes cannot be built in isolation or without any wider community needs. They must come with the infrastructure needed and include a mix of housing."*

*"In order to deliver the homes and infrastructure desperately needed, councils must have a lead role in house building. Local authorities could build half a million new homes and transform the lives of hundreds of thousands of families if given greater powers, resources and flexibility."*

*"We will work with Government on how these proposals could be funded without any unintended consequences on councils' ability to invest and ensure communities include a mix of homes."*

### **Response of Natalie Elphicke**

Natalie Elphicke, the co-author of a review of the role of local government in the supply for social housing commissioned by the former coalition government, suggested that a modern approach to the valuation of housing associations' property could be employed. Under this approach, the valuation of properties would be done on the basis of the housing associations' business plan as opposed to the free market value. She said:

*"As a business the housing associations, and their funders, use a valuation basis called Existing Use Value. The chief valuers for the housing sector have described existing use value as 'our only choice as a basis of valuation'. Existing use value is the value of the rents usually over a 30-year-period, and taking into account the obligation of the landlord to keep the property in good repair. This valuation approach also reflects the long-term protected rights of the tenant. In other words, the landlord cannot throw out the tenant in order for the landlord to realise the full market value of a property."*

*"So, a better alternative to raising the discounts would be to allow social tenants to buy at business value not market value. It would allow the social tenant to buy the property at as much as a 40% discount to the market value. Buying the property at a more affordable price would allow many more social tenants to become homeowners. It would be at no additional cost to the Treasury. The social landlord would be fully compensated for the value of the property in their business.*

*"Usually, social landlords have to repay housing grant if they sell a home where it was provided by the taxpayer. In order to allow the social landlord to buy or build another property for social rent, the housing association would not need to repay the grant at all. The obligation to repay housing grant would transfer to be paid back by the new homeowner when they sell the property in the future.*

*"This is a proposal which is fair to the taxpayer, affordable for the tenant, is financially manageable to the housing association, and maintains the social housing stock."*

### **The Response of the Chartered Institute of Housing**

The Chartered Institute of Housing voiced their concerns that the government's policy proposal may not have the intended consequences. The association points to the constraints of land availability that may prevent the rebuilding of sold-off properties within the same area:

*"Extending right to buy to housing associations is not going to tackle the housing crisis – in fact it could make things worse for people on lower incomes who are already struggling to access a decent home at a price they can afford. It would have a huge impact both on housing associations and on local authorities, as councils would have to sell off their most valuable homes to fund replacements.*

*"Our concern is that in practice it would result in the loss of vital social and affordable homes. The government says each home sold would be replaced on a one-for-one basis – but we know this is not happening under the current scheme. Our research has shown that most local authorities only expect to be able to replace half or fewer of the homes they sell under right to buy. And government figures show that between April 2012 and last September councils started or acquired 2,298 homes using right to buy receipts – just one for every 11 sold.*

*"The government says that replacements for both housing association and council homes sold under the extended scheme would be built in the same area, but this will be heavily dependent on land availability and will therefore be extremely challenging in some inner city and also rural areas.*

*"The best way of helping people on lower incomes into home ownership is by increasing the supply of affordable housing. CIH is ready to work with the government on the solutions that could make a real difference, for example investing in shared ownership and supporting local authorities on land and asset management to deliver more homes."*

### **Response of the Chartered Institute of Public Finance & Accountancy**

Ken Lee, Chair of the Housing Panel at the Chartered Institute of Public Finance & Accountancy wrote a critique of the policy in 'Public Finance' as follows:

*"Offering housing association tenants homes at a knockdown price while forcing councils to sell their most valuable stock makes no business sense*

*"One of the most eye catching pledges floated by the Conservatives during the election campaign concerned the right of housing association tenants to buy their properties. Alongside this measure, local authorities would be required to sell their most valuable housing stock.*



*"We are often told that if only local government managed its assets better, there would be less of a housing problem. Ministers chastise councils for not getting rid of the more valuable assets on their Housing Revenue Accounts so that the released money can be reinvested.*

*"Closer examination of the proposals suggests that central government could give the shedload of cash made available to registered providers of social housing as compensation for them, in turn, selling their assets at a knockdown price to tenants. It would also enable setting up of a fund to bring abandoned brownfield sites back into use for housebuilding.*

*"I do not know which business school the creators of this idea went to, but experience tells me that usually these very valuable properties are the ones that are located in the more desirable areas, tend to cost the least to maintain – and bring in the highest rents.*

*"So, in business terms, getting shot of these properties is totally wrong. Keeping them enables councils to meet housing need in their areas.*

*"Local authorities paid central government billions of pounds to take full control of their Housing Revenue Accounts. Subsequently, a host of negative actions taken by government have impacted on the housing revenue account – welfare reform, Right to Buy changes, rent guidelines and so forth. Each time, local government has tried to find a way to keep on delivering. If anyone knows how to run their housing revenue accounts it is councils.*

*"All the lessons from the past indicate that the latest plans to sell off council housing stock are fraught with danger. In fact, many would put today's housing crisis at the door of Right to Buy.*

*"Experience suggests it is a popular policy in the short term – especially with those who gain a financial fillip from the discounts – and initially, because the sold properties were better maintained, some areas did benefit. In the longer term it has led to less social housing being available; more private rented stock, as original buyers sell on; poorer maintained properties (you can now drive down the street and spot the non-housing revenue account ones because of their poor state); and, in many cases, poorer management standards that have increased problems on estates.*

*"This also resulted in higher overall public expenditure, due to benefits funding ever-increasing rents in the unregulated private rental market.*

*"Extending Right to Buy to registered providers is also poor asset management for a sector that has been urged to 'sweat its assets' and borrow on the strength of the asset base. What problems are they going to face if they reduce it? Will their funders be happy? And what will the impact be on the opportunity to borrow in the future to provide more housing?*

*"None of these proposals promote good business practice."*

## **Housing associations' responses**

Tony Stacey, Chair of Place Shapers, a group of 100 housing associations, and Chief Executive of the South Yorkshire Housing Association has warned of the detrimental impact of the policy on smaller housing associations:

*"I would definitely challenge it legally. This is so fundamentally critical to us. It would shoot up to the top of our risk map... We are duty bound morally to fight it in any way we possibly can."*

The Place Shapers' response to the Queen's Speech read as follows:

*"We work hard to establish constructive working relationships with politicians of all persuasions but we reserve the right to shout out loud and clear when something comes along that we feel strongly about. And not surprisingly, today is one of those days. We are appalled that the Conservatives, who claim to want to ensure homes are provided for future generations, think that extending the Right to Buy to housing association tenants is the answer.*

*“Extending home ownership, at taxpayers’ expense, to those who are already well housed in the housing association sector would make an already disastrous situation a whole lot worse. Leaving aside the legality of any government trying to interfere in what independent charities do with their assets and the adverse financial impact such a move would have on HA business plans, this cynical ploy would remove desperately needed socially rented homes from those who will never be in a position to buy. Where are they supposed to live?”*

*“Place Shapers supports routes into homeownership but thirty-five years’ experience of the Right to Buy for Council tenants has shown that promises to replace sold units on a like-for-like basis have come to nothing. Only 345k new homes have been replaced from the 1.88m rented homes already lost. LAs and HAs are already making difficult decisions to dispose of more valuable stock in order to cross-subsidise new building. And of course new “affordable” homes are often not that at all with rent levels at up to 80% of market level now required.*

*“Place Shapers are in it for the long-term and do ground breaking work to build sustainable communities. Our members are determined that the legacy they have built up over many years will continue and, with colleagues elsewhere in the sector, will do whatever we can to fight this nonsense.*

*“As our Chair, Tony Stacey said this morning: ‘The gloves are off now. We will not sit back and allow Place Shapers’ businesses and the social capital we have built up for decades to be destroyed in this way. We need to solve the housing crisis, not privatise the assets of independent charitable housing organisations.’”*

## Conclusions

At this point it is too early to know about the specific effects that the policy might have on the market for social housing, but history can be taken as a guide and the long-term implications of the thirty year old ‘right to buy’ are fairly well studied. For instance, a report by the Joseph Rowntree Foundation from the late 1990s identified at least four outcomes in relation to the RTB<sup>8</sup>. We have indicated below the potential implications for housing associations.

<i>Experiences in the existing RTB</i>	<i>Implications for housing associations</i>
<ul style="list-style-type: none"> <li>• First, a depletion of the stock of council-owned homes in comparison to pre-1980s levels.</li> <li>• Second, RTB had varying effects locally and regionally: RTB sales have been prominent in areas with favourable employment and high demand for housing.</li> <li>• Third, early users of RTB tended to be long-term residents who intended to live in their own home; in the 1990s, those who bought their homes under the RTB tended to plan selling their homes</li> <li>• Fourth, the patterns of purchasing and reselling, suggest that an increasing number of low-income households are found in the social-rented sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Housing associations would be pushed to focus on opportunities for rebuilding and sourcing of development land.</li> <li>• It is likely that housing associations in places with favourable economic context and housing demand will be affected most by the extension of ‘right to buy’</li> <li>• Given that a rebate scheme underlies the ‘right to buy’, long-term residents may be more likely to make use of the extended ‘right to buy’ first.</li> <li>• While purchasers would have to repay any discounts on the property if they sold too soon, in high value areas there may be a greater incentive for fast resell.</li> </ul>

<sup>8</sup> Joseph Rowntree Foundation. Research report on Right to Buy. 1998.

Experience also shows that while homes are initially bought by tenants who become owner-occupiers, in the long-run many homes sold under 'right to buy' have ended up in the private rented sector.

Certainly since the 'reinvigoration' of the 'Right to Buy' in 2012 with an increased maximum discount there has been evidence that the 1:1 replacement is difficult to achieve in practice. Since 1980, only about 20% of the 1.8million council homes sold have been replaced. While the original 'right to buy' coincided with a reduction in the development programmes of local authorities, a similar situation may be replicated at housing associations.

It has been suggested by Luke Cross of 'Social Housing' that housing associations should now go beyond striking a 'defensive chord' to engage in a pragmatic dialogue with the central government. This should include making a passionate plea for their importance to housing supply. This calls for critical thinking and innovative ideas about the role of housing associations. Luke Cross calls on housing associations to do at least three things:

- Show how many homes the sector is building – and commit to building more
- Show the financial return on grant – do this by quantifying the contribution housing associations are making to local economies, and to local communities.
- Show unity and call for government to meet urgently with the sector to discuss how the policy can be amended and its deficiencies addressed

This appears to be a sensible approach.

The government and the sector should also bear the following issues in mind:

- Right to buy is generally recognised to have some advantages in that it helps people into home ownership and helps to create mixed tenure estates.
- There is a strong argument that right to buy should not be allowed to result in a reduction in the number of social homes (homes sold should be replaced) and this argument has been accepted by the government.
- The discounts represent a public subsidy and therefore should there not be an evaluation of the benefits that they bring against their costs and a comparison of this cost-benefit analysis with the costs and benefits of other public investment in housing?
- Housing Associations are not owned by the state so the proposal that they should be forced to sell their assets raises civil liberties issues as well as financial issues. In what circumstances should the state be able to take control of privately owned assets?
- This proposal raises questions about the legal status of housing associations. Is this part of a process of 'nationalising' housing associations? If so, their loans would become part of the public borrowing and the basis on which they are financed would be called into question.
- If these proposals are justified on the grounds that the government supports housing associations financially through housing benefit, could or should the same argument be applied to private landlords?
- If, as Natalie Elphicke (the joint-author of a report commissioned recently by the government) claims, the compensation that would be given to housing associations would exceed their losses on disposal this could address many of the financial concerns of housing associations. However, how would this affect properties that are used as security for loans? If an association sold a property that was used as security for a loan, could the bank recall or re-price the loan? There is also the question of maintaining effective asset management on an estate where homes are being sold.
- The proposal that local authorities should sell high value council houses when they become vacant could be seen as having disadvantages. High value properties usually have high rents and low management and maintenance costs and from a business point of view are not the properties that a council should consider disposing of. Properties that are in low demand and that have high management and maintenance costs are probably the ones that councils should be disposing of.

- The sale of high value homes would also lead to a reduction in the number of social homes in high value areas forcing social tenants to leave places like Central London and this may be considered to be a social dis-benefit.
- The assertion that local authorities would be able to generate sufficient usable capital receipts from the sale of high value properties to compensate the housing associations fully for selling homes at a discount still needs to be proven. Would the receipt from selling a high value council house be sufficient to repay debt, compensate a housing association for a right to buy sale and then pay for building two new homes to replace the one sold by the local authority and the one sold by the housing association? Even if it was, would this be the best way to use the receipts given the shortage of resources for building social and affordable homes.

The government is likely to provide further details of the scheme as part of the budget that is due to be held on 8<sup>th</sup> July 2015.

AWICS will hold a seminar in September 2015 on the extension of the 'Right to Buy' to housing associations and its implications for housing associations and local authorities. Details will be posted on our website at <http://www.awics.co.uk/seminars2015.asp> as soon as they become available and details can be requested from [enquiries@awics.co.uk](mailto:enquiries@awics.co.uk) or 017683-52165.

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#### Editorial notes



This briefing paper has been edited by Sebastian Weise. Sebastian is a freelancer and PhD student at the Centre for Digital Innovation at Lancaster University. He is knowledgeable about participatory urban planning, local government, government reform, and geospatial services.

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- 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>
- In-House Training — <http://www.awics.co.uk/inHouseCourses.asp>
- Independent Residents' Advice — <http://www.awics.co.uk/IndependentTenantAdvice.asp>
- Technical Books — <http://www.awics.co.uk/publications.asp>
- Information Service — <http://www.awics.co.uk/information-service.asp>