

# Housing bodies call for rethink on Right to Buy

## **Compulsory sale of higher value council housing to fund the extension of Right to Buy to housing association tenants**

In the Queen's Speech today the Government set out plans to extend the Right to Buy to over 1.3 million housing association tenants, providing tenants who can afford to buy their housing association home with discounts of up to £103,900 off the market value of their home.

This policy is proposed to be funded by requiring stock retaining councils to sell their higher value council housing on the open market as they become vacant which the Government estimate could raise around £4.5 billion per year to subsidise housing associations for having to sell their housing assets at below market value.

The Government also propose that the money raised by the compulsory sale of higher value council housing as it becomes vacant will fund a commitment to replace properties sold on a one for one basis and create a "Brownfield Regeneration Fund".

ARCH and the NFA believe that it is unfair to fund the extension of the Right to Buy to housing association tenants by forcing councils to sell off council housing that becomes vacant when the present tenant moves on and any decision to sell higher value council housing should be a matter for local determination by each council.

The present system of financing council housing is based on a "self-financing regime" introduced by the Coalition government in 2012 based on all party support and to introduce a policy to force councils to sell off council housing goes against the principles of the council housing self-financing regime introduced only three years ago.

John Bibby ARCH Chief Executive comments:

"The present system of council housing finance was based on a one off payment to or from each individual council based on the value of their housing stock – including

both high and lower value housing in their stock. The vast majority of councils whose housing debt was lower than the valuation of their housing stock borrowed to pay the difference to the government at the time and this additional borrowing was funded by the predicted future revenue income stream from the rents on those properties.

“If councils are now to be forced to sell off their higher value stock and handover the receipts to central government to fund Right to Buy discounts to housing association tenants then council tenants will in effect be paying twice. Councils will also lose the higher rental income from any vacant properties sold and this could adversely affect the financial sustainability of councils’ housing business plans and their ability to properly maintain and improve the remaining lower value housing stock.

“Everyone recognises and applauds the desire to help first time buyers onto the housing ladder but this is a very high cost policy which will benefit only a relatively small number of better off housing association tenants who can afford the Right to Buy.

“There are serious questions about whether this policy represents value for money at a time of austerity and there are considerable uncertainties as to whether the compulsory sale of higher value council housing as it becomes vacant will raise sufficient monies to fund the cost of Right to Buy discounts for housing association tenants and compensate housing associations for the loss of their assets, let alone fund the replacement of sold properties on a one for one basis as well as providing a new Brownfield Regeneration Fund for house builders.”

Eamon McGoldrick Managing Director at the NFA comments:

“ALMOs like Councils are also very concerned about the potential loss of high value stock. For example, even if the promised one for one replacement homes can be provided in the areas where housing association and council housing is sold, these new homes will take two to three years to plan and build. In the meantime council waiting lists will get longer and homelessness is likely to increase, leading to additional costs to councils and council taxpayers in securing temporary accommodation through the private rented sector.

“This policy will cost billions of pounds over the life of this parliament and is predicated on selling revenue earning public assets which, at a time of continued austerity, will jeopardise the housing business plans of local authorities and ALMOs.

“There is a risk that this policy will inevitably lead to a depletion of affordable rented accommodation, at least in the short term, and ARCH and the NFA look forward to receiving further details of how this proposal will work in practice.”

**ENDS**

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The National Federation of ALMOs is the trade body that represents the interests of the 42 arm's length management organisations (ALMOs) across England.

ARCH and the NFA represent the interests of over 100 housing organisations responsible for the management and maintenance of over 1million council homes across the country.