

Briefing: Right to Buy - Sales and Replacements

Introduction of the right to Buy and discounts on sales

1. **Introduction:** The Right to Buy (RTB) was introduced in England and Wales through the Housing Act 1980 by the Margaret Thatcher Conservative Government. Council tenants who had had their tenancy for three years or more could buy their homes at a discount.

Prior to this, local authorities could use discretion on whether or not to sell council homes and on the discounts they could offer.

The discount set in 1980 was - at least 33% of the cost of the home - subject to a complex formula on any remaining construction costs. The sale price was not allowed to fall below the 'cost floor' for the dwelling - that is the outstanding debt associated with construction and capitalised repairs and discounts could not exceed a maximum of £25,000.¹

The discount increased by 1% for every additional year of the tenancy up to a maximum of 50%.

In 1984 the discount was increased to 60% for those who had been council tenants for 30 years.

It was increased further in 1986 to:

- 44% - on flats for tenants with tenancies of two years and
- a maximum of 70% for tenants with tenancies of 15 years or more

2. **Preserved Right to Buy:** Council tenants who transferred to a housing association through a stock transfer, post-April 1997, retained their RTB, where they have stayed in the same home.

¹ [Chapter 4 – UK Housing Review 2022](#)

- 3. Right to Buy for housing association tenants:** The Government introduced the Right to Acquire (RTA) for housing association tenants with a tenancy of more than two years in England and Wales through the 1996 Housing Act.

Discounts were smaller than those associated with RTB. Housing associations could also refuse to allow a tenant to acquire the home they were living in.

The Conservatives committed to extending the RTB to housing association tenants in their 2015 election manifesto.

It was implemented by Housing Associations, at that time, voluntarily. Five housing associations then undertook a pilot study and a larger pilot comprising 44 housing associations took place in the Midlands in 2018. By April 2020 1892 dwellings were sold or nearing completion.²

In June 2022, the Government announced the extension of RTB to housing association tenants.

- 4. Right to Buy in Scotland and Northern Ireland:** A Right to Buy Scheme was established for council tenants in Scotland in 1980 and then extended to housing association tenants in 1987.

In Northern Ireland, a similar Homes Sales Scheme was legislated for Housing Executive tenants in 1979 and housing association tenants in 2003.

- 5. Right to Buy discounts capped:** RTB discounts were reduced to between £22,000 and £38,000 by the Tony Blair Labour Government in 1999.

The RTB discounts were further reduced in 2003 to a maximum of £16,000, except in London, Watford, Reading, Oxford and Newbury, where the discounts remained at £38,000.

The qualifying period to access RTB was increased - to five years in 2003.

The result was in a gradual reduction in RTB sales in London from 12,778 in 2003/04 - to 243 (at its lowest point) in 2009/10.

- 6. Discounts increased again:** In 2012, the Conservative/Lib Dem coalition increased discount caps to a maximum of £75,000 and in 2013 and to

² [UK Housing Review 2022](#) – p49

£100,000 in London. The maximum London borough discounts are currently £116,200 - rising by CPI each April.

RTB sales have increased, but not to previous levels.

7. Right to Buy scrapped in Scotland and Wales and for housing association tenants in Northern Ireland: The RTB was abolished in Scotland in 2014 - with 2 years notice (2016) - and Wales in 2018.

The Northern Ireland House Sale scheme ended in August 2022 for housing association tenants but not for Housing Executive tenants.

Right to Buy Sales in England and London since 1980

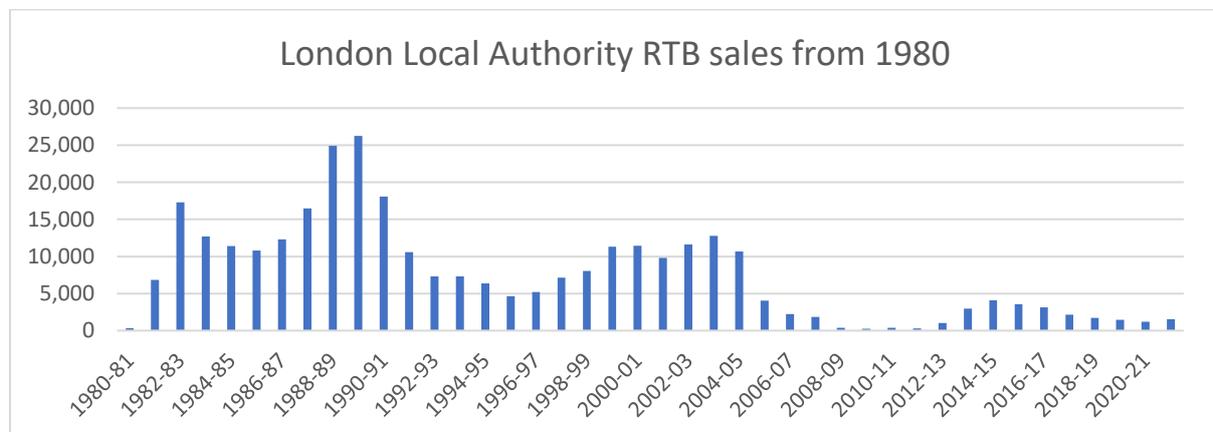
8. National RTB sales since 1980: From 1980 to March 2022, there were 2,003,595 RTB sales³ in England, comprising:

- 1,87,242 sold by local authorities (up to March 2021) plus 10878 eligible sales April 21-March 22 and
- 120,475 preserved and voluntary RTB sales by private registered providers (up to March 2021)

9. London RTB sales since 1980: Between 1980 and March 2022 there has been 312,413 London local authority RTB sales and from April 21-March 22 1,756 eligible RTB sales – total 314,169⁴.

The highest annual RTB sales - in London - were 26,258 in 1989/90.

The Government doesn't provide regional statistics on private registered providers' voluntary and preserved RTB.



³ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales> table 678 for council and preserved RTB 1980-21 and table 691a for eligible RTB sales April 21-March 22

⁴ Link as above – and Government live tables on RTB sales – tables 691a and 691b

Right to buy receipts and replacement homes

- 10. Use of RTB receipts:** There was never a commitment that the homes sold would be replaced, nor that local authorities would be able to retain the receipts from the sales to spend on existing or new homes. The Government took a majority of the capital receipts

From 1990, local authorities were required, by the Government, to set aside 75% of their RTB receipts to reduce their level of housing debt (much of it accumulated from building council homes in the first place and repairing them) and 25% of the receipts were for councils to use in an unspecified manner.

Debt-free councils could keep 100% of the RTB receipts, but few boroughs in London were debt-free.

From 2004, 75% of the receipts went to the exchequer and 25% to both in-debt and debt-free local authorities - to build new homes or maintain existing ones.

In an Inside Housing article in March 2021,⁵ John Perry, policy advisor to the Chartered Institute of Housing, said that the Treasury had made £47bn from RTB since 1980. The Treasury argues that part of this has gone back into social housing investment, but John says it is impossible to say how much and that possibly it could be no more than half of this sum.

An update figure, from the UK Housing Review 2022, table 61 shows that the Treasury made a total of £49 billion⁶ from local authorities and new towns RTB sales since 1980.

- 11. The promise of replacements of homes sold through RTB 2012-21:** Along with the increase in discounts on RTB in 2012, which the government calls reinvigoration of RTB, a rule was introduced in which every additional Right to Buy sale above a 2010-based benchmark, would be replaced by a new affordable home nationally, within three years.
- 12. But not a complete replacement of all RTB sales:** The replacement homes promised were only those above a benchmark based on the government's prediction of RTB sales had there not been 'reinvigoration'.

⁵ <https://www.insidehousing.co.uk/comment/comment/the-treasury-has-made-47bn-from-right-to-buy-but-we-have-paid-a-price-in-lost-social-housing-70199>

⁶ An increase to the £49 billion – UK Housing review table 61

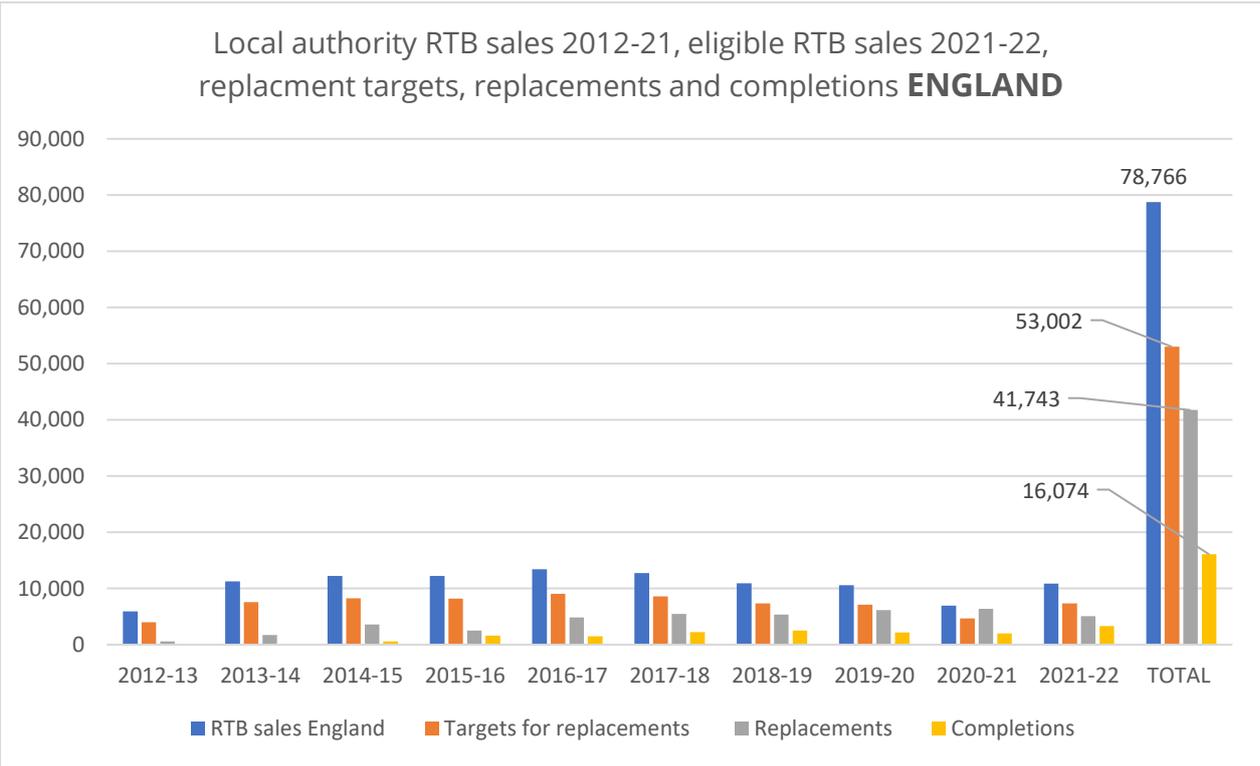
It assessed there would be 25,766 Right to Buy sales between 1 April 2012 and 31 March 2019. The actual number of sales was 78,712. This meant that the target for replacement homes was 52,946 (78,712 minus 25,766).

However, recent statistics from the government’s live table 678 show that the actual number of RTB sales from 2012-19 was 78,766 so the replacement target would need to be 53,000.

During the period 1 April 2012 to 31 March 2022, there were 41,743 actual starts and acquisitions of replacement homes (which is how the government counts the replacements). This is 11,257 fewer replacements than the 3-year target.

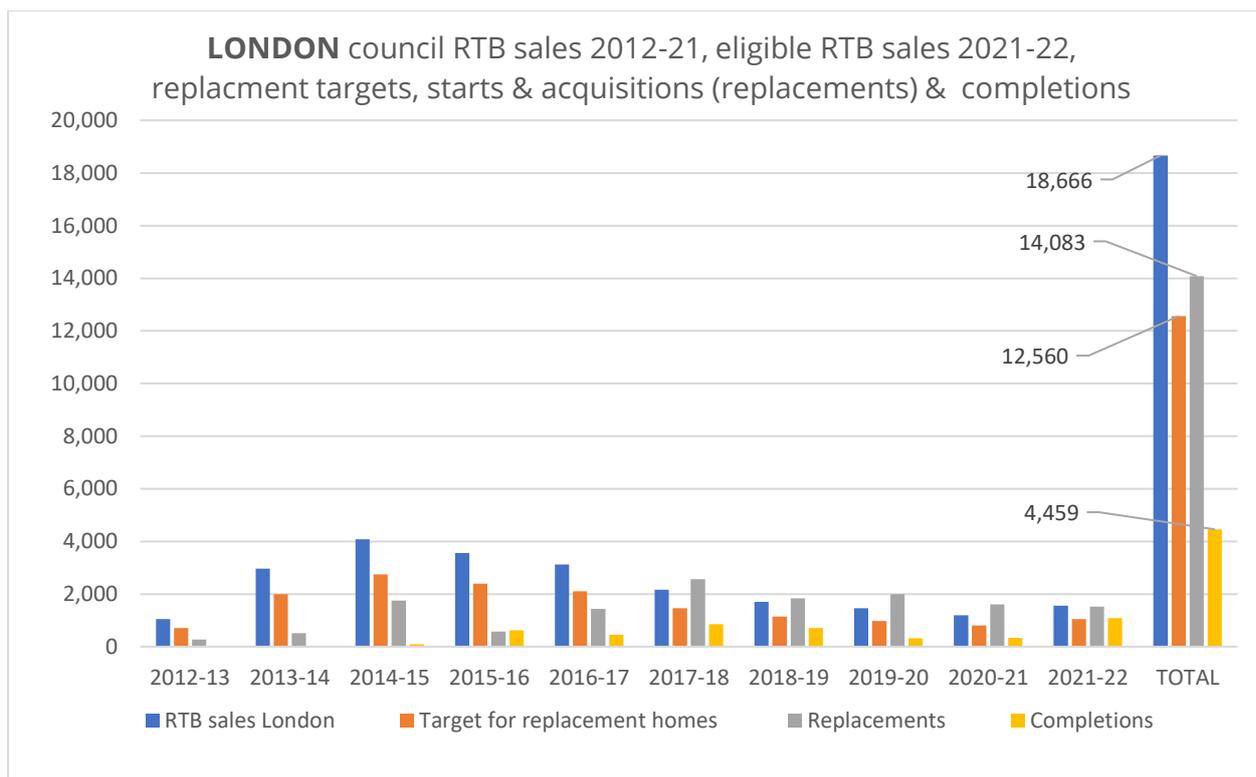
The total of replacement completions was just 16,074 by 2022.

The following tables provide data on the total RTB sales in England and London, replacement targets, replacements and completions.⁷



London’s replacements (starts and acquisitions) and completions are higher than for England as a whole.

⁷ Tables Government tables 678, 691 (a and b) ,693 (c and d)



13. More about RTB targets and replacements:

- Preserved RTB sales for tenants who transferred to housing associations during stock transfers are not included in targets or expected replacements.
- The vast majority of replacements are affordable homes since the government also introduced affordable rent homes in 2012 - not allowing grant funding for social rented homes until 2017 - and even then, at low levels.

14. Additional information on how it worked:

- Failures by councils to spend the receipts within three years resulted in the money having to be returned, with interest, to the government.
- Councils were not allowed to use the receipts to fund more than 30% of a replacement home (either an acquisition or a new home). 70% was to come from borrowing or other finance. The government said this was because the cost of a replacement home is a fraction of the cost of a new home, as funding comes from borrowing against a future rental income stream.

15. Replacements for RTB sales from March 2021: The changes have occurred following a consultation held in 2018 include:

- Local authorities now have five rather than three to five years to spend new and existing RTB receipts.
- Local authorities can now use 40% (increased from 30%) of the receipts - towards the cost of a new home.
- A cap has been placed on the use of RTB receipts for the acquisition of homes to drive new supply – from April 2022. In 2022/23, no more than 50% of dwellings delivered using retained RTB receipts can be acquisitions, 40% in 2023/24 and 30% in 2024/25 and afterwards.
- The first 20 homes delivered each year are exempt from the cap, and some types of acquisitions are exempt (from the cap) – including where a local authority’s own housing company, ALMO or regeneration project contributes to the net supply.
- Receipts to be used to deliver shared ownership and First Homes as well as affordable and social rented homes.
- While the Government is still counting starts and acquisitions as replacement homes, they are now also reporting on completions.

Social consequences of Right to Buy

- 16. Impact on social housing communities:** A fair number of social housing tenants that exercised their RTB still live on the housing estates where they lived tenants, contribute positively to their tenants’ and residents’ associations and support and engage in local community activities.

In these instances, this cannot really be considered a contribution to the loss of homes or adding to housing needs.

Positively for some leaseholders, RTB has, at times, facilitated them moving to cheaper areas to address overcrowding in their homes or to be nearer to younger family members who might support them when they are older.

However, not everything has been rosy for RTB leaseholders – including the high costs of unforeseen capital works and estate regeneration involving the demolition of homes, in which the value of their homes drops significantly.

There can be, and often are, negative impacts for social housing communities where RTB leaseholders have moved on or they or the family who have inherited the home when they pass away become Buy-to-Let landlords. Each time a right to buy is sold on it is to a household who is better off than the previous one.

This and Buy to Let has contributed to the loss of homes for homeless and overcrowded households living in temporary housing, greater transience, gentrification and less sustainable, stable and supportive working-class communities – particularly in high-value property areas like London.

- 17. Statistics on Buy to let:** In 2015 Inside Housing magazine reported that 37.6% of former Right to Buy homes were being privately rented. In 2017, it reported a 7% rise in this figure ⁸.

In 2018 they reported that 23 authorities, most from London and the South East (identified through a Freedom of Information Request of 100 local authorities) were paying buy-to-let landlords £8.4m a year to rent 725 former council flats to homeless families⁹.

In 2019, figures gathered by Tom Copley (currently deputy Mayor for Housing and Residential Development) found that councils in London were spending more than £22.3m a year on renting back homes sold under the RTB (a rise of 11,825 in the past five years and 42% in total).¹⁰

The UK Housing Review 2022 estimates that the long-term additional social security costs following a transfer of 40% of Right to Buy sales (a UK estimate) to the private rented sector would be over £1.5 billion each year.

For many years, former council homes, sold through RTB, have been rented to London local authorities to house homeless families in temporary accommodation – at far greater costs than social rented homes.

Buying back homes sold through the Right to Buy or ending it?

- 18. Attempts to 'buy back':** Some local authorities have bought RTB homes at much higher costs than their sale through RTB, at times. in 'regeneration schemes.'

In July 2021, the Mayor of London announced a right-to-buy-back scheme. Funding to buy back these RTB homes comes from the Mayor's 'Building Council Homes for Londoners' programme.'

In August 2022, the Mayor of London announced that 1,577 council homes, previously sold under the RTB, have been returned to local authority

⁸ <https://www.insidehousing.co.uk/home/home/revealed-the-scale-of-ex-rtb-home-conversions-to-private-rent-53525>

⁹ <https://www.insidehousing.co.uk/news/news/councils-spend-millions-using-right-to-buy-flats-as-temporary-accommodation-55891>

¹⁰ <https://www.insidehousing.co.uk/news/news/london-councils-spend-22m-a-year-renting-back-right-to-buy-homes-59819>

ownership – 908 converted to social housing stock and 669 used as temporary accommodation for homeless households.

While it is good that these homes are being bought-back - it is only - just about keeping pace with the ongoing loss of social rented homes through RTB. If there was no RTB, all this money could go to delivering new and additional social rented homes.

- 19. Ending Right to Buy:** As highlighted previously in this briefing, RTB ended in Scotland in July 2016 having sold 494,580 of its social housing stock. They say that in ending RTB they will be saving 15,500 social rented homes over the next ten.

In Wales RTB ended in in 2019 having sold around 139,000 homes under the RTB and the RTA amounting to 45% of its entire social housing stock.

Many social housing tenants' groups, including those involved with London Tenants along with homeless and some professional housing organisations, such as Crisis and the Chartered Institute of Housing, agree that the solution to the problems created by RTB, is the suspension of the scheme.