



**Yorkshire
Housing**

Right to Buy is broken

The case for change



Right to Buy Isn't Working

There is a social housing deficit which is contributing to the housing crisis. We lose far more homes than we build every year, and the losses are mounting up.

These losses, coupled with the failure to build new social homes, has caused homelessness to double over the same period. This is further compounded by the private rented sector, which is twice the size it was 20 years ago.

There are now almost 1.3 million households on social housing waiting lists and over 117,000 homeless households in temporary accommodation.

The numbers speak for themselves:

2.02m 

Social rented homes have been sold through Right to Buy since 1980.

2% 

Number of homes lost through Right to Buy that have been replaced since 1980.

41% 

Of homes lost through Right to Buy now in the hands of private landlords.

90% 

Of all recorded social home sales since 1980 have been through Right to Buy.

700 

The number of new social rent homes built last year minus those lost due to the impact of Right to Buy.

£25bn 

Loss of social homes cost the UK economy £25bn last year.

The scale of the issue means that we can't just tinker at the edges. A significant overhaul of the Right to Buy scheme is needed to prevent the loss of even more social rented homes. The approach set out in this document offers several important advantages for government, social housing tenants, housing associations and local authorities.

Introduction

Since the Right to Buy scheme started in 1980, nearly two million homes have been sold, with discounts that can exceed **£100,000 per property**. Despite promises to replace each home sold, this hasn't been achieved.

Instead of helping people access affordable homeownership, the scheme benefits a small group of buyers and reduces the number of affordable homes available at a time when they are urgently needed. This approach is not sustainable, especially when considering the current housing crisis and the high demand for affordable homes.

In the Autumn 2024 budget, the government introduced changes to the discount limits. The changes made use a regional approach aimed at slowing the loss of social housing and gradually increasing its supply. The cost floor protection has also been increased. This means that money spent by a landlord on building, purchasing, repairing or maintaining the property over that period is deducted from the discount offered, and therefore increases the protections on newly built homes. Whilst these limited changes are welcome, they only offer limited relief.

The Ministry of Housing, Communities, and Local Government (MHCLG) estimates these adjustments could prevent 25,000 homes from being sold under the scheme over 5 years. However, over 14,000 homes were sold in 2022/23 alone. This means the recent adjustments are unlikely to make a significant difference in addressing the housing shortage.

The government has recently launched a consultation to explore further changes to the scheme. These proposals will help to reduce the volume of sales and support the delivery of replacement homes. However, by only tweaking the existing scheme, Right to Buy will continue to limit the increase of social housing and prevent the government from tackling the housing crisis.

It's clear that a more radical change is needed to reverse the loss of social housing through the Right to Buy scheme. This would increase the supply of social rented homes, meet the housing demand, and provide a fairer system to help more people achieve their ambitions of home ownership.

The Right to Buy scheme in numbers

67,503



Homes sold through Right to Buy between 2018 and 2023

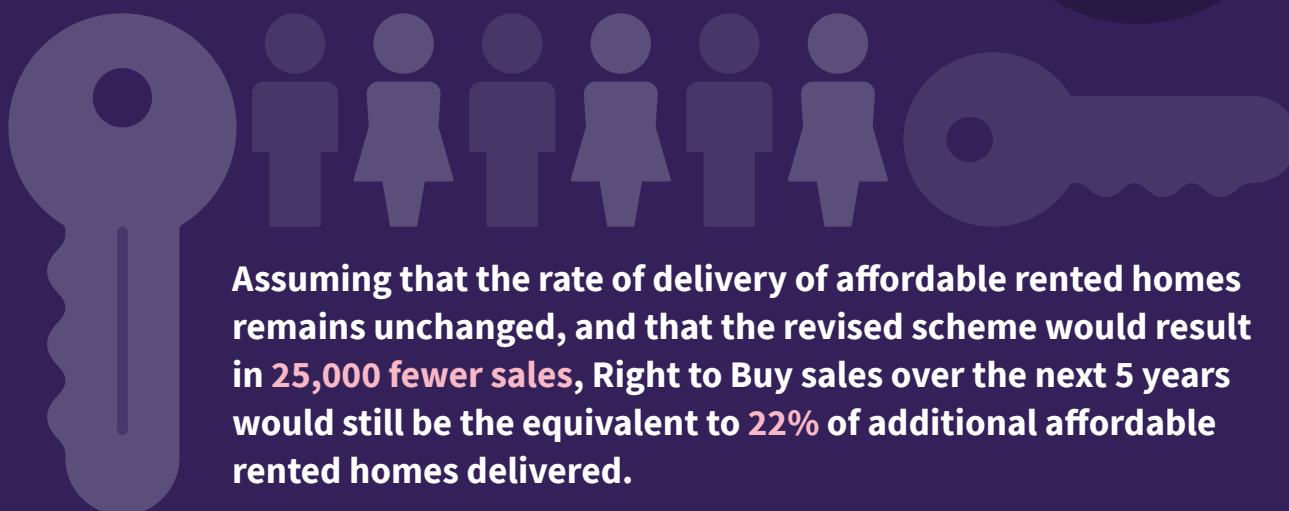
190,031



Additional affordable rented homes delivered between 2018 and 2023

Right to Buy sales were equivalent to 36% of additional affordable homes delivered between 2018 and 2023.

36%



Assuming that the rate of delivery of affordable rented homes remains unchanged, and that the revised scheme would result in **25,000 fewer sales**, Right to Buy sales over the next 5 years would still be the equivalent to **22%** of additional affordable rented homes delivered.

An Alternative Approach

The inability to replace homes sold through the Right to Buy scheme is having a severe impact. In England, **one in every 20 households** is currently on a waiting list for social housing.

Over 150,000 children are now homeless and living in temporary accommodation, a figure that increased by 14.7% between March 2023 and March 2024.

With rising living costs and the continuing loss of social housing through Right to Buy, now is the time to take stronger action to prevent further loss of these essential homes and to preserve social housing for those who need it most.

To effectively tackle the housing crisis and help the government reach its goal of “delivering the biggest boost to social and affordable housing in a generation”, the Right to Buy Scheme needs a major overhaul.

Simply tweaking the current scheme will slow down the numbers of Right to Buy sales, but it won't stop the ongoing loss of social homes - an essential resource that the country urgently needs. To achieve significant net increases in social housing the approach to discounts, eligible homes and how the scheme is funded must all be reviewed.

The Right to Buy scheme needs a major overhaul, building on some of the principles of the Right to Acquire Scheme for housing association properties.

150,000+



Children are now homeless and living in temporary accommodation.








14.7%



Increase between March 2023 and March 2024.

An Alternative Approach

Our proposals for change include:

-  Retaining a qualification period before a tenant can apply to buy their home. This could remain at the current 3-year qualification period, subject to the other changes listed below being applied.
-  The incentive offered should be a monetary value, rather than a percentage of the property value. This would make the process fairer, as tenants would not benefit differently based on factors like the property's age or location. We propose an initial offer of £8,000.
-  The benefit value should increase incrementally over the length of their tenancy, with a capped upper limit. For example, it could increase by £2,000 each year, up to a maximum of £24,000 (after 11 years of tenancy). This mirrors the maximum discount available under the House Sales Scheme in Northern Ireland.
-  Previous tenancies can count towards the qualification period, even if they were not continuous (like the Right to Acquire).
-  Tenants can use the incentive when buying a home on the open market or through low-cost ownership schemes (like shared ownership). However, the offer cannot be used to buy their current social rented home. This helps tenants move into homeownership, while protecting against the loss of social housing, ensuring that another household on the waiting list can move into the vacated home.
-  The scheme would be centrally funded, like the Right to Acquire Scheme. This approach would protect local authorities from changes in how Right to Buy receipts are handled.
-  The existing Right to Buy scheme has faced significant fraud issues. Any changes to the scheme would need to include measures to prevent fraudulent applications. This would help prevent people from exploiting the scheme for profit.

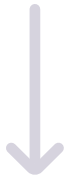
An Alternative Approach

The proposed approach offers several important advantages:



For government:

- Supporting the goal of increasing the number of new homes, especially social rented homes.
- Creating a simpler system that helps to better predict the costs of housing schemes.
- Reducing fraud.
- Ensuring less public money goes to private companies or landlords for profit.



For customers:

- Reducing the chances of being targeted by third parties trying to profit from the scheme.
- Providing clearer information about benefits.
- Offering more property options, including both open market and affordable homeownership choices.



Registered Providers and Local Authorities:

- Fewer questions from tenants asking about their home's value or available discounts.
- Reducing the risk of private sector properties falling into disrepair or poor management, which could negatively impact local communities.
- Protecting local authorities from changes to how Right to Buy funds are handled.



This approach has clear and significant advantages. What is clear is that the current Right to Buy scheme is no longer fit for purpose and needs the radical overhaul outlined in these proposals.

The Case For Change

The current Right to Buy scheme has three major flaws:

It leads to a shortage of social homes. Homes that were intended to be for affordable rent are sold at significant discounts, making it impossible to replace them on a one-to-one basis. For every five homes sold, only one is replaced, despite the scheme's aim to replace each sold home with a new one. Even recent changes to discount levels are unlikely to enable homes to be replaced on a one-to-one basis. The Scheme has also led to 41% of all homes sold under the Scheme now being let in the private rented sector, often at unaffordable rent levels

1

The scheme is outdated. When it was introduced 44 years ago, Right to Buy was the only way for low-income households to become homeowners. Since then, many other government programmes have been introduced to help people get onto the home ownership ladder. These newer programmes are often more effective and better suited for today's housing market. Despite this, the Right to Buy scheme has remained largely the same.

2

The scheme is frequently abused. Often, the people who benefit aren't the original tenants but other family members or private companies and landlords who profit from the public discounts. Some private companies have even targeted tenants to acquire these discounted homes for a profit, drawing large financial gains from a programme that was meant to support low-income households.

3

The Case For Change

What is clear is the current Right to Buy scheme is falling short of its original goal to help people achieve home ownership without impacting on the overall supply of affordable, social rented homes. Over 41% of homes bought through the scheme have ended up in the private rented sector. As a result, many of the original tenants, who were meant to benefit from becoming homeowners, are no longer the beneficiaries.

In numerous cases, the purchaser is in receipt of state benefits at the point of sale. Although this isn't against the scheme's guidelines, it suggests that these purchases are being financed through other means, raising concerns about possible fraud. Even for those who manage to buy a home, covering the ongoing maintenance costs can be a challenge. There are widespread issues of homes sold under the Right to Buy not being maintained to the same standard as the socially rented homes around them.

Third-party investors have been targeting tenants to fund the purchase of the home, with an agreement that the tenant will later sell it to the investor. This often forces the original tenant to either move out or rent the property back, usually with higher rents, less stability, and poor ongoing maintenance standards.

Rents in England's private sector average around £1,285 per month, which is much higher than the £457.30 average social rent. This shift has increased government spending, as many tenants now need benefits to cover the higher private rents on former Right to Buy homes.

Allowing local authorities to retain all the revenue from Right to Buy sales has helped improve their ability to build replacement homes. However, rising costs for land, labour, and materials, coupled with the added costs of meeting standards such as the Future Homes Standard and the Building Safety Levy, make it difficult to build enough new homes to replace those sold. Proposals in the government consultation for how Right to Buy receipts are treated may help to support the delivery of new homes but are do not far enough.

Although the Right to Buy scheme provides social landlords with the option to buy back these homes if the owners choose to sell within ten years, this rarely happens. High property values and the significant investment required in many cases make buybacks financially unrealistic for social landlords.

Right to Buy Replacement

£149,000

Average market value of properties sold through RTB for Registered Providers

Scenario 1

Scenario 2

£16,000

Lowest discount cap

£38,000

Highest discount available

£133,000

Receipt from sale

£111,000

Receipt from sale

£56,700

Average grant rate per replacement home

£211,300

Estimated average build cost per home including future costs such as the Future Homes Standard, Building Safety Levy etc. (excluding land value)

= £21,600

Average shortfall per property to deliver 1 for 1 replacement of homes sold (excluding the cost of land)

= £43,600

Average shortfall per property to deliver 1 for 1 replacement of homes sold (excluding the cost of land)



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