



## Reviewing the Right to Buy

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It is now more than thirty years since the sale of council houses became a major element in local housing policies in the UK and almost twenty years since the Right to Buy was introduced in 1980. A new study brings together existing evidence and adds new data for a review of the effect of the Right to Buy on the social rented sector. The research finds:

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- f** The Right to Buy has resulted in much higher sales of properties than previous discretionary policies; over 2 million dwellings have been sold under the Right to Buy and related policies.
- f** The Right to Buy has had an uneven impact regionally and locally. The remaining social rented housing stock is disproportionately concentrated in areas with a lower demand for housing and fewer opportunities for employment.
- f** Levels of discount on Right to Buy purchases have averaged around 50 per cent. This, with the high quality of most of the properties purchased, has meant that the great majority of purchasers are very satisfied.
- f** Purchasers have tended to be long-established residents living in the more attractive and saleable properties which they intend to continue living in. Evidence from more recent purchasers suggests that a higher proportion of purchasers buy with the intention of moving on.
- f** The Right to Buy, alongside other policies, has contributed to the increased concentration of low-income households in the social rented sector and in particular estates.
- f** When resold, former council houses are rarely the cheapest homes on the market and purchasers are often already home-owners. The evidence suggests that open market purchasers often move on after a short period and that the turnover of properties is high.
- f** Properties bought under the Right to Buy are generally well-maintained but problems of disrepair do exist among low income owners.
- f** Specific policy questions exist in relation to:
  - high levels of discount and value for money
  - problems with the sale of flats
  - the increased complexity of rights and legislation.

### Background

Introduced in 1980, the Right to Buy provided a new framework for the sale of public sector housing in Britain. The statutory Right to Buy replaced local discretion and applied to the bulk of secure tenants with three years' tenancy. The new policy applied to flats as well as houses. It involved much higher discounts and few exemptions. It was highly publicised and made more attractive by the expectation that rents would continue to rise.

Since 1980, a number of important modifications have been made to the Right to Buy. In particular, increased discounts were introduced for all properties in 1984 with additional increases for flats introduced in 1986. Different arrangements for housing associations and a variety of purchase grant schemes were also introduced.

The impact of the Right to Buy has been affected by a wider policy package, including the decline in local authority new building and the real increase in rents. This combination of factors, rather than the Right to Buy alone has changed the size, dwelling type and age structure of the council housing sector.

### Level of sales

Between 1979 and the end of 1996, local authorities, new town corporations and housing associations recorded over 2.2 million house sales (see Figure 1). Sales rose dramatically in the early years and peaked in 1982. Following this, sales fell to a relatively low figure in 1986 before rising to a new peak in 1989 - slightly lower than that of 1982. Subsequently, sales have fallen back and levelled out at a rate below that of any year before 1981 but significantly higher than in any period in which the discretionary policy

operated before 1979. Sales in Scotland rose more slowly than in England and Wales but have been higher in the 1990s.

By the end of 1995, 24 local authorities in Great Britain had sold less than 20 per cent of their stock and 38 had sold 40 per cent or more. Variations within countries and regions are greater than between them. However, no authority in the North East, Yorkshire and Humberside or the West Midlands had sold 40 per cent or more of its stock. In these regions, the variation in the rate of sales was relatively low. This was also true in the South West of England. In contrast, in London, the South East of England and the North West and to a lesser extent the East Midlands and the East, the variation within the region between the highest and the lowest sellers was wide.

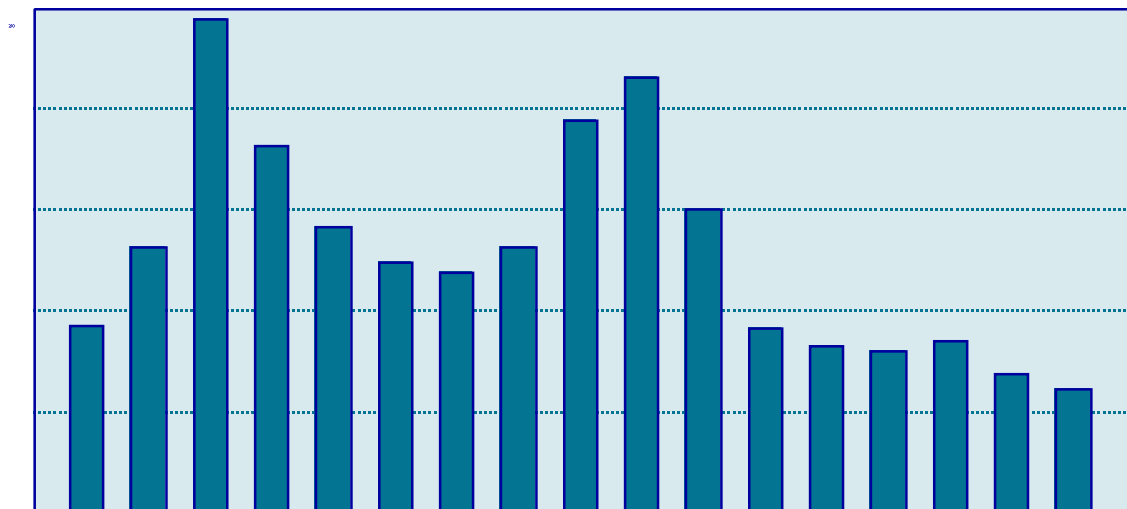
The most likely scenario, assuming a continuation of the present trends, suggests that in 2010, in some regions (Yorkshire and Humberside, the North West and Greater London) about 70 per cent of the 1980 stock will remain in local authority ownership. The biggest impact will be in Scotland where over 50 per cent of the stock will have been sold.

### Policy impact

Eighteen years on, there can be no doubting the impact of the Right to Buy. Some 30 per cent of tenants have exercised the Right to Buy. The majority of these have benefited considerably from the process. The volume of sales and capital receipts has far exceeded expectations. Very substantial rates of sale have changed council housing. Where they have been the highest, the council sector has been transformed. It is a much smaller sector with a different stock than in the past.

Fig 1

Public



The operation of the Right to Buy has added to the process of social change associated with council housing. As more affluent tenants have bought properties and left the sector, so the sector which remains has a narrower social base with a higher proportion of low-income households and those dependent on welfare benefits. It has become more strikingly a tenure of younger households and older people. The traditional role of council housing in housing families with children has become less evident. The social rented sector as a whole is now smaller and has a different geography than in the past. Regionally and locally, social rented housing is most plentiful in areas where there has been a loss of employment and where demand for labour is low. This pattern is important for discussion of the role of the Right to Buy in economic and community regeneration.

The sale of council houses has also transformed the owner-occupied sector. In some areas, the owner-occupied sector is essentially a product of public sector activity. In those districts which had the largest council housing stock, former council houses now comprise a major part of the private sector.

### Sales of flats

Particular difficulties have emerged where flats have been sold. These relate to mortgageability, saleability, service charges and maintenance and improvement. The development of a large leaseholder stock does not necessarily present problems in the early years. The Right to Buy provides protection for purchasers in the initial five-year period. In addition, the lack of capital investment by local authorities has tended to reduce the potential for conflict between leaseholders and the council. However, as major works programmes to system built estates and other flats have commenced a greater number of difficulties have arisen. In future, more leaseholders will have moved out of the initial protection period and will face the full costs of works.

### Purchasers and properties

The Right to Buy has resulted in the best council properties being sold to the most affluent tenants in the middle stages of the family cycle. Neither the youngest nor the oldest tenants have bought, leaving fewer tenants in their forties, fifties and sixties.

The evidence from the 1990s shows that there is a higher turnover within the council sector and more younger council tenants exercise the Right to Buy than in the past. They are more likely to do so in order to facilitate movement out of the neighbourhood.

The levels of discount associated with the Right to Buy mean that households do not over-extend themselves in buying properties. Council house purchasers are not more likely to experience arrears and repossession problems than other purchasers;

indeed, the circumstances of their purchase make them less likely to do so. The levels of discount available mean that they have not borrowed to the maximum potential of their income. If they are extended through borrowing it is a result of subsequent loans associated with house improvement or other credit rather than the initial purchase of the house.

The majority of those who have purchased a house under the Right to Buy have experienced a relatively trouble-free episode. Depending on when people bought, most have experienced a major increase in property values.

### Resales

The prices of former council-owned dwellings range across the whole spectrum of local market prices, although there is a bias to the middle and lower tenths. They do not, on resale, represent a new pool of cheaper properties offering access to those unable to buy elsewhere in the market. They do offer good value for money. The effect is to extend the range of choice to a group of younger households in the home-ownership sector and to enable more households to afford more modern, spacious houses.

Because of high levels of subsequent resales, the Right to Buy has increased residential mobility in the popular estates which formerly had a low turnover. This process is likely to be amplified in the future as many properties are resold to first-time purchasers. On the other hand, the Right to Buy and resales have had little impact on the less popular estates (which traditionally had higher turnover) simply because Right to Buy sales have been relatively low.

### Stability on estates

This research raises a wide range of doubts about the extent to which council house sales can be deemed to stabilise estates. The stability associated with neighbourhoods where the Right to Buy has been high is associated with sitting tenant purchasers who formed a stable element irrespective of tenure. The Right to Buy did not increase stability but nor does it appear to have significantly reduced stability. The evidence suggests that in the longer term, as properties come on to the market, a greater proportion of council housing neighbourhoods will become 'transitional' neighbourhoods, where people buy with an expectation of moving on relatively quickly. Some of these neighbourhoods will be well connected to the labour market and the wider economy but in others, the problems of managing and stabilising these neighbourhoods may be greater than they were within the council sector.

The implications of these data are that turnover is likely to continue to be higher on council estates regardless of the levels of home-ownership.

## Conclusion

In 1980, the Right to Buy legislation presented a straightforward set of choices for tenants and a way of expanding the existing level of owner-occupation. In the late 1990s the situation is very different. The Right to Buy continues to operate and has become successively more generous. The levels of discount which have applied, especially for flats, are difficult to justify and themselves may unduly influence tenants' decisions. The Right to Buy has also operated in a more complex policy environment with a considerable number of exceptions and exclusions within the social rented sector. Tenants in different parts of the social rented sector have a different range of choices. There is a case for rationalisation and for developing more comparable rights and opportunities for all tenants.

The researchers conclude that the most logical way forward is to consolidate the range of policies on offer. Government proposals this year would reduce the generosity of Right To Buy but add to its complexity. Under these proposals, the maximum discount will be reduced and be regionally differentiated. Discounts under the Right to Buy have been very high and some action to reduce them is appropriate. The use of the maximum discount rule effectively diminished the link to years of tenancy and moves the formula closer to a purchase grant scheme. This has merits in making the arrangements for different tenancies more comparable. One view is that it would be preferable to refer to this as a purchase grant and fully rationalise different schemes. A number of other ways of making discounts more defensible in terms of their cost would be:

- To remove the higher discounts for flats;
- To start discount entitlement at a lower proportion of value;
- To start discount entitlement at a higher number of years of tenancy;
- To slow the rate of progression of discount entitlement.

These issues are relevant to some of the other problems which have emerged in relation to the Right to Buy:

There is no case for higher discounts for flats and a strong case for excluding flats and especially multi-storey flats from the Right to Buy.

The researchers conclude that future policy has to engage with the view that the Right to Buy is now a hindrance to effective responses and choices in policy and distorts the choices of individuals. The problems associated with defective and/or undesirable homes highlight the problems for tenants. The Right to Buy now operates in a very different environment than existed in 1980 with a changing agenda of social exclusion associated with council housing. The considerations which made the Right to Buy relevant and appropriate in the 1970s do not always apply at the end of the 1990s and it is important to consider a range of changes which will enable effective local strategies to be developed.

## About the study

The study involved a range of research and analysis. As well as a review of existing literature and analysis of available statistics, original research included social survey work, house condition analysis, analysis of resales of properties in Glasgow and forecasting of future scales.

## How to get further information

The full report, *Reviewing the Right to Buy* by Colin Jones and Alan Murie, is available from the Publications Officer, School of Public Policy, University of Birmingham, B15 2TT, Tel: 0121 414 5020/5014, Fax 0121 414 4989, e-mail: fowler@css.bham.ac.uk (price £13.95 inc. postage and packing).