



CAERPHILLY HOMES TASK GROUP - 29TH MARCH 2018

SUBJECT: ABOLITION OF THE RIGHT TO BUY AND ASSOCIATED RIGHTS (WALES) ACT

REPORT BY: INTERIM CHIEF EXECUTIVE

1. PURPOSE OF REPORT

- 1.1 To provide members of the Caerphilly Homes Task Group with information about Welsh Government's intention to introduce legislation on the abolition in Wales of the Right to Buy and Associated Rights.

2. SUMMARY

- 2.1 The *Right to Buy* was introduced by the UK Government through the Housing Act 1980 with the aim of extending levels of home ownership throughout the UK. Since the introduction of the *Right to Buy* and *Right to Acquire*, around 139,000 social rented dwellings have been sold across Wales.
- 2.2 Against a backdrop of considerable housing pressure in Wales, Welsh Government intends to introduce legislation, which abolishes the *Right to Buy* and *Right to Acquire*. The *Abolition of the Right to Buy and Associated Rights (Wales) Bill* has passed its final stage in the National Assembly for Wales on 5th December 2017. The Bill became an Act in January 2018, following receipt of Royal Assent.
- 2.3 Social landlords are required to ensure that all affected tenants are provided with relevant information issued by Welsh Government that landlords consider to be relevant to their tenants by 17th March 2018.

3. LINKS TO STRATEGY

- 3.1 By ensuring social housing is available to meet the range of housing needs in Wales the introduction of the legislation links to the following strategies:
- *Improving Lives and Communities: Homes in Wales* (Welsh Government, 2010), which sets out the national context on meeting housing need.
 - Priority 2 of *Caerphilly Delivers: The Single Integrated Plan 2013-2017* (CCBC), governing the improvement of housing and communities in the borough.
- 3.2 This legislation also links to the following goals within the *Well-being of Future Generations Act (Wales) 2015*:
- A prosperous Wales
 - A resilient Wales
 - A more equal Wales

- A Wales of cohesive communities
- A globally responsible Wales.

4. THE REPORT

- 4.1 Welsh Government recently introduced legislation which affects all social housing tenants interested in exercising the right to purchase their home. The legislation is entitled, '*Abolition of the Right to Buy and Associated Rights (Wales) Act 2018*' and applies to all social housing in Wales, irrespective of whether it is provided by a council or a housing association.

Legal Context

- 4.2 The *Right to Buy* scheme was introduced by the UK Government through the Housing Act 1980 and came into effect in October 1980. The Act allows tenants of local authorities and housing associations to purchase the home they rent from their landlord at a discounted price, should they meet the qualifying criteria. The *Right to Buy* does not apply to certain types of property (e.g. sheltered housing) and there are some restrictions to sales in rural areas.
- 4.3 The *Right to Acquire* was introduced by the Housing Act 1996 and came into effect on 1 April 1997. It only applies to the tenants of Housing Associations. The Act gives qualifying tenants a right to purchase their home if the property was built with support from public funding or where the ownership of the property was transferred from a local authority, on or after 1 April 1997, to a large scale voluntary transfer organisation.
- 4.4 Historically, *Right to Buy* and *Right to Acquire* discounts ranged from 32 per cent to 70 per cent of the market value of the property. The level of discount was dependant on the type of property, the residential area and how long an individual had been a tenant in social housing. However, since housing powers concerning the *Right to Buy* and *Right to Acquire* were devolved to Wales in 1999, there has been a clear divergence in policy. In England, the UK has made discounts more generous to incentivise tenants, whereas in Wales the Welsh Government has reduced the maximum discount. In July 2015, Welsh Government reduced the maximum discount from £16,000 to £8,000.
- 4.5 The aim of the *Right to Buy* and *Right to Acquire* was to extend levels of home ownership throughout the UK, a key feature of UK Government housing policy at the time. Since their introduction, around 139,000 social rented dwellings have been sold across Wales (the equivalent of 43% of the housing stock in 1981). As a result, there has been a significant reduction in the availability of social rented accommodation for those people who cannot afford to buy a home or rent privately. Although, *Right to Buy* and *Right to Acquire* sales have slowed in recent years, social housing stock is still being lost at a time of considerable housing supply pressure in Wales. This has resulted in people in housing need, many of whom may be vulnerable, waiting longer to be rehoused.
- 4.6 Following consultation in 2015, in March 2016 Welsh Government introduced a Bill, which set out its intentions to abolish all variations of the *Right to Buy*, including the *Preserved Right to Buy* and the *Right to Acquire*. Abolition for existing properties is to commence one year after Royal Assent and for new social housing stock (in the Caerphilly context, this will only apply to our housing association partners currently developing new homes) it will commence two months after Royal Assent. The shorter period for new stock is to encourage much needed investment in new homes. The Bill passed its final stage in the National Assembly for Wales on 5th December 2017 became an Act following receipt of Royal Assent on 24th January 2018.
- 4.7 Further information on the Bill process can be found at:
<http://www.senedd.assembly.wales/mgIssueHistoryHome.aspx?Id=17260&Opt=0>

Information for Tenants of Social Landlords

- 4.8 To ensure all tenants are aware of the abolition of the *Right to Buy* and *Associated Rights*, the Act requires the Welsh Government to publish information, which will assist tenants and prospective tenants to understand the effect of the legislation. The information includes the date on which the *Right to Buy* and *Right to Acquire* will end and other information which the Welsh Government considers would assist tenants and prospective tenants to understand the changes.
- 4.9 Every social landlord must ensure that all affected tenants are provided with information issued by Welsh Government and any information they consider to be relevant to their tenants by 17th March 2018.
- 4.10 From an equalities perspective it is important that the information published by Welsh Government, and any additional information published by the council, is produced in a range of accessible, easy to read formats. To date the information has been produced in easy read and large print versions and in Polish, Arabic, Portuguese, Spanish and Somalian.
- 4.11 Individual letters have already been sent to all Caerphilly Homes tenants ahead of the deadline with relevant information also placed on websites and social media. There are a number of tried and tested methods that the council use to ensure that all tenants are aware of the abolition of the Right to Buy and Associated Rights and how this may affect them including a tenants newsletter, e-bulletin, posters/pamphlets, releases to local media and presenting the information at a meeting with the Caerphilly Tenant Information Exchange, although not all such methods are achievable by 17th March 2018. Legal is sending out a copy of the booklet with every Right to Buy application request. We have also sent booklets to be displayed in all libraries, Customer First offices and Area Housing Offices. The WG Easy Read guides will also be available shortly.

5. WELL-BEING OF FUTURE GENERATIONS

- 5.1 The proposal is Welsh Government policy. The abolition of the Right to Buy and Associated Rights contributes to the *Wellbeing of Future Generations (Wales) Act 2015* by:

Long Term – ensuring that social housing is available in the long-term to meet the needs of future generations.

Prevention – to protect the supply of social housing to ensure it is available in the long-term to meet the needs of future generations.

Integration – provides for balanced and sustainable communities where people want to live.

Collaboration – the legislation has been developed in partnership with key stakeholders.

Involvement – Engaging with tenants to ensure they are aware of the changes that may affect them.

6. EQUALITIES IMPLICATIONS

- 6.1 This report is for information only, as a result no equalities implications have been identified.
- 6.2 Welsh Government have carried out a full equality impact assessment as part of the legislative development process.

7. FINANCIAL IMPLICATIONS

- 7.1 The abolition of the Right To Buy will result in an initial loss of income to the Housing Revenue Account; however this has reduced significantly in recent years due to the reduction in applications possibly linked to the maximum level of discount also being reduced. Over the

last three years, the number of houses sold under Right To Buy has been on average 26 generating a sales receipt on average of £1.4m pa, however only 25% of this receipt (average £365k pa) is retained by the HRA which is used to supplement the capital programme. The remaining 75% (average £1.1m pa) is used to offset the HRA debt charges. This would mean the HRA having a reduction in capital funding of some £365k pa and also identifying savings within the HRA to repay the debt charge, or not replacing the funding and paying off the debt over a longer period, which would attract increased interest charges.

- 7.2 The current business plan makes an assumption that stock will reduce by 20 per annum from Right To Buys therefore there is no cost allowance for maintaining this stock to Welsh Housing Quality Standard or potential future repairs. Abolishing Right to Buy would therefore mean an additional cost for the stock that would otherwise be sold. This loss of income should be offset to some extent by ongoing rental income and more importantly, the fact that the social housing will be retained and will assist those that cannot afford market rents or lack the finances to purchase a property.

8. PERSONNEL IMPLICATIONS

- 8.1 This report is for information only, as a result no personnel implications have been identified.

9. CONSULTATIONS

- 9.1 All responses from consultations have been incorporated in the report

10. RECOMMENDATIONS

- 10.1 It is recommended that members of the Caerphilly Homes Task Group note the contents of the report.

11. REASONS FOR THE RECOMMENDATIONS

- 11.1 The purpose of the report is for information only.

12. STATUTORY POWER

- 12.1 Housing Acts 1985, 1996, 2004, Local Government Measures 2009 and the Well-being of Future Generations (Wales) Act 2015.

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