



Councils given power to build more homes for first time buyers and for social rent

To: England

For info: Contacts from Scotland, Wales and Northern Ireland.

Key Issues

On 20 March 2021, the Housing Secretary announced new reforms that are designed to give councils in England more freedom on how they spend money from homes sold through Right to Buy.

1. Background

In 2012, the coalition government announced a policy to reinvigorate the Right to Buy. The new policy introduced a significant increase in the discounts available to tenants and in introducing the policy the government promised that all homes lost would be replaced on a one-for-one basis, nationally.

As part of the reforms, councils had to provide an additional affordable property within three years of receipt of the sale of the Right to Buy home. If the council failed to meet this obligation a proportion of the receipt had to be returned to central government.

In addition, the government only allowed councils to retain Right to Buy receipts where they were able to demonstrate that no more than 30 percent of the receipt would be used to fund the cost of replacement homes.

Under the terms of the policy, the receipts cannot be combined with grant funding from Homes England, so councils generally needed to find the remaining cash from borrowing or revenue funding.

The government state that the new measures are designed to give councils greater flexibility over the types of homes they provide to reflect the needs of their communities. This briefing provides an overview of the changes that the Housing Secretary has announced.

2. The measured introduced

The government has commented that this set of reforms, combined with the abolition of the borrowing cap in 2018, provides councils with substantially increased flexibilities to build the homes England needs.

The changes being introduced are due to take effect from 1 April 2021, with the exception of a new acquisition cap, which will be introduced from 1 April 2022, on a phased basis.

The new measures include:

- extending the time councils have to spend Right to Buy receipts from 3 years to 5 years
- increased cap on the percentage cost of new homes councils can fund from Right to Buy receipts raised from 30% to 40% per home, making it easier to build replacement homes
- allowing receipts to be used for shared ownership, First Homes, as well as affordable and social housing, to help councils build the homes their communities need
- introducing a cap on the use of Right to Buy receipts for acquisitions to help drive new supply.

3. Consultation on Right to Buy receipts.

It is reported that on 14 August 2018, alongside the Green Paper, A New Deal for Social Housing, the Ministry of Housing, Communities and Local Government published a [consultation](#) on how local authorities could use the receipts they obtained from sales of council housing under the Right to Buy to deliver replacement homes, and how those replacements were measured.

The consultation received a total of 198 responses, which the government report that they have analysed the responses and these have informed the package of reforms. The published response can be access by the following link:-

[Published response.](#)

APSE Comment

In the APSE and TCPA report, [At a crossroads – building foundations for healthy communities](#) there is a call to government to provide extensive grant funding to LPAs for the direct delivery of social housing and end Right to Buy as social housing has multiple public health benefits and now more than ever represents good value for money to the taxpayer.

The reforms outlined by the Housing Secretary give local authorities more flexibility to determine the tenure of housing that can be built and a little bit more flexibility in terms of the time cap and percentage that new homes can be funded from Right to Buy receipts.

APSE welcomes the acknowledgment from government of the key role that local authorities play in providing housing for their communities. However, APSE believes that the reforms represent a missed opportunity to take a holistic approach to housing policy and the role it plays in building strong communities and is in essence tinkering around the edges.

While the extension in the time permitted for councils to spend the receipts is welcomed due to the current limit being unachievable due to complex developments taking more than three years to progress through the planning process. The extension does not provide councils with any certainty over the financing. The business cases associated with council housing developments are based on the longer term and in many cases over 25-30 years.

The increase in the cap from 30 percent to 40 percent is a step in the right direction but the increase does not go far enough when taking into consideration the challenges facing the housing sector. To ensure that the homes built today are suitable for the future they need to be designed and built to meet councils and the government's carbon neutrality targets and be resilient to the impacts of climate change. In addition, with an aging population homes also need to be adaptable to allow for people to remain in their homes into their old age.

Building sustainable homes have a greater upfront build cost and under the revised cap, local authorities are still required to fund the majority (60%) of the build cost. It is clear from the past decades that building houses that meet the minimum standards does not represent value for money in the long term. Extensive retrofit programmes are now required to ensure that housing of all tenures is safe, energy-efficient and meets the needs of an aging population, much of which is being funded from the public purse.

On a final point, local authorities currently use Right to Buy receipts to purchase existing properties to supplement their housing stock. APSE acknowledges that in doing so the 'total' housing numbers do not increase. However, councils have adopted this approach to meet the needs of their communities, for example in areas that have a high need for social housing but are restricted in the availability of land to build new homes on, imposing a cap on acquisitions could have a detrimental impact on the council's ability to provide social housing and undermine wider economic and regeneration programmes.

Vickie Hacking
Principal Adviser