



## Ministerial Statement on Right to Buy 28.9.06: Briefing from Shelter Scotland

### Main points

- Shelter welcomes the statement but urges MSPs to see Right to Buy reform as an *ongoing process* rather than being closed off by the statement.
- The research leading to the statement has raised as many questions as answers: in particular, the long-term impact on good quality lets of homes is unknown.
- Right to Buy has very different impacts in different parts of the country: this is why Shelter is calling on the scheme to be revised to make it much more tailored for different market conditions.

### 1. Context

The Right to Buy is a scheme, introduced in October 1980, which allows most tenants of councils and registered social landlords (RSLs) to buy their rented home at a substantial discount: 50 per cent for houses and 70 per cent for flats. For most of the time Right to Buy has operated in a fairly uniform way throughout all of Scotland and has led to the sale of almost half a million rented homes to sitting tenants.

The Housing (Scotland) Act 2001 introduced the first set of meaningful reforms to Right to Buy. It reduced the maximum discount to 35 percent of the value and to a cash cap of £15,000 – but only for new tenancies. It also gave councils powers to seek to suspend Right to Buy in pressured areas for up to five years – again only for new tenants. At the same time, however, Right to Buy was extended to many housing association tenants, albeit with a transition period through to 2012 in most cases.

Most of the 2001 Act changes went 'live' on 30 September 2002. Section 52 of the Act requires ministers to publish a report no less than 4 years after the commencement date. So today's statement is the last possible day on which it could be made to parliament.

### 2. The statement

The Right to Buy has been the most significant housing policy in Scotland for a generation. Despite this, it has not received the detailed scrutiny from government that its importance would imply. The statement is a welcome step to address that deficit. However, the statement is not a full-scale review of the impact of Right to Buy, or anything like it. Its remit is defined by statute to focus on:

- the nature and condition of housing stock
- the need of people for housing
- the demand for and availability of housing.

**Shelter firmly believes that the case for wider reform of Right to Buy is not addressed by this statement; we would urge MSPs to press the minister on the need for reform to be an ongoing process.**

### 3. Impacts of Right to Buy

**a) Supply of homes.** Right to Buy has resulted in a massive reduction in the number of rented homes. It is sometimes argued that this has little short term impact because it is only at the point at which the tenant would have left the property that the let would have become available. That may be

many years hence. This is true and so reducing the loss of properties through Right to Buy today would not result in any immediate increase in lets tomorrow. The lets 'saved' by not selling the house may take years to come through the system. But simply saying that the impact is long term rather than short term is not a reason for sticking with the status quo. It is like saying that if we cannot have jam today, we don't want it at all.

Most studies show that the supply of lets has not reduced as dramatically as the stock of homes. So stock may have fallen by 30 per cent, for example, but lets may have only fallen by 10 per cent. Some of this might be due to the lagged effect described above. But it also means that there is a higher turnover of lets among the generally poorer quality properties that are left to let. **That turnover might simply be a sign of the fragility of the area rather than making any meaningful contribution to the long term and sustainable housing of people.**

**b) Implications for the 2012 homelessness target.** Right to Buy is continuing to deplete housing stock at the same time as social landlords' responsibilities to house homeless people are increasing. By 2012 all homeless people will have to be housed, almost all in permanent accommodation. When a house is sold through Right to Buy it will still be used to house someone, but in the long term it will no longer be available for a council to meet its *statutory* duties.

**c) Social polarisation.** Much attention is rightly paid to the need to create thriving and mixed communities. Unfortunately, Right to Buy results in the better-off tenants being able to buy what are inevitably the better quality properties in the most popular neighbourhoods. This means that people who cannot afford to buy are left with the poorer quality houses in the most disadvantaged areas. Right to Buy has been one of the main drivers of this neighbourhood polarisation. It has also meant that council housing is increasingly seen as the last resort for the poor, the sick and the old. This has unfortunate consequences for the reputation of 'social housing'.

#### **4. Reforms to Right to Buy**

Many of the problems are not necessarily inherent to Right to Buy itself; rather they stem from the way it operates in a very uniform way. With the exception of the recently introduced 'pressured area' status, the Right to Buy offers very little flexibility with regard to local context. So in one area, Right to Buy sales may be quite benign, genuinely introducing greater diversity; in other areas, their impact may be to seriously undermine attempts to ease pressure in local housing markets.

**So Shelter supports a more fundamental overhaul of Right to Buy to make it much more flexible – to make it align with local housing strategies rather than being an obstacle to delivering them.** Such flexibility could give greater discretion to landlords to determine the scale, pace and terms of sales in a way that supported the local market. If we are serious about local housing strategies being the driving force of housing provision locally then councils need the tools to do the job.

That is why we are asking MSPs to welcome the statement but also to press the minister on the need for further reform in the next parliament (2007-11). Shelter, along with the Chartered Institute of Housing and Scottish Federation of Housing Associations, is looking at commissioning some analysis of a range of reform options to take us through into that next parliament. **Today we are asking MSPs to keep the door open for reform, both in responding to the statement and by supporting motion S2M-04877 in name of Elaine Smith MSP, which calls for the statement to be the start of a process, not an end point.**

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