The Right to Own

BY ALEX MORTON

Centre for Policy Studies

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Introduction

In recent years, home ownership has collapsed – particularly among younger generations. As recently as 1996, 65% of those aged 25-34 owned their own home.[1] Today, that figure is down to 41%.[2]

There are many reasons for this, including insufficient supply and lack of access to mortgages. But a very significant factor is that we have seen the collapse of a policy which hugely expanded ownership: the Right to Buy.

The introduction of the Right to Buy in the 1980s offered council tenants the chance to own their own homes – an offer that almost one in 10 households, representing four and a half million people, took up.[3]

Today, Britain still has 4.1 million social housing properties. But the number of tenants buying their own properties has collapsed, from an average of 67,000 homes each year in the early 2000s to just 9,319 in 2020/1. That figure was obviously affected by the pandemic, but even in the years before it had fallen to around 15,000 a year.[4]

‘In 2021 Ipsos Mori found that 81% of people wanted to own rather than rent, with 60% feeling this strongly’

The dream has not died because people do not want to be owners. In 2021 Ipsos Mori found that 81% of people wanted to own rather than rent, with 60% feeling this strongly. Social tenants, too, overwhelmingly aspire to be homeowners, despite the benefits of subsidised rent and more secure tenancy.[5] Tellingly, fewer than 1% of owner occupiers want to move back into renting.[6]

It is sometimes said that the British are peculiarly obsessed with home ownership compared with more sensible countries such as Germany. In fact, Britain has the fifth lowest home ownership rate in Europe, lower than 22 out of 27 EU members.[7] We have gone from being one of the leaders in ownership to one of the laggards. A couple of

1 Institute for Fiscal Studies, *The decline of homeownership among young adults.* Link

2 Ministry of Housing Communities and Local Government, *English Housing Survey 2019 - 20, Annex Table 1.4.* Link

3 Based on 1.95 million homes sold, and average household size in the social rented sector of 2.3; Department for Levelling Up, Housing and Communities, *Table 671: annual Right to Buy sales for England (includes chart).* Link; Department for Levelling Up, Housing and Communities, *English Housing Survey: Private rented sector, 2016-17.* Link

4 Department of Levelling Up, Housing and Communities, *Table 678: Social Housing Sales: Annual Sales by Scheme for England: 1980-81 to 2020-217.* Link

5 Ipsos Mori, *Nationwide: Future of home survey.* Link

6 Council of Mortgage Lenders, *Home-ownership or bust? Consumer research into tenure aspirations.* Link

7 Eurostat, *Distribution of population by tenure status, type of household and income group – EU-SILC survey.* Link

years ago, the CPS polled young people on when would be able to afford to buy a home. The most popular response among 25- to 39-year-olds was 'Never'.[8]

For the Conservative Party, giving up on ownership – or even being seen to have done so – would be politically disastrous. Arguably the single biggest factor determining whether you vote Tory or Labour is whether you own or rent. As the electoral analyst Matt Singh has shown, 77% of the swing from Tories to Labour between 2015 and 2017 can be explained by the rise in private renters.

Greater ownership needs to be at the heart of this Government's agenda, and its promise to level up the country. But given the lead times involved, fixing the housing market will take years, if not decades. So, the Government needs to ensure that the Right to Buy, one of the biggest policy successes of the 20th century and one which can have a rapid impact in the short and medium term, is put centre stage in the 21st.

> **'As the electoral analyst Matt Singh has shown, 77% of the swing from Tories to Labour between 2015 and 2017 can be explained by the rise in private renters'**

There should be no stigma to living in social housing. But most people in social housing want to own if they can. In addition, Britain already has the fourth highest stock of social housing in Europe.[9] Our problem is not that we do not have enough state housing provision. It is that we do not have enough homes, and particularly enough homeowners.

Today, there are 1.6 million social housing properties directly owned by councils, and a further 2.5 million that have been transferred to housing associations. The core argument of this paper is that we need to give tenants the same access to ownership enjoyed by their predecessors in the 1980s and 1990s. We need to renew the Right to Buy.

Reviving the Right to Buy

The Right to Buy is one of the great public policy success stories in recent decades – one of the few policies, indeed, that has embedded itself in the popular memory. Since its introduction in 1980 it has helped around two million households into ownership.

But as noted, the total number of sales has fallen sharply among local authority tenants. Meanwhile, the Conservatives' promise in their 2015 manifesto to extend the principle to housing associations – which now own the majority of Britain's social housing stock – has been kicked into the longest of Whitehall grass.

This is in part because the mood has turned against Right to Buy – particularly on the left. The claim has been made that it simply transferred housing from public to private, representing an unearned transfer of wealth to the lucky recipient. Moreover, some of these homes are now rented rather than owned. The allegation is that this, along with the fact that we failed to build homes to replace those sold, has exacerbated the housing crisis.

But this is misleading, for multiple reasons.

8 Centre for Policy Studies, *New Blue: Ideas for a New Generation.* Link
9 OECD, *Public policies towards affordable housing, Social rental dwellings stock.* Link

For a start, the fall in public sector housing construction began well before the introduction of the Right to Buy. By 1980, the number of council houses being built was already less than half the figure of a decade before – and it continued to shrink across the next decade. The receipts from Right to Buy were also not recycled into new homes, which would be guaranteed under the approach recommended in this paper.

More crucially, even without receipts being recycled into new housing, waiting lists for social housing continued to fall during the heyday of the Right to Buy. This is because demand for social housing is driven not by the supply of social housing per se, but by house prices across the market. This makes intuitive sense – people only need a council property if they cannot afford to own or rent. The great surge in waiting list numbers came, as this paper will show, when house prices took off in the 1990s and 2000s.

If you help people into ownership, then you need fewer social homes – and most people want to be owners, not permanent tenants. This is the real housing crisis we face.

‘As a share of social housing, the Right to Buy sales rate has fallen from just over 2% of the stock each year to around 0.4%’

The idea that the ‘discount’ associated with the Right to Buy is a waste of money, as argued by the left and accepted by many in the Treasury, is also simply wrong. The discount reflected past rents, but it also created new savings. Even if you assume that the receipts from Right to Buy are put into a new property, as proposed in this paper, we estimate the long-term savings are around £140,000 for each home sold – largely due to the reduction in housing benefit costs, particularly when tenants become too old to work.

In other words, in the long run this policy actually saves money – especially if you combine it with the sale of high-value council properties as they become free, a highly popular policy the Theresa May government abandoned in the face of resistance from the left. These policies combined could allow an expansion of home ownership and an increase in affordable homes at the same time.

The final point is the most fundamental. People want to own their home. The Right to Buy helped them do that. Yet at the moment, for every £1 we spend helping renters, we spend just 2.3p on supporting owners and ownership.

This is due to a major imbalance in the current system. For example, those who work on low to moderate wages can rent and claim housing benefit to help pay for their housing costs, while those on the same income who have mortgages must pay their housing costs in full. If low-income renters lose their job, they can rely on housing benefit to cover their housing costs in full. Those who own have to wait months before they can claim anything, and they can only claim the interest on their mortgage up to a cap, via a loan which has to be repaid.

Reviving the Right to Buy would, among other things, help to redress this bias – although it will not be enough on its own. But currently, things are moving in the wrong direction. As a share of social housing, the Right to Buy sales rate has fallen from just over 2% of the stock each year to around 0.4%. Even if you exclude those homes transferred to housing associations, the rate among the remaining stock is just 0.75%.

This paper argues that we need to build on one of the successes of the past few decades and create Right to Buy for the modern day – which we term the Right to Own.

The Right to Own

Our new Right to Own would not just revive the Right to Buy, but improve on it – because it would address the key factors that have made exercising the Right to Buy less attractive.

One of the most important is that taking up the Right to Buy, where it is still available, has become riskier for today's tenants. They are actually slightly more likely to be in work than their equivalents in the past – but moving from rent to ownership denies them access to housing benefit, and forces them to absorb additional and unpredictable costs, such as repairs and renovations.

In an era of unstable jobs and unstable relationships, when 8 in 10 social tenants have no savings and most of the rest have extremely limited savings, we need to de-risk the Right to Buy.

> **'Tenants would obtain a mortgage worth 60% of the value of their home and pay it off as any other buyer would'**

Under the Right to Own, we would swap the order of the Right to Buy around. Tenants would obtain a mortgage worth 60% of the value of their home and pay it off as any other buyer would. At the end of this they would be given the rest of the property outright.

In other words, with every monthly payment, they would be earning a greater slice of their property, and building up their ownership stake. This is a concept that tested incredibly well in the housing focus groups we have conducted.

This approach has other advantages. It means that the tenant would be able to access the equity they have been building up if they lose their job or in the case of relationship breakdown, buying breathing space to manage their life. If in work they could continue to partially claim housing benefit, though this would not count against the mortgage.

Major repair costs would still be covered by the local authority or housing association as at present, but the new owners would be able to update and improve their house as they saw fit, and would take on day-to-day repairs and management, reducing the cost for the state.

With their housing costs rising as if they were social renters, this increase over and above their initial rent would count as the interest on their mortgage. For local authorities, this would create a stream of mortgages that the Government could sell in order to reinvest in a major new affordable housing building programme – creating both more owners and more affordable housing stock.

For the most expensive local authority properties, where buying the property would either be impossible or seen by the public as unfair, we suggest a modified version of the scheme, allowing tenants to build up an equity stake or take a shared ownership stake in the property. But a similar principle would apply – with every month, they would be building up a stake in a property, and in society.

Extending the Right to Buy to Housing Associations

Introducing the Right to Own will be more easily done for those living in council housing than those whose properties have been transferred to housing associations, a process which (unjustly) saw the stripping away of the Right to Buy for any new tenants.

We hope the Government can and will introduce the Right to Own for both categories of tenants, not least to eliminate the current unfair imbalance between the two, in terms of access to ownership – deriving purely from whether your local authority home was transferred to a housing association at some point in the past.

But at a bare minimum, the Government should fulfil the promises made to housing association tenants that they would have the original Right to Buy offered to them – as first set out in the 2015 Conservative manifesto, repeated in 2019, and agreed with the sector. To let these 1.9 million households down would not just be a failure in terms of home ownership, but is likely to be very damaging in electoral terms.

‘The Government’s estimates in 2015 were that the sale of high value assets would raise around £4.5 billion from 15,000 sales each year’

Given that a voluntary deal was agreed between the Government and the housing association sector, it seems like it should be fairly easy to resurrect the deal, not least given the extensive levers at the government’s disposal (e.g. rent setting, grants and so on).

As this paper shows, introducing the Right to Own to local authorities would raise sufficient funds to pay for the extension of Right to Buy to housing association tenants, which was estimated a few years ago to cost perhaps £1.7 billion a year. This would mean that housing associations could recycle the proceeds into building more affordable homes.

Another potential route for funding either the Right to Own or the extension of Right to Buy would be to revive the Cameron-era plan to sell the most expensive council homes, using the proceeds to both pay for a replacement locally and subsidise the extension of ownership within the housing association sector.

The Government’s estimates in 2015 were that the sale of high value assets would raise around £4.5 billion from 15,000 sales each year.[10] An alternative calculation by Savills estimated that the plan would raise £3.2bn from 5,500 sales.

Given that the average grant per affordable housing unit in London was £118,000, and the value of housing has only increased, this policy of selling off high value vacant local authority properties would generate more than enough money to support the construction of replacement council housing while subsidising the wider Right to Buy scheme. Even 15,000 new properties would cost around £1.7 billion – which the receipts would clearly cover and then allow for the extra cost of the original Right to Buy extension with room to spare.

10 Financial Times, *Sell-off of council houses will raise less than ministers expect.* Link

Obviously, the exact number of people who would take advantage of this policy is impossible to estimate with precision – in particular since it would depend on whether housing association tenants were offered the full-fat Right to Own (as we recommend) or just the original Right to Buy extension, which retains the flaws that the Right to Own is designed to address.

But as we set out here, we believe that the Right to Own and Right to Buy extension could see annual transfers rise from the recent annual average of 15,000 to 75,000 per year, with around 30,000 additional sales coming from each of the Right to Buy extension and the Right to Own each year, making 60,000 new sales each year in total.

'Over a decade, we could see at least extra 600,000 households – representing 1.4 million people – move into ownership'

Over a decade, we could see at least extra 600,000 households – representing 1.4 million people – move into ownership, all done with no overall cost to the Treasury, and all while providing close to a million new affordable homes from recycling the receipts. And of course offering housing association tenants the full Right to Own would, we believe, see even higher take-up.

Of course, there is also a need to offer avenues to ownership for those in the private rented sector. It would be unfair to focus support for home ownership purely among social tenants. That is why we suggested capital gains tax breaks for landlords who sell to their tenants, which the tenants could also use as the core of a deposit, in our paper 'From Rent to Own'.

In addition, there is a case for the Government to evaluate other ways in which it can balance support more fairly between owners and renters – rather than actively penalising those on low or moderate incomes who attempt to move from renting to owning.

A reborn Right to Buy can be the flagship of a renewed effort to get ownership back up amongst a generation that is being let down and left behind. The question is whether the Government has the political will to rescue home ownership and resurrect one of the 20th century's most popular and transformative policies.

Part 1: The Ownership Crisis

The housing crisis is arguably the single greatest social policy challenge that Britain faces. Boris Johnson declared in his first comments on the steps of Downing Street that under his leadership the UK would 'close the opportunity gap, giving millions of young people the chance to own their own homes'.[11] Theresa May declared that it was her 'personal mission' to reverse the decline in home ownership and 'bring housing within reach of a generation that has been locked out of the property market'.[12] David Cameron said he wanted to move 'from Generation Rent into Generation Buy'.[13]

It is occasionally suggested that home ownership is losing its appeal, especially among the young. But there is zero evidence for this.

'In the summer of 2021 Ipsos Mori asked people whether they would rather own rather than rent. They found that 80% of people agreed that they would, 60% strongly agreeing, while just 7% disagreed (the rest were either neutral or unsure)'

In the summer of 2021 Ipsos Mori asked people whether they would rather own rather than rent. They found that 80% of people agreed that they would, 60% strongly agreeing, while just 7% disagreed (the rest were either neutral or unsure). Among social tenants, support for ownership was also strong, despite the benefits of subsidised rent and a more secure tenancy: 55% agreeing, 34% strongly, and 17% disagreeing.[14] Other surveys show that fewer than 1% of owner occupiers want to move back into renting.[15]

The issue of housing has also steadily risen up the political agenda. Since the early 2000s, it has risen in Ipsos Mori's issues index to be a top 10 priority for voters.[16] (And of course the fact that a majority of voters are already owner-occupiers shows what a crucial issue it is for the remainder.) When the CPS asked in 2019 what specifically government could do to improve people's lives, making housing more affordable was a dominant issue: among those aged 18-24 it was the most popular suggestion, and among those aged 25-39 it came in second, behind addressing the general cost of living (which will of course include housing and rental costs).[17]

11 Prime Minister's Office, 10 Downing Street, *Boris Johnson's first speech as Prime Minister: 24 July 2019.* Link

12 Prime Minister's Office, 10 Downing Street, *PM: Thousands have saved money already thanks to Government's stamp duty cut.* Link

13 David Cameron, as quoted in The Independent, Tory Party Conference 2015: David Cameron's speech in full. Link

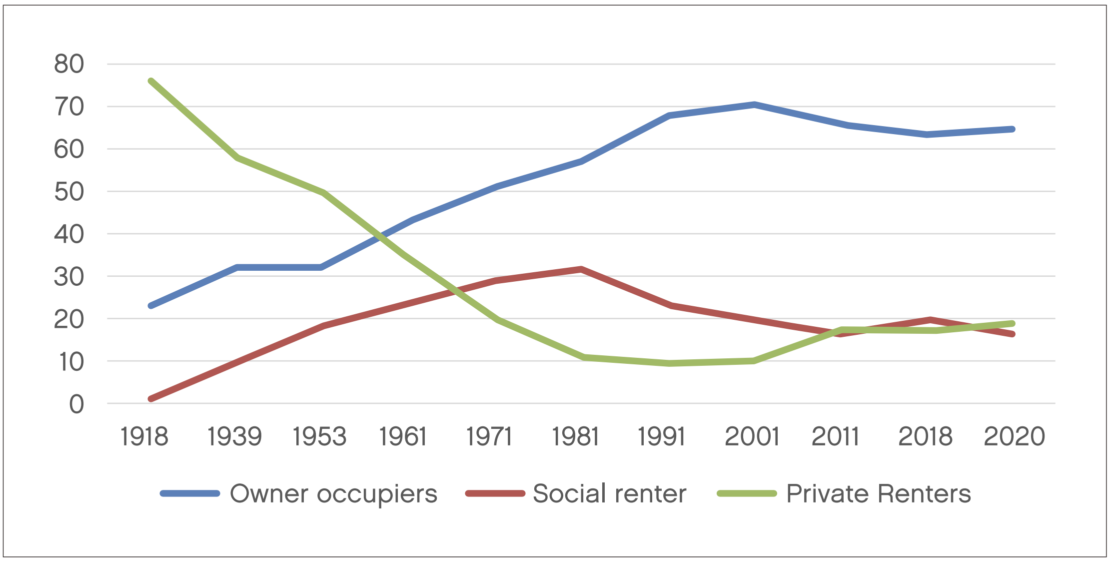
14 Ipsos Mori, *Nationwide: Future of home survey.* Link

15 Council of Mortgage Lenders, Home-ownership or bust? *Consumer research into tenure aspirations.* Link

16 IpsosMORI September 2021. Link; Past data IpsosMORI, Issues *Index: Trends over time.* Link

17 Are young people clamouring for Corbyn? *CPS press release.* Link

Household tenure over time



Source: Department for Levelling Up, Housing and Communities, *Live tables on dwelling stock (including vacants).* Link

When asked in the same survey whether the Government should prioritise reducing the cost of renting, making renting more secure, or making it easier to afford to buy, 53% of 25- to 39-year-olds opted for the latter, with only 19% choosing rental costs and 6% making rental tenancies longer and more secure. The equivalent figures for 18- to 24-year-olds were 57%, 17% and 6% respectively.

Yet whenever you argue in favour of home ownership, you will be met with the criticism that it is an idiosyncratic British preoccupation.

This is nonsense.

The UK has the fifth lowest rate of home ownership in Europe, well below the EU average of 69.8%. We are unusual in terms of how low our ownership rate is rather than how high.

Ownership, in short, speaks to a fundamental human instinct – and expanding ownership is a key part of a happy and secure society. This makes it even more of a tragedy that in the 21st century we have reversed one of the 20th century's most fundamental gains.[18]

The fall in home ownership is even more dramatic when it is broken down by age. The proportion of pensioners who own their own home has actually risen to stand at 80% or so. But the fall among young people has been catastrophic. Research from the Institute for Fiscal Studies has shown that from the mid-1990s to the middle of this decade, home ownership among 25- to 34-year-olds on average earnings plummeted from 65% to around 40%.[19]

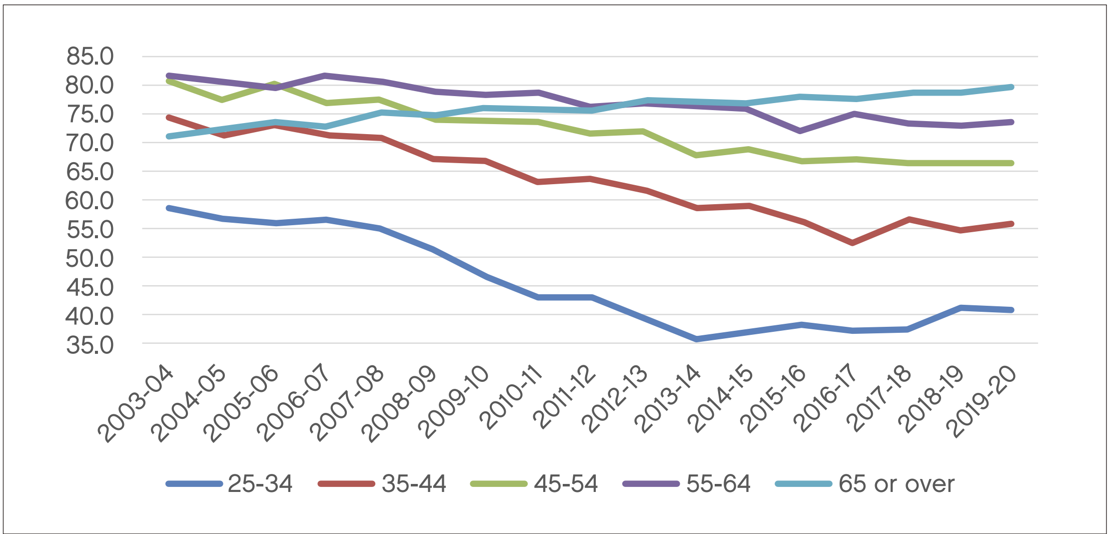
18 ONS, *Home ownership down and renting up for first time in a century.* Link; *Department for Levelling Up, Housing and Communities, Live Table 104.* Link

19 Institute for Fiscal Studies, *The decline of homeownership among young adults.* Link

Home ownership rates in Western advanced economies[20]

Country/Area	Ownership rate	Year data from
Norway	80.8%	2020
European Union (average)	**69.8%**	**2019**
Canada	68.7%	2019
United Kingdom	**64.6%**	**2020**
United States	64.5%	2019
New Zealand	64.5%	2018
Germany	50.41%	2020

Owner occupation rates (%) by age group, England, 2003-04 to 2019-20



Source: English Housing Survey 2019-20, Annex Table 1.4

The collapse in home ownership may be even worse than the figures above suggest. The headline statistics on owner-occupation are generated in terms of households. But of course, some of those who live in an 'owner-occupied' property may be not be owners themselves.

The most obvious example of this is the number of 20- to 34-year-olds who have either never left their parents' homes, or have returned to live there. This number has been steadily growing both as an absolute figure and as a proportion of the total number of young adults.

Year	Age 20-34 living with their parents (000s)[21]	% of total
2000	2,409	20
2008	2,703	22
2020	3,628	28

Some of these millions of young people may be attracted by their parents' cooking. But there are sure to be many more who have been forced to share the family home

20 Eurostat, *Distribution of population by tenure status, type of household and income group – EU-SILC survey.* Link. OECD, *The Evolution of Homeownership Rates in Selected OECD Countries: Demographic and Public Policy Influences.* Link. StatsNZ, *Homeownership rate lowest in almost 70 years.* Link

21 Office for National Statistics, *Young people living with their parents, 2020.* Link

because of housing costs – or who are remaining in the family home because it is the only way, given rental costs, that they will ever be able to save for a deposit.

Focusing on share of households distorts the figures in another way, because rental households tend to be larger than ownership households. The average household size for owner occupiers is 2.35 people per household compared to 2.52 for the private rented sector and 2.33 for social renters, because households of three or more are much more prevalent among private renters.[22] A single pensioner living alone is counted as the equivalent of four young renters having to share a property. Once you adjust for both of these factors, an estimate from December 2016 puts the actual share of homeowners as a share of the UK population at 51%, making the need for action even more pressing.[23]

In short, it is no surprise that CPS polling in 2018 found that 50% of voters did not consider the Conservatives the party of home ownership, and just 16% thought that they were. Intriguingly, 30% told us that they used to be, but were not any more.

The Politics of Ownership

If this prospect were not enough to jolt the Conservatives into radical action, they should consider the impact on their own electoral fortunes. It is clear that home ownership is one of the biggest factors - and possibly even the single biggest - in terms of determining how someone votes.

Between 1966 and 1997, the Tories generally maintained a lead of roughly 30 points in the polls among owner-occupiers. That fell during the Blair years, but has since rebounded. However, even in this period, the Conservative vote held up better among owner-occupiers than among renters.

‘In 2019, 57% of owner-occupiers and 43% of mortgage-holders voted for the Conservative Party (against just 22% and 33% for Labour)’

In 2019, 57% of owner-occupiers and 43% of mortgage-holders voted for the Conservative Party (against just 22% and 33% for Labour). The flipside of this, however, is the Tories’ abysmal performance among non-homeowners. Just 31% and 33% of private and social renters voted Conservative, while 46% of private renters and 45% of social renters voted for Labour.[24]

This was similar to 2017, where 43% of mortgagees voted Conservative, as did 55% of owners, while just 26% of social renters and 31% of private renters voted Conservative. Just 30% of owners and 40% of mortgagees voted for Labour, but they received the support of a huge 54% and 57% of private and social renters.[25]

Of the 365 seats won by the Conservatives in 2019, 315 have home ownership levels above the UK average compared with just 53 of the 202 seats won by Labour. In fact, only

22 Department for Levelling Up, Housing and Communities, *English Housing Survey, 2019-20 Private Rental Sector.* Link

23 Lindsay Judge and Adam Corlett, *Only half of families own their own home – how do the other half live?* Link

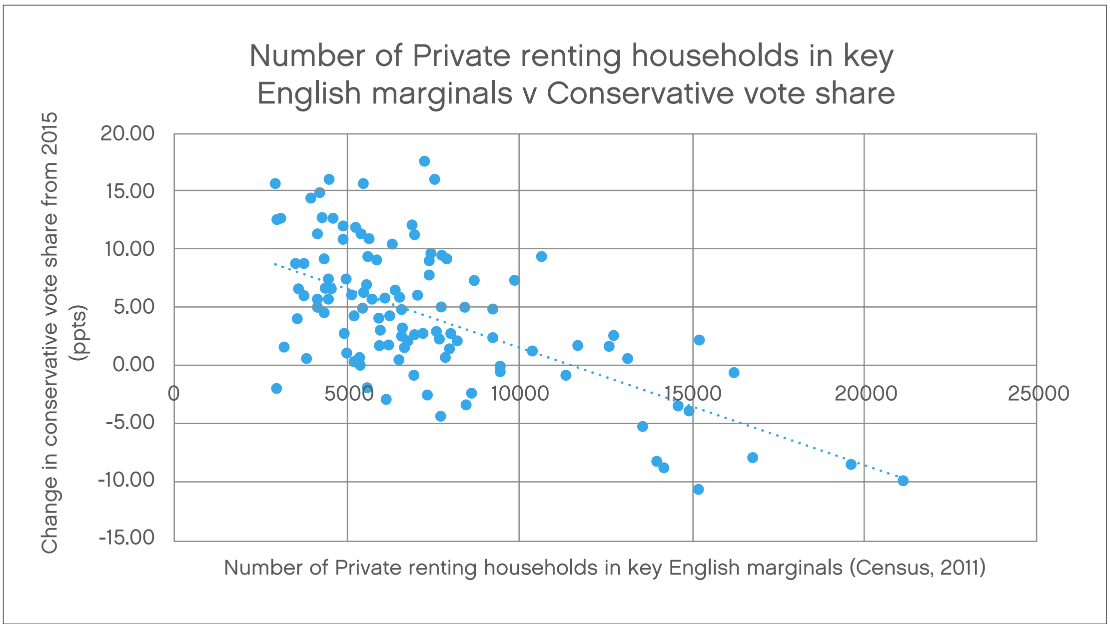
24 George Eaton, *How Tory dominance is built on home ownership.* Link

25 Ipsos Mori – *How Britain voted 2017.* Link

three Tory constituencies – Chelsea and Fulham, Kensington and the Cities of London and Westminster – have official home ownership rates below 50%. In the northern 'Red Wall', as in southern England, the Conservatives benefit from the support of owner-occupiers.[26] One of the most striking unifiers of the Tory coalition is home ownership.

This is obviously partly down to Tory voters being more elderly. Yet pollster Matt Singh noted in the aftermath of the 2017 general election that the shift from Labour to Conservative among social tenants was roughly 4.5%, while the shift among those renting privately was a staggering 10%. Singh's analysis suggests that around 77% of the 6.5% swing from Conservative to Labour was down to renters, after accounting for other factors (such as age or Leave/Remain). Shelter, similarly, found that the more renters there were in a given constituency, the worse the election result was for Conservatives. And they noted that for renters, housing was a much bigger issue than it was for owners.

Shelter analysis of renting and Conservative vote share[29]



One final factor to note is that falling home ownership may also have an impact on the *distribution* of votes in a way that is unhelpful to the Conservatives. As it becomes impossible to own a home in London, younger people who are more inclined to the left may well move further out , taking their voting habits with them. Certainly the shift toward Labour in seats such as Hastings and Rye, Bedford or Brighton seems to indicate that voters in these towns, which offer a combination of cheaper housing relative to London, often alongside a university that is a nucleus of non-Conservative voters, are shifting away from the Conservatives.

It is surprising, therefore, that the Conservatives have not made this issue a political priority - or at the very least, have not matched their rhetoric to sufficient action.

26 Ibid.
27 Matt Singh, *The U.K. 'Youthquake' Was All About the Rent.* Link
28 Matt Singh, *Is the rentquake analysis a spurious correlation?* Link
29 Steve Akehurst, *Housing and the 2017 election: what the numbers say.* Link
30 Ian Warren, *How the Conservatives lost their home counties heartland.* Link

Part 2: The Right to Buy

If we are looking for ways to boost home ownership, an obvious place to start is with the single policy that did more than any other in the 20th century to increase it, helping two million households into ownership from 1979 to 2020.[31]

> **'Almost one in 10 households moved into ownership because of the Right to Buy. This was a truly transformative policy'**

This is a staggering number, which works out at around 9% of the 24.4 million households in the mid-point of that period.[32] In other words, almost one in 10 households moved into ownership because of the Right to Buy. This was a truly transformative policy.

What is the Right to Buy?

The Right to Buy consists of the following elements:

- Potential buyers are those who have been social tenants for at least three years in either council-owned or transferred properties (explained further below).
- Substantial discounts on the market price of the property are offered to those who want to buy their home:
- For tenants in a flat, the discount is 50% after three years, which rises by 2% per year after five years as a tenant, to a maximum of 70%, or £80,900 across England and £108,000 in London boroughs (whichever is lower).
- For tenants in a house, the discount is 35% after three years, which rises by 1% per year after five years as a tenant, to a maximum of 70%, or £80,900 across England and £108,000 in London boroughs (whichever is lower).
- Tenants must obtain a mortgage to cover the remainder of the property value and take on full responsibilities for repairs and maintenance.
- There are also rules around paying back at least part of the discount if you sell your home within five years of buying it. If you sell your home within 10 years of buying it, you must first offer it to social landlords in the area. In some areas (e.g. AONBs) then there are other restrictions around who you can sell to.

31 Department for Levelling Up, Housing and Communities, *Live tables on social housing sales: Table 678: annual social housing sales by scheme for England (includes chart).* Link

32 ONS, *Total number of households by region and country of the UK, 1996 to 2017.* Link

The Right to Buy currently applies only to those households who are renting from a local authority (around 1.6 million households)[33] or who were renting from a council when they moved into the property, even if this property is now owned by a housing association. This is termed a 'preserved' Right to Buy, as their Right to Buy was preserved when they moved. It largely operates in the same way, and covered around 620,000 tenants in the early 2010s.[34]

While there is a maximum discount of 70%, in practice the average discount is smaller than this, as the table below shows. The average discount in 2019/20 was £63,760, or around 43%.

Average Right to Buy discounts for local authority Right to Buy homes in 2019/20[35]

Average property value	Average discount	% discount	Average remaining value
£149,270	£63,760	43%	£85,510

David Cameron announced in 2012 that the Right to Buy was to be enhanced. This revamped and current Right to Buy consisted of:

- Higher discounts in order to boost take-up.
- For every additional home sold, a new home would be built for 'affordable rent' at up to 80% of market rent. This was aimed at maintaining the level of affordable housing while also increasing the number of properties available for those on the waiting list.

However, between 2012 and 2018, more than 66,000 council homes were sold under the Right to Buy, while just 17,911 replacements were started or acquired.[36] This failure was in large part due to the fact that just 47.4% of cash raised through sales of council homes was put aside for replacements.[37]

Separately, the 2015 Conservative manifesto pledge proposed extending the Right to Buy to 1.9 million housing association tenants currently excluded. This promise has not yet been delivered.

33 Department for Levelling Up, Housing and Communities, *Right to Buy Sales in England: July to September 2020.* Link

34 Department for Levelling Up, Housing and Communities, *Reinvigorating the Right to Buy and one for one replacement.* Link

35 Department for Levelling Up, Housing and Communities, *Live Table 682: financial data on Right to Buy sales for England.* Link

36 Inside Housing, *Government proposes dropping one-for-one Right to Buy replacement commitment.* Link

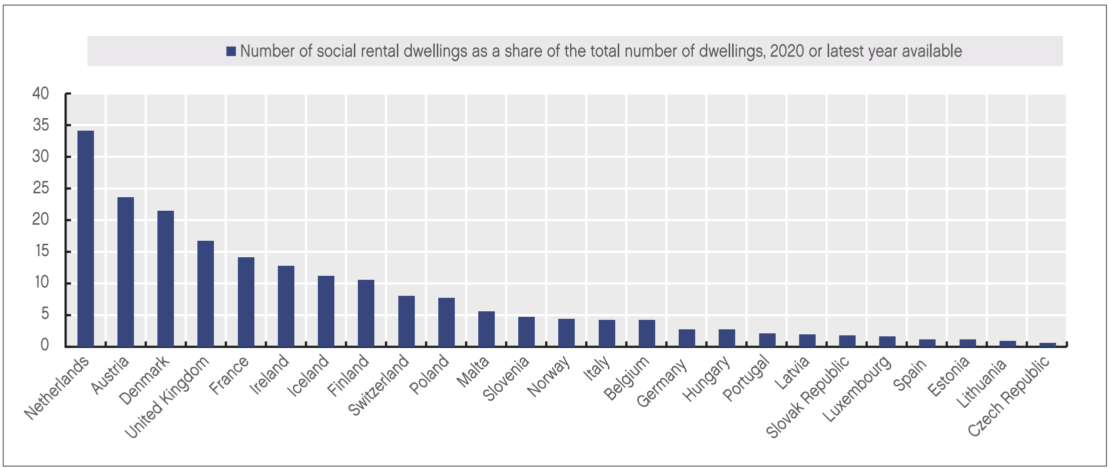
37 Inside Housing, *Less than half of £4.8bn Right to Buy receipts used for replacement housing.* Link

The left-wing attack on the Right to Buy

The enormous success of the Right to Buy has led to a significant left-wing backlash. It has been blamed not just for the ever-increasingly length of social housing waiting lists, but wider problems with the housing market and housing affordability. One of the most frequent accusations is that the UK has 'sold off' its social housing stock and this caused the crisis, as if the Right to Buy destroyed the homes concerned.

It is certainly true that some of the homes sold under Right to Buy have ended up in the private rented sector – an issue which the proposals in this paper address. But the wider attack on the Right to Buy is completely misguided.

For example, far from having a massive shortage of social, or 'sub-market', housing, the UK has a very large amount by international standards.[38] As the graph below shows,[39] we are currently fourth in terms of the total amount of social housing versus other European nations. We are also, as mentioned above, well behind most other European countries in terms of ownership. Indeed, an alien surveying this policy landscape would suggest that if our goal was to be more in line with other countries, we'd be transferring more of our social housing stock into ownership.



The Right to Buy is also not to blame for the long waiting lists for social housing. The evidence is extremely clear that social housing waiting lists are not driven by the supply of new social homes, but the demand for them – and this demand is predominantly driven by the inability of an increasing number of people to be able to afford their first preference, home ownership.

38 In this report when discussing international comparisons, I define social rent as based on those being charged a sub-market rent, not the status of the landlord. If you are being charged market rent, it matters little if your landlord is a not-for-profit organisation or not. However, the UK is fifth in terms of the level of social rent using the definition based around charitable or non-market landlord status so this does not change the argument; Housing Europe, *A State of Housing map of Europe.* Link

39 OECD, *Public policies towards affordable housing, Social rental dwellings stock.* Link

Indeed, contrary to myth, social housing waiting lists actually declined in the Right to Buy's heyday of 1981-1997, falling by 200,000 from 1.2 million to 1 million[40] – even though every year 100,000 social homes were being sold off on average, and only 36,000 new ones were being built.

The explanation is that if people can afford to buy houses, rather than renting from private landlords or the state, they prefer to do so. During this 16-year period, house prices only rose by 8% in real terms. So despite a large fall in the levels of social housing (from over 5.5 million properties to 4.4 million)[41] the waiting list also declined.

In the period between 1997 and 2009, the number of homes transferred under Right to Buy slowed substantially, with social housing stock falling by just 450,000. But during this period, real house prices rose by 108%. As a result, waiting lists for social housing soared by 770,000 from 1997 to 2010.[42]

Since 2012, waiting lists have fallen again – but this is because the rules were changed to allow councils to remove those applicants they think they cannot realistically hope to house.

It is a complete myth, in other words, that the Right to Buy 'created' the housing crisis – or even the social housing crisis. After all, social housing waiting lists declined rapidly during its greatest period of use and expansion. It is a self-serving myth promoted by those who are in favour of social housing versus home ownership.

Period	Annual changes in supply			Change in real house prices[43]	**Approx. rise in waiting lists**
	Right to Buy[44]	New homes[45]	New homes		
1981-1997	-100,000	+36,000	-74,000	+8%	**-200,000**
1997-2009	-46,000	+18,000	-28,000	+108%	**+770,000**

On top of this, as we have seen, the UK still has a very large social housing stock compared with other countries. The UK's housing crisis cannot, by its very nature, be a crisis of social housing, because we have nearly twice as many social housing properties as a share of our homes versus the European average. It is the number of overall properties and their price that must be the problem, not the number of social housing properties. And it must be problems in the largest sector for almost all countries – the private housing market – that the UK most needs to fix.

In addition, moving a social tenant into their own home does not cause that property to vanish. It means that it is occupied by an owner, which makes the individual concerned

40 1 million figure from *Housing in Britain, the post war experience,* John Short, p69 and 1.2 million from Table 600; rents, lettings and tenancies, numbers of households on local authorities waiting lists, DLUHC, Link

41 Department for Levelling Up, Housing and Communities, *Live tables on dwelling stock (including vacants): Table 104: by tenure, England (historical series).* Link

42 Department for Levelling Up, Housing and Communities, *Table 600: rents, lettings and tenancies, numbers of households on local authorities waiting lists.* Link

43 Nationwide, *Average UK house prices adjusted for inflation,* Link

44 Department for Levelling Up, Housing and Communities, *Live tables on social housing sales: Table 678.* Link

45 Department for Levelling Up, Housing and Communities, *Table 244: House Building, permanent dwellings completed by tenure.* Link

considerably happier. And if you use the proceeds to build more social housing, as outlined later in this paper, it is even better.

It is also worth pointing out that the principles behind the Right to Buy are still extremely popular. The findings below are taken from CPS polling on home ownership in 2019.

Would you support or oppose a policy that every renter should be given support to buy their home, or another home, at a discount?

	Total	Vote in 2017			Age			
		Con	Lab	Lib Dem	18-24	25-49	50-64	65+
Support	48	43	52	36	51	51	43	45
Oppose	28	36	22	39	12	25	34	35
Don't know	24	21	26	25	37	25	22	20

	Total	Region					Tenure		
		London	Rest of South	Midlands / Wales	North	Scotland	Own	Rent	Other
Support	48	47	48	50	47	43	39	70	44
Oppose	28	21	31	28	25	36	37	11	19
Don't know	24	32	21	22	28	22	24	18	38

If you had the choice, would you rather rent or own your home?

	Total	Vote in 2017			Age			
		Con	Lab	Lib Dem	18-24	25-49	50-64	65+
Would rather rent	5	4	5	4	6	3	4	8
Would rather own	86	90	87	91	72	88	89	86
Neither	2	2	1	1	3	1	2	2
Don't know	7	5	7	4	20	7	5	4

	Total	Region					Tenure		
		London	Rest of South	Midlands / Wales	North	Scotland	Own	Rent	Other
Would rather rent	5	4	5	5	5	3	1	15	5
Would rather own	86	78	87	90	85	89	94	72	71
Neither	2	1	2	1	4	2	1	2	4
Don't know	7	17	7	4	6	6	4	12	20

Do you think increasing home ownership should or should not be a government aim?

	Total	Vote in 2017			Age			
		Con	Lab	Lib Dem	18-24	25-49	50-64	65+
Should	54	58	57	49	52	56	49	58
Should not	22	22	22	31	18	21	26	23
Don't know	23	19	21	20	31	23	25	19

	Total	Region					Tenure		
		London	Rest of South	Midlands / Wales	North	Scotland	Own	Rent	Other
Should	54	50	57	55	53	51	53	56	49
Should not	22	20	21	22	25	23	26	19	15
Don't know	23	29	22	23	22	26	21	25	36

We also undertook focus group work which backed up the polling above. This found that people are overwhelmingly keen to own their homes, are supportive of the idea that Government should support home ownership, and are keen on the idea of helping renters buy their home at a discount. There was also strong support in the focus groups that instead of 'wasting' money paying rent, every housing payment should be building up an equity stake, so that as people worked hard and put in, they got something out. Government should take heart from this.

Of course, Government should pursue other policies to stabilize house prices, e.g. increased supply or lower immigration in order to lessen the pressure on social housing. But it needs to turn the dial on ownership now.

Part 3: The Decline of Right to Buy

The Right to Buy was a huge success that boosted home ownership substantially. But it has declined sharply in recent years. This is part of a wider anti-owner bias that has become entrenched within the housing and benefits system.

Throughout the 1980s the number of Right to Buy sales was high, peaking throughout the late 1980s at over 100,000 homes a year. In the early 2000s, before the financial crisis, it was still averaging around 67,000 a year. In 2007/2008, the numbers collapsed for obvious reasons, as unemployment and uncertainty rose while banks tightened lending. But what is surprising is that since then the recovery has been fairly anaemic.[46] In 2020/21, the last year for which full figures are available, the total number of Right to Buy sales was just 9,319.[47] This was partly due to Covid, but only partly: from 2016-20 average sales were just over 16,000 a year, less than a quarter of the rate seen in the early 2000s.

Years	Annual Right to Buy sales	% of the peak Right to Buy sales period of 1986-90
1980-85	91,687	90%
1986-90	102,425	100%
1991-95	50,064	49%
1996-00	43,821	43%
2001-05	67,257	66%
2006-10	15,598	15%
2011-15	9,592	9%
2016-20	16,252	16%

46 Ibid.

47 Department of Levelling Up, Housing and Communities, *Table 678: Social Housing Sales: Annual Sales by Scheme for England: 1980-81 to 2020-217.* Link

The reason for this collapse in Right to Buy sales include:

1. The decline in social housing stock.

2. The shift within the social housing stock from local authority to housing association property, where the Right to Buy mostly does not apply.

3. The increase in uncertain work and family instability, which makes it riskier for those on lower incomes to obtain a mortgage, coupled with a bias in benefits policy towards renting rather than ownership.

But these factors are by no means equal.

The first point is to understand while Right to Buy has partly declined because of the smaller size of the social housing sector, this is only a small part of the explanation. The absolute number of social homes has declined, down from 5.6 million in 1980 to 4.1 million now.[48] This is a reduction of around 30%.

> **‘Total annual sales are roughly 0.4% of the current social housing stock, around a fifth of the rate they were reaching in the late 1980s’**

But even if we take Right to Buy sales as a share of the total level of social housing in this country, then the share of social homes being sold under the Right to Buy each year has very substantially declined. Calculating Right to Buy sales as a proportion of the total stock of social housing shows that sales now are nowhere near the peak of over 2% a year they reached in the late 1980s.[49] Total annual sales are roughly 0.4% of the current social housing stock, around a fifth of the rate they were reaching in the late 1980s.

Given a current social housing stock of 4.1 million properties, getting us back to the rate in the early 2000s of 1.6% of stock sold each year seems like an acceptable target – though we might hope and expect that in the first few years of any genuine reinvigoration of Right to Buy, sales would be even higher as supressed demand increased substantially.

But what is clear from looking at the proportion of Right to Buy annual sales is that the Right to Buy has declined much more than can be explained by a smaller share of social housing than in the past.

48 *Department for Levelling Up, Housing and Communities, Live Table 104.* Link

49 Ibid.; Department for Levelling Up, Housing and Communities, *Live tables on dwelling stock (including vacants): Table 104: by tenure, England (historical series).* Link

Right to Buy sales as a proportion of social housing stock[50]			
Years (average sales rate)	**Right to Buy sales**	**Total social homes**	**Sales as % of all social housing**
1980-85	91,687	5,347,000	1.71
1986-90	102,425	4,897,600	2.09
1991-95	50,064	4,378,600	1.14
1996-00	43,821	4,172,800	1.05
2001-05	67,257	4,172,800	1.61
2006-10	15,598	3,946,241	0.40
2011-15	9,592	3,993,181	0.24
2016-20	16,252	4,049,000	0.40

A second key explanation for the decline of Right to Buy is that a very large number of social properties have moved from the council-owned sector to the housing association sector. The Right to Buy was preserved in the process – but only for the tenant who lived in the property when it moved across, or their family if they inherit the tenancy. Once the property was re-let, the Right to Buy was lost.

The total number and share of social properties owned by local authorities has declined sharply in the past few decades, while the number and share of social properties owned by housing associations has risen steadily. In 1981 the number of social properties owned by local authorities stood at 5.1 million, and by housing associations at 0.4 million. But starting in the mid-1990s, properties were transferred in very large numbers. By 2020 there were 2.5 million properties owned by housing associations and around 1.6 million owned by local authorities.[51] The share of social homes thus shifted from over 90% local authority to just 40%.

Given this, the most obvious solution to the Right to Buy declining is to do what was promised in the 2015 Conservative manifesto, and expand the Right to Buy across all social tenants. This is clearly a necessary step in terms of driving back the Right to Buy to previous levels.

But that isn't the end of the problem. Because if we look at Right to Buy sales purely within the sector where it is still available – i.e. excluding both preserved Right to Buy sales and those properties transferred to housing associations – we find that the current rate is still well below that of the 1990s and early 2000s. The average for the early 2000s was 2.1% of local authority stock per year, but it is currently just 0.75%.

Looking at the five-year periods below, the Right to Buy was nearly as strong in the early 2000s as the 1980s. It is since the early 2000s the fall has really taken place.

50 Department for Levelling Up, Housing and Communities, *Live Tables 678 and 104*. Link
51 Department for Levelling Up, Housing and Communities, *Live Table 104 (historical series)*. Link

Right to Buy sales as a share of local authority housing[52]			
Years (average sales rate)	**Sales**	**LA stock**	**RtB LA sales as % of LA housing**
1980-85	91,686	4,916,200	1.87
1986-90	102,424	4,384,200	2.34
1991-95	50,064	3,822,600	1.31
1996-00	40,114	3,384,600	1.19
2001-05	57,460	2,664,400	2.16
2006-10	12,369	1,985,939	0.62
2011-15	6,960	1,710,999	0.41
2016-20	11,986	1,598,299	0.75

If we could get the proportion of Right to Buy sales back to 1.64% each year, where they were in the early 2000s for local authority properties, and this 1.64% across all social housing, it would mean a sales rate of 67,000 properties each and every year – or roughly four years' worth of current annual Right to Buy take-up of 16,000 or so in each and every year.

Something has clearly happened to make the Right to Buy less popular and less relevant than it was in the previous period even for those tenants who are still able to access it. There is therefore a need not just to extend the Right to Buy but to reinvent it and make it relevant for social tenants in the modern world. To do this, we have to consider what might be holding the Right to Buy back.

Why could the Right to Buy be working less well now than in the past?

The first potential answer is that Right to Buy is a worse deal, because the discount offered has become smaller, or something has else changed to make it less attractive. But the size of the discount does not appear to be responsible. In fact, the discount now is slightly more generous than in the past. Right to Buy sales averaged 33% of market value in 2004/5 (£25,650 in cash terms), compared to 43% (£63,760) in 2019-20.[53] Yet the sales rate in 2004/5 was 2.14% versus 0.67% in 2019/20.

The cost of the remainder of the property was also not that different once adjusted for inflation, rising from £52,077 to £84,519, a rise of 62%, which is broadly in line with the 57.5% inflation from 2004 to 2021. So it is not that the cost of buying the remainder of the property is becoming unaffordable. Partly this is because those using the Right to Buy are protected from price rises by the discount rising in value as well, in line with the property's value.

52 Used data from live table 678, Link, and total local authority housing stock, Link

53 Department for Levelling Up, Housing and Communities, *Live tables on social housing sales: Table 682: financial data on Right to Buy sales for England.* Link

What about the ability to get mortgages on the new properties?

In the immediate aftermath of the financial crisis, sales fell very significantly. But they have since rebounded somewhat. Indeed, when this author worked for the Government in 2014, it investigated mortgage lending for Right to Buy and found that Right to Buy tenants are actually fairly well placed to obtain mortgages, because the large discount makes putting down a deposit much easier than for other buyers.

Another potential explanation is that fewer tenants today are in work – as it will obviously primarily be those with earnings who exercise the Right to Buy, because of the need to get a mortgage on the non-discounted portion of the property.

This seems like a superficially attractive explanation. The 1977 Housing Act required councils to prioritise those 'in need', which in practice meant that from then on, those moving into social housing were likely to be those who were either not in work or very unstable work. Allied to this is the obvious fact that some of the social tenants most able to move into ownership will have already done so.

'Social renters' economic activity and employment rates grew from 60% of the national average in the early 2000s to above 70% in the mid-2010s'

Yet while there was a shift in the 1980s and 1990s so that fewer tenants in social housing were in work, this process has not continued. In fact, key studies suggest that this process, termed 'residualisation', has halted and even potentially reversed. To quote one report:

'In the early 2000s, social housing tenants' economic activity, employment and unemployment rates stabilised, and then started to converge with national average rates. Social renters' economic activity and employment rates grew from 60% of the national average in the early 2000s to above 70% in the mid-2010s. Unemployment rates peaked at five times the national average in 2006–08, but then fell sharply, to just three times. By 2018/19, the employment status rates of social housing HRPs had returned to the position relative to the average they had in the early 1980s, although gaps remain.'[54]

In other words, by the late 2010s the share of social housing tenants in work was the same as it had been in the early 1980s, a time when the share of Right to Buy sales ran at well over 2% of the stock every year – or nearly five times what it is now. And as we have seen from our polling, the appetite for ownership among social tenants is as strong as ever.

In fact, the key explanation for the decline in Right to Buy seems to be that moving into ownership is riskier for social tenants than in the past. Much of this comes from the bias against ownership that is more widely embedded in English housing policy, and in the benefits system.

Despite very clear support for ownership among most people, housing policy is heavily biased against ownership. This is because the state hugely prioritises helping renting tenants but not low-income owners.

54 Becky Tunstall, *The deresidualisation of social housing in England: change in the relative income, employment status and social class of social housing tenants since the 1990s.* Link

The key problem here, in terms of the Right to Buy, is that moving from a social tenancy into ownership removes your right to access most if not all of these subsidies, because the supports that exist are targeted at renters rather than owners. In particular:

1. Social tenants have their maintenance costs paid for by their landlord. By contrast, a low- or average-income home owner has to pick this up themselves.

2. Social tenants receive housing benefit if they lose their job. By contrast, a low- or average-income home owner largely has to cover housing costs themselves.

3. Social tenants can receive housing benefit to pay part of their housing costs while in work. By contrast, a low- or average-income homeowner has to cover this themselves.

Allied to this is a fourth key point – that mortgages are more costly at the start. This imposes higher initial payments that may make ownership unaffordable in the short term, even if it is affordable in the longer term, and much more economical than paying an escalating rent for their whole life.

‘A staggering 80% of social renters have no savings at all, and of the 20% that have savings, 19.5% have less than £1,000 and 42.5% have less than £5,000’

The key problem here, certainly in terms of the first three issues, is stability. It is true that just as many tenants are in work today as in the past. But these tenants are less able to cope with fluctuations and instability, which makes ownership riskier than in the past. This is due to a general decline in savings, on top of an increase in both relationship and work instability.

It is hard for many middle-class policy discussions to fully grasp the low level of savings most social tenants have. A staggering 80% of social renters have no savings at all, and of the 20% that have savings, 19.5% have less than £1,000 and 42.5% have less than £5,000.[55] So fewer than 9% have more than £5,000 as a household, and would be in a position to cope with a prolonged period of unemployment or a major expenditure.

This limited saving is important because low-income households are more likely to face income or employment shocks or relationship shocks. For renters, these can be mitigated by housing benefit, but support for owners is much lower.

Income or employment shocks: Low-income households are most likely to be hit with income shocks. A study from the Joseph Rowntree Foundation from 2018 found that homeowners in poverty were twice as likely to report arrears (14%) as other mortgaged households (7%), and were overwhelmingly led by someone in low-income work.[56]

Workers in the lowest income brackets are also more likely to have their economic insecurity compounded by unstable work. A study by the International Labour Office of Geneva found that low-income workers in the UK often face large week-to-week changes in the hours they work.[57] This means they face significant uncertainty over

55 English Housing Survey, *2019-20 Private Rented Sector Report – Annex Table 3.7: Savings, by tenure 2019-20.* Link

56 Joseph Rowntree Foundation, *Home-owners and Poverty.* Link

their short-term income and time commitments. In-depth interviews with workers in these types of roles have shown that work-related instability can cast a long shadow over their lives, including making it harder to manage their finances.[58]

The pandemic has helped to highlight the insecure work many on low incomes face, with research showing that workers in the bottom fifth of the wage distribution were three times more likely to have been placed on furlough or made redundant compared to workers in the top fifth.[59]

Relationship shocks: The Joseph Rowntree Foundation found in 2017 that just over one in 10 of those in the poorest fifth of the population were experiencing 'relationship distress' compared with around one in 20 of those in the richest fifth of the population.[60]

A 2009 paper by the Centre for Finance and Credit Markets cites evidence that the probability of mortgage repayment difficulty is increased by both unemployment and relationship breakdown. Specifically, it finds that unemployment doubles the probability of difficulty, and that martial separation or divorce multiply it by seven.[61]

'Around 56% of all social tenants are in receipt of at least some housing benefit, and within this around 27% of social tenants who are in work receive housing benefit'

A 2017 study of 14 low-income families carried out by the Joseph Rowntree Foundation, over a five-year period, found that almost all the families' situations had fluctuated due to changes in work, benefits, and family situations and most had faced difficult times at some point. The families were most likely to find it hard to keep afloat if they faced unstable work, poor health, difficulties balancing work and childcare, delays and difficulties with benefits, high housing costs and, during the pandemic, sudden job loss, reduction in hours and an insufficient budget to cover extra costs. In particular, lone parents struggle with additional pressures as they had to depend on one income, and balance work with childcare alone.

All of this means that the higher maintenance costs of a new boiler, or flood damage, are hard to deal with.

On top of this, social tenants, even those in work, rely on housing benefit to pay part of their rent. Around 56% of all social tenants are in receipt of at least some housing benefit, and within this around 27% of social tenants who are in work receive housing benefit.[62]

This support with housing costs from the state is not available if a tenant purchases a property and becomes a mortgage payer.

57 International Labour Office, *Zero-Hours Work in the United Kingdom.* Link

58 The Resolution Foundation, *A Matter of Time: The rise of zero-hours contracts.* Link

59 The Resolution Foundation, *A new settlement for the low paid.* Link

60 Joseph Rowntree Foundation, *UK Poverty 2017.* Link

61 John Gathergood, *Income Shocks, Mortgage Repayment Risk and Financial Distress Among UK Households.* Link

62 Ministry for Housing, Communities and Local Government, *English Housing Survey Social rented sector, 2019-20, Annex Table 3.15 and Annex Table 3.17.* Link

Finally, while over the lifetime of a mortgage it is much cheaper to be a homeowner than to be a renter, this is because mortgage payments become more affordable in real terms over time while rents tend to rise (and in recent decades have risen well above inflation). The first year of your mortgage is the most expensive, and then as you pay down the total amount borrowed, and inflation eats away at the real value of the debt, your mortgage becomes more affordable over time.

According to the Joseph Rowntree Foundation, the average cost of a mortgage has been lower than the average social rent since 2009-10.[63] However, many potential buyers would see a leap in their housing costs in the initial period after becoming mortgage payers, with the real-terms burden declining over time. This can act as a barrier to people becoming owners – if you are on a low income already, you may not be able to afford this initial leap in costs and still pay for clothes, food, heating and so on. This is despite the fact that you would be much better over the period of the mortgage.

‘With 15,258 sales made in the last full year of operation before Covid, and an average discount in 2019/20 of £63,760, the total cost of the Right to Buy was around £972 million’

If we want to help boost Right to Buy, we need to create a version of Right to Buy that helps deal with these issues in order to get numbers back to their previous highs. We need to deal with the current unfairness that locks in renting rather than supporting home ownership – by removing the obstacles we place to those moving from renting to owning.

Right to Buy only partly rebalances existing anti-ownership bias

Sometimes the Right to Buy is labelled unfair, because it privileges ownership over renting. But if anything, the current system of support for low-income households is hugely biased against home ownership.

The unfairness in the current system is shown by the levels of support that are given to renters and home owners via various parts of the state. The Right to Buy is the largest ‘cost’ in terms of support for home ownership. With 15,258 sales made in the last full year of operation before Covid, and an average discount in 2019/20 of £63,760, the total cost of the Right to Buy was around £972 million.[64]

The Government does operate a little-publicised scheme to help low-income households with mortgage costs, Support for Mortgage Interest (SMI). This is largely cost-neutral, because it is based on loans rather than grants, with the annual spend arising where these loans are not paid back, or from any lost interest, and standing just £156 million.[65] Thus the cost of these pro-ownership schemes is some £1.1 billion.

63 Joseph Rowntree Foundation, *UK Poverty 2018.* Link

64 Ibid.

65 Wendy Wilson, Steven Kennedy and Richard Keen, *Support for Mortgage Interest (SMI) scheme.* Link

The average social rent in local authority-let housing[66] vs market rent at the 25th income percentile[67] shows a difference of £192 monthly; the monthly difference between average housing association rent and market rent is £91.[68] This cost, across all social and affordable properties, is a huge implicit subsidy toward renters of around £7 billion.

As a tenant, you are not expected to pay for repairs, while your landlord can claim any costs incurred in terms of renting. In the case of social housing, this is paid for by housing associations, at a cost of £3.8 billion.[69] Local authority spend on housing repairs and maintenance is around £1.9 billion, giving a total of £5.7 billion. There is also a subsidy available for private rental repairs and for interest payments on buy-to-let mortgages, a discount which amounts to at least £6 billion.[70] That is a total subsidy of nearly £12 billion. This is in addition to the explicit subsidy most tenants receive when their rent is paid through Housing Benefit, which currently stands at £28.9 billion across the UK.[71]

‘Local authority spend on housing repairs and maintenance is around £1.9 billion’

If you add up the implicit and explicit subsidies toward renting, the £28.9 billion for housing benefit, another £7 billion for social rent subsidy, and £11.7 billion for repairs and maintenance, you find that the government subsidises renting by £47.6 billion versus just £1.1 billion toward home ownership. This works out at around 2.3p for helping owners for every £1 in support for renters. (We have excluded Help to Buy, both because it is a loan-based scheme and also because it will end early next year.)

Another way of considering this is to return to the earlier point about the risks of becoming an owner versus remaining a renter. The most obvious example is around housing benefit.

As a low- or moderate-income renter, I can rely on housing benefit to help pay my rent if I am in work. But if I am a working low- or moderate-income owner, I must cover the whole housing cost myself. If I lose my job as a renter, I can rely on housing benefit to pay my entire rent up to a cap, for as long as I need it. But if I lose my job as an owner, I cannot get any support for months, when I can then claim the cost of my mortgage interest only. (Via a loan, which has to ultimately be paid back.)

This is clearly unfair, and a deep bias against those who want to try to own. Government is often accused of being pro-ownership, but the reality is far from that – instead, there is a clear bias against ownership and toward renting.

Right to Buy is thus a perfectly legitimate attempt to redress this balance – at least a little. Indeed, far from being an example of pro-ownership bias from the state, it merely redresses the fact that ownership for low-income households is generally penalised.

66 Department for Levelling Up, Housing and Communities, *Live tables on rents, lettings and tenancies: Table 702: local authority average weekly rents, by district, from 1998.* Link

67 Valuation Office Agency, *Private rental market summary statistics – April 2020 to March 2021* Link

68 Regulator of Social Housing, *Private registered provider social housing stock in England,* 2017-2018. Link

69 This consists of routine maintenance, planned maintenance, and major repairs expenditure; Regulator of Social Housing, *2018 Global Accounts of private registered providers 2020.* Link

70 Intergenerational Foundation, *Why BTL equals big tax rip off.* Link. This estimated the cost of repairs and maintenance plus interest deductibility reached £7.8 billion. Since then there have been changes to reduce landlord deductibility and wear and tear allowance worth roughly £1 billion in the 2015 Spending Review, see HMT *Policy costings summer budget 2015.* Link. Given the cost of these changes is likely to have risen we assume a conservative estimate of at least £6 billion.

71 Department for Work and Pensions, *Benefit expenditure and caseload tables 2021.* Link

Part 4: From Right to Buy to Right to Own

Expanding and reviving the Right to Buy can help boost ownership substantially. To do this, we should modernise the Right to Buy so that the reasons holding people back from exercising it are removed. We do this via a policy we call the Right to Own – although it could also be referred to as the New Right to Buy, since it accomplishes the same ends via more effective means.

This Right to Own would seek to use the same principle as the Right to Buy of a discount and movement into ownership while dealing with the four issues outlined above:

1. Higher maintenance costs
2. Lack of support if they lose a job or relationship breaks down
3. Lack of access to housing benefit
4. Higher initial costs as an owner

At the heart of this is a principle that received overwhelming support in our focus groups: ensuring that every payment that someone makes is building up an equity stake.

‘Under this Right to Own, every housing payment, excluding housing benefit, would help pay off a mortgage secured against the property’

Under this Right to Own, every housing payment, excluding housing benefit, would help pay off a mortgage secured against the property. However, while they were on this pathway, new owners could rely on greater security if they lost their work: they could use housing benefit to help with their housing costs, would be able to stretch out maintenance costs, and would not be hit with an immediate increase in their housing payments the moment they moved to ownership.

1. *A mortgage worth 60% of the value of the local authority property would be secured on the local authority property for the new owner, backed by the government. Repayments would be set at the rent the year the mortgage was taken out*

   Tenants would take out a government-backed mortgage worth 60% of their property's value, moving into ownership. This mortgage would be backed by government, because if the new owner was unable to pay this mortgage, due to loss of work or relationship breakdown, existing equity would be automatically withdrawn to temporarily cover the mortgage (this is explained further below).

   A property worth £100,000 would see a mortgage worth £60,000, one worth £150,000 would see a mortgage worth £90,000, and so on.

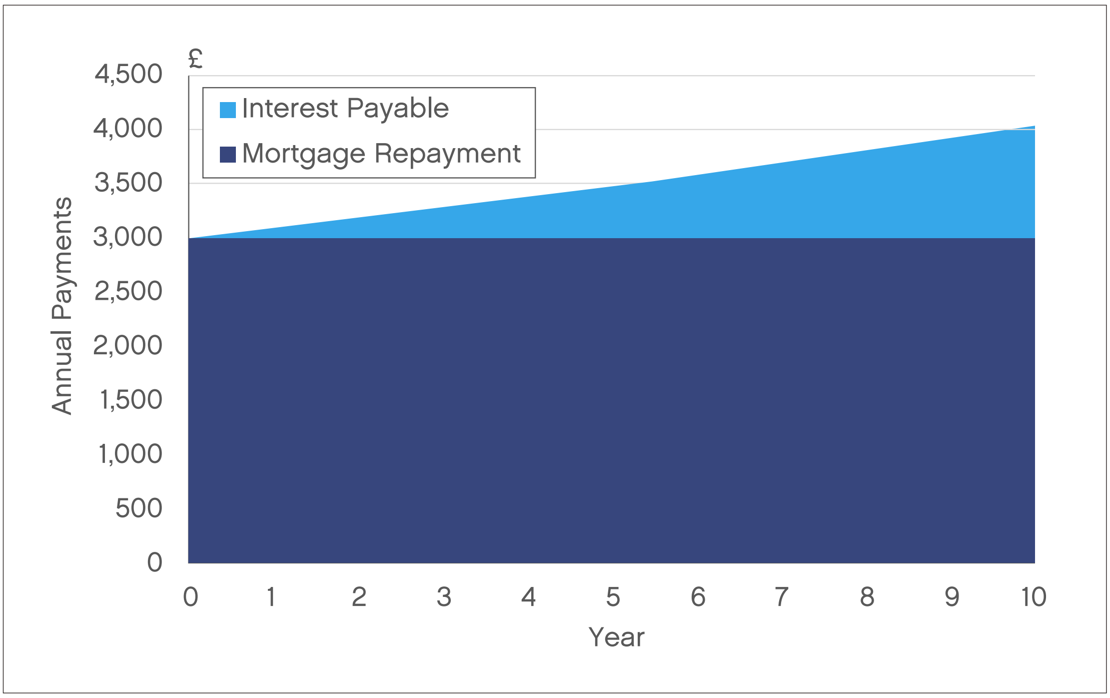
The new owner would then repay the mortgage over a period of years. Each year they would pay the mortgage down by an amount equal to their rent in the year the mortgage was taken out. The length of the mortgage would be the value of the mortgage divided by the tenant's final rent in that year when they bought. So if they received a mortgage worth £60,000 and paid £4,000 that year in rent, assuming no housing benefit was received, they would obtain a 15-year mortgage, making a £4,000 repayment each year until the initial sum was paid down.

2. *The new owner's housing payments would rise as social rents do each year. The increase above the starting payment would be the 'interest' payable on the mortgage*

   As stated, the total mortgage repayment would be based on the sum borrowed divided by the total rent for the initial year the mortgage was obtained. But tenants taking advantage of the Right to Own would still see the amount they paid each year on this mortgage rise in line with social rents, currently predicted to be CPI+1%.

   The rise between the starting total and the mortgage payments made each year would generate the 'interest' payable on the mortgage. If rents rose at 3% based on a 2% inflation target + 1% and started at £3000 a year, this would give a £90 rise in social rents at year 1, and a £117 y-o-y rise in year 10. Total interest payments rise from 0 at year 0 to £1,032 at year 10, while the mortgage repayments remain at £3,000 a year.

Housing payments in an example of Right to Own



3. *Every payment made by the new owner would be used to pay off their mortgage, after adjusting for any housing benefit which they continued to claim*

The housing payment from the new owner that paid down the mortgage would steadily be building up the tenant's equity stake. So, for example, if a new owner paid £95 in full each week in their first year, this would be deducted from the mortgage and their equity stake would grow by the same amount.

However, they could continue to claim housing benefit as they had done as renting but any housing benefit received would be deducted from repayments and would not contribute to building up equity. If, for example, a working household paid £400 down a month, but received £60 a month in housing benefit, £340 would be taken from the mortgage balance each week. If they paid £340 a month, assuming no rise in rent, after 100 weeks they would have an equity balance of £6,800, and their remaining mortgage would be the initial sum minus this £6,800.

Given the mortgage payment would increase each year, housing benefit should also increase each year in line with the same denominator.

To take the situation above, where the mortgage is £400 a month but £60 is paid from housing benefit, the mortgage repayment would count as £340 a month. If the housing payment went up by 5% over two years to £420 a month, the tenant would be able to claim 5% more housing benefit, or £3 more a month, £63 in total, assuming this is what would happen in normal terms. If this happened, the repayment of mortgage and buildup of equity would continue at £340 a month, in line with the proportion of the starting repayment, and with £17 of the increase in housing costs paid by the new owner and £3 covered by the housing benefit. A table setting out how this works is below.

Monthly Payment Breakdown	Year 0	Year 2
Mortgage	**£400**	**£400**
Of which equity	£340	£340
Of which housing benefit	£60	£60
Interest	**0**	**£20**
Covered by housing benefit	0	£3
Covered by social tenant	0	£17
Total Monthly Payments	**£400**	**£420**

4. *After the tenant had paid off their 60% mortgage, they would obtain the property outright, effectively at a 40% discount*

   Once the new owner had paid off the government mortgage worth 60% of the property value, they would move into full ownership, receiving a 40% discount on the value of the property. Thus, just as with Right to Buy, this is a discounted home ownership offer. But it is actually less generous than the existing Right to Buy, and requires the participating household to work and pay rent over a longer period. The key benefit in return is greater security from Day 1 until they own outright.

   How long this took would depend on the initial mortgage and any periods of non-payment over the years the mortgage was being paid off.

5. *For those using this scheme, the Right to Buy discount caps should apply in absolute terms as should the Right to Buy requirement to live in a property for a set time*

   The discount available under the basic Right to Own should not be higher than the original Right to Buy discount. (More expensive properties would have a slightly different scheme as set out further below.)

   'Once the new owner had paid off the government mortgage worth 60% of the property value, they would move into full ownership, receiving a 40% discount on the value of the property'

   In addition, tenants would have to live in the property for at least three years to take advantage of the Right to Own, just as with the Right to Buy. Because the rental payments would be made over a long period, there would be no need for tenants to 'repay' any discount once they were full owners, since in all cases they would be living in the property for a protracted period. The fastest that the mortgage could be repaid would be over five years (since as outlined below, within this limit they could increase their repayments if they wished).

6. *The new owner could choose to increase their payments and reduce the amount they were claiming via housing benefit in order to move to ownership faster*

   The new owner could choose to increase their housing payments if they wished, in order to move into ownership more quickly. For example, in the case in 3 above, the new owners could push their initial payment up to £360 a month and choose to take less housing benefit, which would count as an increase to £360 in terms of the equity repayment, leaving them only using £40 to pay the housing costs each month.

   In subsequent years, since housing costs would rise, any rise between the original amount and the full ongoing amount would have to more than cover the increase in interest payments. So if the housing cost is going up in the example as in 3 above from £400 to £420, and the tenant was relying on housing benefit in year 1 for £60 and paying £340, then if they wanted to pay off this sum faster, they would have to increase their amount in following years by more than £17, because the first £17 would just be the cost of the increased housing costs minus their additional housing benefit. So if they increased their payments by £30 a month, £13 would go toward paying the initial sum, and £17 would just cover the interest payments on their mortgage. A table setting out how this would work is provided below.

The fastest that the mortgage could be repaid would be over a five-year period.

Monthly Payment Breakdown	Year 0	Year 2
Mortgage	**£400**	**£413**
Of which equity	£340	£353
Of which housing benefit	£60	£60
Interest	**0**	**£20**
Covered by housing benefit	0	£3
Covered by social tenant	0	£17
Total Monthly Payments	**£400**	**£433**

7. *The existing equity could cover housing payments if the new owner lost their job*

If the new owner lost their job, the housing payments would temporarily be covered using equity in their home, and once they resumed work, any sum paid out would be subtracted from their equity stake and added to their mortgage. This would remove the current worry for a new owner that they could lose their job and then be repossessed even if they were only out of work for a short period.

So if a new owner had paid £10,000 toward a £50,000 mortgage, building up a £10,000 equity stake, and this had to be used to cover £1,000 in payments after the owner lost work, then once the new owner resumed repayments on finding a job, the new owner's equity stake would go down to £9,000, and the £1,000 would be paid out of their existing equity. This would mean that the new owner would not have to worry about losing their home due to a short period of unemployment.

This effectively insulates the new Right to Own owner from default, unlike the current system where housing benefit can be claimed by renters but there is very little support for ownership, and where a default on the mortgage can mean loss of a home.

It is important to understand that if the owner had remained renting, then they would still be claiming housing benefit anyway if they lost work or saw a relationship break down that impacted their ability to pay their rent. In fact, because the new owner repays the cost of any housing benefit from the housing equity that they own, this approach would reduce the housing benefit bill (this saving is discussed further on).

8. *The new owner could use the equity they build up through paying off their mortgage as a saving scheme from which they can withdraw limited funds*

   New owners should be able to withdraw funds from their equity stake up to either a 25% or £3,000 limit in order to help them pay immediate and pressing costs as well as covering housing payments.

   We saw earlier that only one in five social tenants have savings, and only one in ten have substantial savings. Allowing new owners to take out money from their built-up equity would thus be a great help for those with low and irregular incomes. This would mean new owners would have a flexible buffer they could rely on when in difficulty and allow the Right to Own to work as a savings scheme. They would simply be charged this plus CPI to help spread any costs, while CPI would ensure that this is not seen as 'free money' (assuming CPI returns to somewhat normal levels of below 5% in the next year or so).

   'New owners should be able to withdraw funds from their equity stake up to either a 25% or £3,000 limit in order to help them pay immediate and pressing costs as well as covering housing payments'

   Of course, the Right to Own would have already substantially reduced the risk of home ownership, because the owners could rely on their cushion of equity if they lost their job or if their relationship broke down. This separate proposal would be useful as well around new day to day maintenance costs for the new owner.

9. *The new owner would take on day to day maintenance costs*

   This scheme should not force new owners, until they take full ownership, to take on substantial maintenance costs. This means that substantial work, such as boiler and central heating replacement, rewiring, fixing structural flaws and so on would remain part of the cost of government, as at present.

   However, as part of the Right to Own, owners would be required to take on day-to-day maintenance costs. This would mean that the basic costs of maintenance would be required to be paid for by the tenant rather than local authorities. This would be limited to inexpensive areas such as painting and decorating inside and outside the property; minor plumbing work, e.g. blocked sinks; minor electrical work, e.g. faulty light-switches or plugs; and broken white goods, e.g. fridge and oven replacements.

   Owners would be free to upgrade their property as they saw fit, but at their own cost. They could of course also take equity as above in order to do this. For example, if toward the end of the lifetime of a mortgage, an owner wanted a new kitchen sink, or shower unit, they could pay for it themselves, possibly drawing down from their existing equity.

   This will help cut the cost of day-to-day maintenance for local councils without burdening owners with major costs, which as discussed can currently deter would-be owners.

10. *The new owner could use this equity as a deposit for other family members*

One of the most natural things in the world is to want your children to benefit from your success. To build on the extension of ownership that this scheme should bring, once the new owner has built up sufficient equity, they could be free to access part of this for the specific purpose of helping family members into home ownership. This mirrors the fact that many parents take out equity from their home to help their children onto the housing ladder.

Our suggestion is that this should be up to half of the equity in the scheme, or a cap of £25,000, whichever is lower. For example, if an adult son lives at home with his family, and each year they pay £5,000 in rent, then after six years or so he would be able to use up to £15,000 of the £30,000 in equity they have built up toward a deposit to buy a flat of his own.

'If there were two children growing up with a single parent, who by the time they reached adulthood lived in a home where £50,000 in equity was built up, one child could borrow £15,000, and then after three years another child borrow up to £25,000, getting them both on the housing ladder'

This would not be a lifetime maximum but a maximum at any one point in time. If there were two children growing up with a single parent, who by the time they reached adulthood lived in a home where £50,000 in equity was built up, one child could borrow £15,000, and then after three years another child borrow up to £25,000, getting them both on the housing ladder.

This would help encourage those who want their children to be able to achieve their goal of home ownership to take part in the scheme – ensuring this scheme helps enable as many people as possible become owners. Of course, as this would reduce the build-up of equity, it would come at the cost of extending the mortgage period, but it would help spread ownership even more widely through family networks.

11. *The new owner should be able to suspend their participation under certain circumstances and transfer the equity stake they have built up to their next of kin*

Not everyone might be able to ultimately pay off the 60% mortgage, for various reasons both foreseeable and unforeseeable. For example, if a new owner is in their mid-50s, they might like the idea of building up some equity in their home to pass on to their children. But they would know in most cases they had insufficient years to pay down any mortgage and become an outright owner.

Those using the Right to Own should therefore be offered the option of joining and then suspending the scheme if/when they retire or become seriously ill, transferring the equity they have built up to their next of kin or another close family member.[72]

So, if you were halfway through paying off a £60,000 mortgage and fell ill, or passed away, the equity you had built up would transfer to your next of kin. You could also freeze your Right to Buy payments but maintain your equity stake if you retired after the age of 60, or if you had to retire due to ill health (it would be unfair

72 To stop abuse we recommend this is limited to children and siblings – or step-children/siblings.

to let healthy people suspend repayments before 60, since this is well below the state retirement age).

However, you would need to deter people from building up a partial stake and then using housing benefit to pay their retirement housing costs: getting large parts of the benefits of ownership but then landing government with the costs of retirement. Our suggestion is that each year that you relied on housing benefit to pay any remaining costs, you would lose 1% of your equity – which would go toward your housing costs. This would encourage people to move into full ownership wherever possible.

‘If you were halfway through paying off a £60,000 mortgage and fell ill, or passed away, the equity you had built up would transfer to your next of kin’

Any family member who received the remaining equity when they inherited the property could choose between either finishing paying off the mortgage and receiving the full discount or taking their equity stake instead.

However, the inheriting family member could pick up the mortgage where it was left off, after subtracting any years where housing benefit had been paid (either moving into the property or not) and then pay the rest of the mortgage off. Then they would be able to own the property outright.

12. *Protections would be retained and strengthened to prevent people from selling off their newly acquired homes*

Under the current Right to Buy, there is a five-year period during which the acquired house cannot be sold. It would be possible – and politically prudent – to attach a longer-term covenant to the property requiring that it were only sold into owner-occupation, unless no buyers could be found at the market value. This would address concerns that Right to Buy homes have been ‘lost’ from the housing stock when their original landlords sold up to buy-to-let landlords.

Despite the technicalities involved, the basic outline for the Right to Own is clear. The tenant moves from renting into ownership via a mortgage repayment scheme, which enables them to build up equity and eventually move into their home as an outright owner at a discount.

Case studies of how this Right to Own might work

To help illustrate how this basic scheme might work, consider the following two examples.

Example A: Pauline lives in a £100,000 property in Mansfield with a social rent of £74 a week, which she pays in full.[73] She is a single parent with a 12-year-old child, and is working a 30-hour week on the minimum wage, earning roughly £12,000 a year. She decides to take advantage of this scheme. She would receive a government-backed £60,000 mortgage. A £74 a week repayment works out at £3,848 a year, which means

73 Department for Levelling Up, Housing and Communities, *Live tables on rents, lettings and tenancies: Table 702: local authority average weekly rents, by district, from 1998.* Link

given a £60,000 mortgage, she would have paid it off after fifteen and a half years. Thus, she receives a mortgage for fifteen and a half years.

During this period the mortgage repayment would continue to rise at a rate of CPI+1% while the mortgage was outstanding on the property. So by the end of this period, if CPI was 2% each year, it would have risen by 3% each year so that it was £6,174 by the final year.

‘At the point where Pauline had paid off the mortgage and reached an 60% stake, the remaining 40% would transfer to her and she would own the property outright and no further payments would be owed’

However, at the point where Pauline had paid off the mortgage and reached an 60% stake, the remaining 40% would transfer to her and she would own the property outright and no further payments would be owed.

Example B: A £270,000 three-bed flat in the south of England where John and Norma, who are in their mid 40s, and their adult daughter Elizabeth, who is just 18, all work either part or full time, with a combined household income of £35,000. They pay £115 a week in rent. Under the Right to Own, they would have a government-backed mortgage of £162,000, based on a 60% mortgage with a £108,000 discount. A £115 a week repayment works out at £5,980 a year. This means that it would take the tenants just over 27 years to pay this mortgage off, at which point the remaining 40% would transfer to them and they would own it outright.

However, Elizabeth moves out, and John and Norma, who both work in physically demanding jobs, retire after nearly 20 years of mortgage repayments. They suspend the mortgage, which has fallen by £119,600, giving them an equity stake worth £119,600. They then switch to relying on housing benefit to pay their housing costs. After 15 years, both John and Norma are deceased. This reduces the stake down to £102,863. Elizabeth would inherit this equity stake and could choose to pay off the remainder as a lump sum, move into the flat to pay off the remainder of the government backed mortgage over a set number of years, or ask for the £102,863 directly.

Key questions answered

Who would finance these mortgages?

The government should be able to sell these mortgages on to third parties – not least large-scale institutional purchasers such as pension funds. They would be a fairly attractive investment, with the return set at CPI+1%, far more than the current level of interest available on long term government bonds (30-year gilts issued in 2021 usually had a coupon of just 1.25%).[74] Generally, CPI is assumed to be 2-3% each year, so CPI+1% gives a rate of 3-4%, and quite possibly more – certainly well ahead of rates available on other medium- or long-term bonds. Given the current inflationary environment, this would be an ideal time to launch these products more widely.

74 2021-2 Gilt Issuance Calendar, UK Debt Management Office. Link

Could the new owner choose a higher repayment rate to become an outright owner faster?

Yes, as already set out. The new owner should be free to choose a higher repayment rate if they wanted one. This could be particularly attractive to older tenants. So, for example, if a tenant aged 45 lived in a property where the rate of payment meant a 60% mortgage worth £90,000 would be repaid in 20 years, they might choose to repay this in 15 if they wanted to retire owning outright when they reached 60. They would then pay a sum equal to their current rent + 33%, and each year see this increased by CPI+1%. If, for example, the tenant's initial rent and so mortgage payment was £4,500 in the example above, but they wanted to accelerate repayment, they could increase it to £6,000, which would reduce the timeframe to fifteen years.

Could the new owner pay the mortgage off quickly or sell the property shortly after?

Yes. If the new owner can repay more, they can buy the property more rapidly. We would propose that the government should also allow the mortgage to be paid off early – although as noted, after a minimum period of five years. This could include a lump sum payment as well. In circumstances where a tenant inherits money or receives some other windfall, it would seem odd to force them to remain holding the property. However, as mentioned above, it would have to remain within the owner-occupied sector.

What happens if the new owner borrows so much that they have no equity left?

It might be that a new owner loses work after a couple of years and never finds it again. They over time run down their equity to zero. In these circumstances, the government and mortgagor would simply close down the mortgage. One way to minimise any difficulties would be to not issue the mortgage into the market for the first six months on the Right to Own. For these months, the new owner is on the scheme, paying their mortgage into a savings pot, but only after this first six months is the mortgage issued into the market for third parties to buy, with the six months' money transferred across as the first equity tranche.

‘If a tenant aged 45 lived in a property where the rate of payment meant a 60% mortgage worth £90,000 would be repaid in 20 years, they might choose to repay this in 15 if they wanted to retire owning outright when they reached 60’

It is important to note that even if a buyer had to exit this system because their equity stake fell to zero, and the property returned to local authority control, there would be no loss of money by government. The new owner would have been reliant on housing benefit anyway, and there has been no loss of asset to the state and the property would become a typical social property. Neither the home owner nor state would be worse off.

What happens if the new owner sells their stake?

The analysis above has referred to owners or those inheriting an equity stake being able to sell their share where the property has not transferred in full. This would require the local authority to sell the property. The owner or equity stake holder would be involved in this process, and could and should manage it – and they will have an incentive to increase the price obtained since they will own a stake in the property not an absolute level (e.g. if they inherit 30% in a property they will gain £9,000 more if the final sale value is £300,000 than if it is £270,000). This will help align the incentives for the government with those arranging the sale.

The money raised by such sales will then be shared accordingly, with the council being able to buy a new build property in the future using the receipts from any sales.

What if people prefer to use the original Right to Buy?

Our policy is intended to complement rather than replace the existing Right to Buy policy for social tenants. The Right to Buy policy offers a straightforward discount to sitting social tenants to buy their homes outright but with greater risks. The Right to Own has a smaller discount, but also smaller risks for the new owners.

‘Some council properties are sufficiently valuable that it would be impossible - or perhaps viewed as unfair - for the current tenant to take on a full mortgage’

If it was not too confusing a proposition, social tenants could thus have the choice of two policies, and can choose whichever suits them best. Both policies offer them the opportunity of ownership in different ways. Of course, you could not use both policies – if you are using the Right to Own, you are not going to be able to get a further discount from the Right to Buy.

Alternatives for more expensive properties

Some council properties are sufficiently valuable that it would be impossible – or perhaps viewed as unfair – for the current tenant to take on a full mortgage.

We point out elsewhere that the sale of such properties as they become vacant would both provide funding for new social housing, and create a subsidy that could be used to help with the wider Right to Own scheme. But there could also be variations of the Right to Own for more expensive properties, which would still work along the principle of building up equity stakes. We propose two variants:

1. **Properties worth £300,000 to £500,000 or where a mortgage would be more than 30 years in length**

If the tenant cannot afford a 60% mortgage because it would take them over 30 years to pay off, or the property is worth £300,000 to £500,000, they could take out a mortgage worth 30% of the value of the property. Once this is paid off, they would obtain a 20% top-up in order to own a 50% stake. They would see lower rents once this 50% stake was achieved, and could pass this stake on or repeat the process with the next 30% to then reach 100%.

This equity stake, once completed, would entitle them to a discount of 33% in their rent, to represent their stake in the property. They would then be able to decide if they wanted to have another Right to Own mortgage for the next 30%, or take their stake and go elsewhere, or just pay lower rent as a social tenant.

Properties that would create a mortgage over 30 years would also be opted into this version of the scheme. For example, if the new owner lived in a property worth £400,000 and paid rent of £5,000, which would give them a mortgage of £290,000, and a discount of £110,000 and therefore a total of 48 years' worth of repayments, they would not be eligible for the core Right to Own.

Instead, they would apply for a 30% mortgage worth £120,000, paying down £5,000 each year and seeing their rent rise each year. When they paid off the mortgage after 24 years, they would receive an additional 20% top up of the value of the property, taking their equity stake to 50% or £200,000. This would give them a 33% discount to their rent. If their rent had risen to £9,000 a year, they would instead be paying £6,000 a year with their stake. They could then either take out a new mortgage based on 30% of the value of the property at that stage, take their 50% stake and force the sale of the property, or just pay lower rent at a 33% discount. Of course, they could also pass on this equity to their family or children when they died or retired.

Case study

Jamila and Shaun live in a £250,000 property in Brighton. Together they earn £25,000 a year. Their £84 per week rent works out at £4,368 a year. If they were to take out a 60% mortgage of £150,000, it would take 34 years to pay it off and require a discount larger than the maximum discount outside of London (around £82,000). They would therefore receive a 30% mortgage, which would take 17 years to pay off. After these 17 years, they would receive 20% of the equity. They then would have the chance to obtain another 17-year mortgage or else move, taking their 50% equity stake with them.

‘If the tenant cannot afford a 60% mortgage because it would take them over 30 years to pay off, or the property is worth £300,000 to £500,000, they could take out a mortgage worth 30% of the value of the property’

If they take out another mortgage, the property might have increased in value to £350,000, which would mean if they wanted to take another mortgage out, they would have to take it out on a £175,000 share. Assuming a plausible annual increase of 2.5% a year, their social rent would have also increased from £84 to £127.80 a week over the 17 years, meaning they would actually only need a 16-year mortgage based on a £127.80 a week payment in order to complete their purchase of the home.

If they wanted to move immediately, they could take their £175,000 equity with them. The property would be sold and the remaining £175,000 put toward building a new property for a new social tenant.

2. Properties worth more than £500,000

Clearly, for the most expensive properties both the current Right to Buy and new Right to Own do not work. Nor does giving them a stake as above. For example, a single working individual, either with or without children, in a 3-bed flat in the centre of London might live in a property worth £750,000, but be working 35 hours a week on the minimum wage, earning only around £16,000 and paying an annual rent worth £6,000 or so. The average local authority annual rent in Islington, or Westminster is more than £120 a week.[75] It would be impossible or unfair to give this individual such a large discount they could buy their property.

So instead of the Right to Own, any tenant who lives in a property worth more than £500,000 could join a variant called Right to Equity, with each payment simply building up an equity pot, with each £1 put into the pot seeing a £3 equity stake created. So if you were paying a rent worth £5,500 a year, then you would be building up equity of £17,500 a year. In any Right to Equity property you could never be able to build up equity past £400,000, since this is a very large sum.

After a minimum period, (e.g. 10 years) the tenant could take their built-up equity and use it to buy an alternative private sector property, a stake in a shared ownership property, or move to another local authority property.

Case study

Phil, a tenant living in a £1 million council home in Inner London (perhaps madly, these do exist), pays rent of £6,000 a year, or £60,000 over ten years, which combined with the £2 for each £1 in rent builds up £180,000 in equity.

He then moves to a £400,000 local authority property at the edge of London, allowing him to exercise the Right to Buy on that property. He has £180,000 from the previous property. This means he would have to pay 60% of the remaining £220,000 from the Right to Own, or just £132,000, to own that property outright. His rent in this new property is £5,000 and so after 26 years of payment he will own it outright, with his housing payments rising in line with CPI over the course of their mortgage.

‘In any Right to Equity property you could never be able to build up equity past £400,000, since this is a very large sum’

Of course, at any point under the Right to Equity he and his wife could stop building up equity and pay social rent as normal, passing any built-up equity as it stands on to their children. It is worth noting that the gain to the government from the sale of the initial valuable property would be £820,000, a very large sum, which could and should be recycled towards building more affordable homes.

These schemes create a level playing field for local authority tenants – and raise billions

Instead of the current system whereby those who are on a low income and trying to own are faced with major costs if they try to move into ownership, the Right to Own would replace all the major barriers and create a level playing field for tenants, so that they could more easily move into ownership.

1. *It removes the fear of higher maintenance costs.*
2. *It allows for support if income is lost via the owner’s existing equity.*
3. *It allows the owner to use housing benefit to pay part of their housing costs.*
4. *It removes the problem of higher initial payments.*

75 Department for Levelling Up, Housing and Communities, *Live tables on rents, lettings and tenancies: Table 702: local authority average weekly rents, by district, from 1998.* Link

We believe this scheme is therefore going to be attractive to tenants. In addition, the scheme, by creating mortgages for those who take advantage of it, will raise billions of pounds. We will see just how far this could be recycled to expand housing in Part Six.

How many people might take up this new offer?

A reasonable assumption for the Right to Own might be that it attracts the same numbers within the local authority sector as the original Right to Buy – perhaps around 2% of the roughly 1.5 million households each year, or just over 30,000 a year.

After all, the Right to Own should be fairly attractive to the 450,000 or so full-time working tenant households in local authority housing, and some of the 220,000 part time working tenant households – those who either are doing substantial hours or could do so.[76] This is a total of nearly 700,000 working households. 30,000 households using this scheme would be around 4% of the working households each and every year, hardly a huge or unrealistic share.

> **'Tenants should be reassured that their housing costs will not spike, major maintenance costs will be largely covered, and housing benefit will be there to support them'**

Even after 10 years this means we are only assuming less than half of working local authority households have moved into this scheme, which offers them the chance to buy at no extra cost and no extra risk compared with simply remaining a local authority tenant. This is a plausible aim for a new Right to Own compared to just the Right to Buy.

Securing take-up on this scale will not just be about making the offer, but education and information. Council tenants need to be given all the information they may require about the Right to Own, and have access to expert guidance on how it might work for them. It could even be that households were opted into the scheme by default if the Government was really keen on boosting ownership.

Tenants should be reassured that their housing costs will not spike, major maintenance costs will be largely covered, and housing benefit will be there to support them. We think many will, with that reassurance, choose to opt in to the scheme. Even for those who opt out might well change their minds, as they came to see their neighbours taking advantage of the scheme.

Housing associations and the Right to Own

This policy has been so far outlined as it would apply for local authority properties. But it is only fair that it could and in the long term definitely should apply for housing associations as well. This would open up a new route for home ownership for housing association tenants – and could be funded by the local authority Right to Own. This would be the way to really turbocharge a new wave of home ownership.

76 Department for Levelling Up, Housing and Communities, *English Housing Survey data on tenure trends and cross tenure analysis: Table FA1311 (S112): number of persons in household who were working by tenure.* Link

However, given the difficulties encountered by the original promise to extend the Right to Buy to housing associations, it is not likely that the Right to Own could simply be introduced overnight. Although they overwhelmingly received their stock of housing via a transfer from local authorities, housing associations are legally distinct entities, and the Government cannot simply seize their property – hence the original process of negotiation and agreement over the Right to Buy extension, which included a guarantee of compensation.

The next chapter explores the issues around housing associations, and argues that as a bare minimum the Government needs to urgently fulfil a promise that will be nearly a decade old by the time of the next election – extending the original Right to Buy.

Other options

We would argue that the Right to Own is the best way to help encourage ownership. But at the core of any attempt to boost ownership and encourage the Right to Buy, there should be a wider attempt to deal with the current bias against ownership built into the system.

‘If the Right to Own is not adopted, we urge the Government to explore other measures to boost ownership among those on low and moderate incomes, in order to deal with the issues we set out above’

There is no point simply increasing the discount when the risks and cost of ownership are so much higher than renting for low- and moderate-income households, since these households will be unable to deal with such problems. If the Right to Own is not adopted, we urge the Government to explore other measures to boost ownership among those on low and moderate incomes, in order to deal with the issues we set out above.

Part 5: Extending Ownership to Housing Associations

As discussed in the previous chapter, one key reason that the Right to Buy has declined is that too many social tenants are no longer eligible for it.

Of the current social housing stock, 2.5 million properties are owned by housing associations and around 1.6 million are owned by local authorities.[77] The Right to Buy policy currently applies only to those who are renting from a local authority. The situation for the 2.5 million households renting from the housing association sector is more complex.

It was estimated in 2011 that just over 600,000 households benefited from a 'preserved Right to Buy'. This operates just like the Right to Buy, but for people living in a housing association property which was local authority housing when they first moved in and was transferred across to a housing association when they had a secure tenancy.[78]

'It was estimated in 2011 that just over 600,000 households benefited from a 'preserved Right to Buy''

This preserved Right to Buy can be passed on when this secure tenancy is passed on, but it can also be extinguished if a new tenancy is created. (So, for example if you move into your parent's tenancy when they die you keep the preserved Right to Buy, but if when they die a new tenant with no connection moves into the property, the preserved Right to Buy is extinguished). So 600,000 is the maximum number who have the preserved Right to Buy.

The remaining housing association tenants, at least 1.9 million, have either no right to purchase their home, or have the 'Right to Acquire'. The eligibility criteria for this operates in a similar way to Right to Buy (e.g. you must have lived in your housing association property for at least three years), but the discounts are very low – between £9,000 and £16,000.[79] Since its introduction in 1997, just 9,000 or so homes have been sold via Right to Acquire,[80] while the preserved Right to Buy (for which far fewer are eligible) saw around 120,000 sales in the same period.[81]

We would argue that the Right to Buy should be available to all social tenants regardless of if they are renting from a local authority or housing association. This is not just a matter of policy, however, but of trust.

77 Table 104 Dwelling stock: by tenure1, England (historical series), DLUHC, Link

78 Wendy Wilson, *Housing association tenants: Right to Buy (England).* Link

79 Gov.UK, *Right to Acquire: buying your housing association home.* Link

80 Department for Levelling Up, Housing and Communities, Live tables on social housing sales: *Table 677: annual Right to Acquire sales for England.* Link

81 Department for Levelling Up, Housing and Communities, *Live tables on social housing sales: Table 678: annual social housing sales by scheme for England (includes chart).* Link

The Conservatives committed to extend the Right to Buy to housing associations

The Conservative party gave a commitment to extend Right to Buy to those 1.9 million housing association tenants who do not have one in the Conservative 2015 Manifesto. This promise was clear and unambiguous:

'We will extend the Right to Buy to tenants in Housing Associations to enable more people to buy a home of their own. It is unfair that they should miss out on a right enjoyed by tenants in local authority homes.'[82]

At the time this was to be funded by the sale of high value assets among local authority properties, as and when they became empty. To quote the 2015 Conservative Manifesto:

'We will fund the replacement of properties sold under the extended Right to Buy by requiring local authorities to manage their housing assets more efficiently, with the most expensive properties sold off and replaced as they fall vacant.'[83]

'After initial resistance from the housing associations, there was a successful agreement between the housing association sector and the Government to implement a voluntary version of the Right to Buy in 2015'

This policy has been described as 'controversial'. In fact, it was nothing of the sort. Polling from 2011 showed that people fundamentally do not believe that social tenants should be housed in expensive properties. This was generally strongly felt across all tenures, and all voting groups. Among Conservative voters, support was even stronger, with 86% agreeing with the statement 'people should not be offered council houses that are worth more than the average house in their local authority', and 63% strongly agreeing. Even among social tenants, 53% agreed and only 26% disagreed.[84]

This was based on fairly low churn among the limited number of high value properties that would have counted as 'high value', with 15,000 homes – less than 1% of the total local authority stock of around 1.6 million homes. This would hardly represent a major loss or shift in the stock. And of course, a replacement would be built very swiftly afterward.

Despite public backing, the extension of the Right to Buy has moved forward very slowly. After initial resistance from the housing associations, there was a successful agreement between the housing association sector and the Government to implement a voluntary version of the Right to Buy in 2015. The relevant legislation was in the Housing and Planning Act 2016. However, under the May administration, this policy was quietly shelved, with secondary legislation and other policies (and indeed funding) not brought forward.

82 The Conservative and Unionist Party, *The Conservative Party Manifesto 2015.* Link

83 Ibid

84 Alex Morton, *Ending Expensive Social Tenancies: Fairness, higher growth and more homes.* Link

The social housing Green Paper of August 2018 announced that the Government would not 'bring the Higher Value Assets provisions of the Housing and Planning Act 2016 into effect'. However, the then government did introduce a £200 million trial scheme in the Midlands to extend the Right to Buy to housing association tenants.

More recently, the 2019 Conservative manifesto returned to the promise, stating: 'We will… maintain the Voluntary Right to Buy scheme agreed with housing associations. Following the successful voluntary pilot scheme in the Midlands, we will evaluate new pilot areas in order to spread the dream of homeownership to even more people.'

That pilot concluded in April 2020. However, no implementation date for full roll-out has been announced. While the Covid-19 emergency and response clearly and understandably delayed this area, it is now time for the Government to revive its plans – and ideally to turbocharge them by offering the full-fat Right to Own.

Pilots show a strong continued appetite for a Right to Buy extension

It is fair to say that those organising the pilot schemes went to considerable lengths to dampen their impact. Firstly, you could not simply apply: you had to apply for a place in a ballot. A total of 9,146 households registered between April and September 2018.[85] Of these, 6,000 were successful in continuing to the next stage of the pilot.[86] (This is twice as many as the Government initially planned to provide funding for.)

> **'The Chartered Institute of Housing has estimated the cost of extending the original Right to Buy at around £2 billion per year over the first five years'**

In the pilot, housing associations retained discretion over which properties they sold – but if they exempted a tenant from having the opportunity to use the discount, they had to allow them to do so on another housing association property (known as the portable discount).[87]

Of the applications that ended up going forward, a review found by May 2020 some 1,875 (50%) had been closed without proceeding to a sale. Another 1,681 (44%) of sales had completed and 211 (6%) were still in progress. (Some of these continue to be delayed by the Covid-19 pandemic.)

Some within the sector have argued that this is low take-up proves there is little appetite for the Right to Buy. But the pilot evaluation found that around 223,000 tenants would take up the offer of the Right to Buy over a decade, which is nearly 1% of the 23 million households in England, and one in ten of those who currently live in a housing association property and do not have the Right to Buy. If anything this also may be an underestimate given the pilot suppressed demand and was time limited (i.e. the window for applications was narrow, there was a ballot to be chosen to proceed and so on). This is likely a minimum sales rate.

85 Department for Levelling Up, Housing and Communities, *Evaluation of Midlands Voluntary Right to Buy Pilot.* Link

86 Ibid

87 Places for People, *Your guide to Voluntary Right to Buy. Link*, p. 8.

The real truth is that many in the social housing sector dislike the Right to Buy, because it strips them of 'their' properties (which of course were handed to them for free in the first place). Likewise the Treasury sees the discount as a cost, while councils have successfully fought off the idea of selling vacant high value properties by terming a measure that the vast majority of people support 'controversial'.

In short, this is not a matter of tenants not wanting it, but of government bowing to vested interests.

The depressing thing is that, considering how many people it would help, an extension of the Right to Buy to the housing association would be extremely cheap.

The Chartered Institute of Housing has estimated the cost of extending the original Right to Buy at around £2 billion per year over the first five years.[88] At a typical Right to Buy discount of £63,760, this would be 31,367 properties a year.

An ongoing run rate of 30,000 homes a year gives a value of around £1.9 billion each and every year, and a sales rate of 300,000 over a decade.

'The Government's estimates in 2015 were that the sale of high value assets would raise around £4.5 billion from 15,000 sales each year'

This cost can easily be covered by the receipts generated by the Right to Own, or by the sale of high-value council properties. The Government's estimates in 2015 were that the sale of high value assets would raise around £4.5 billion from 15,000 sales each year.[89]

An alternative calculation by Savills estimated that the plan would raise £3.2bn from 5,500 sales. Given that the current average grant per affordable housing unit in London was £118,000, which is what would be necessary to build a replacement, and the value of housing has only increased, either estimate would mean that there was enough money to generated to support the construction of replacement council housing alongside the extension of the Right to Buy to the housing association sector. In the case of the Government estimate, sale of the high value assets and replacement would leave £2.8 billion from the £4.5 billion (£4.5 billion minus 15,000 x £118,000). In the case of the Savills estimate, sale of the high value assets and replacement would leave £2.6 billion (£3.2 billion minus 5,000 x £118,000). In both cases this is more than enough to pay for the Right to Buy extension with a substantial margin to spare.

If the Government wanted to make this even less controversial, they could, for example, spend £500 million kickstarting this process by putting the money toward new homes even as the scheme got up and running, paying for almost the first 5,000 homes, and ensuring that there was virtually no gap between the sales of properties and creation of new build homes.

88 Chartered Institute of Housing, *Selling off the stock: An interim analysis of the proposals for sales of council houses in high-value areas to finance a Right to Own for housing association tenants.* Link

89 Financial Times, *"Sell off of council houses will raise less than ministers expect".* Link

This is not to say that all the sales would be in London (though many if not most would be). The point is that London new build homes are a good proxy for the cost of replacement.

The costs would obviously be different if tenants were offered the new Right to Own rather than the Right to Buy, largely because the legal point of sale of the property would come at a different point in the process. But the creation of mortgages via a local authority Right to Own, and the sale of high-value council assets, would each generate substantial sums to cross-subsidise its extension.

Another key point here is that the financial impact on housing associations could be mitigated by rationing the number of properties transferred – though we would obviously argue for the highest possible threshold. We believe tenants would be understanding if each year, for example, only 30,000 sales could go ahead. There would be a massive psychological difference if sales were running at 30,000 a year and you were in a queue with others, compared to absolutely no progress being made as is currently the case. And those on the waiting lists would obviously be highly incentivised to vote for parties that promised not to take this new right away from them.

‘The Government could also offer, on top of the payment for any discount, a level of write-down of grant for each property that moves into ownership’

The extension of Right to Buy to housing associations is not just a question of policy, but trust. This Government made a very explicit promise in the 2015 Conservative manifesto, raising the hopes of hundreds of thousands if not millions of people in housing association tenancies. That promise should be fulfilled. It would also be hard to explain to tenants why they were being offered only the Right to Buy, when their neighbours in council accommodation could take advantage of the superior Right to Own.

We therefore argue that the Government should aim to introduce the Right to Own across the social housing sector – but at a bare minimum, it should complete the process of extending the voluntary Right to Buy across the housing association sector. After all, the sector agreed in October 2015 that it would co-operate with a voluntary Right to Buy on the understanding it would be compensated in full. Since then, there has been no further action or activity that would induce it to believe that this should not be the case. As long as the Government honours the promise to compensate in full, the deal should be easy to fulfil.

The Government also has important levers that it can use to make a voluntary deal work, such as the rent-setting powers that it holds and the grant that remains on the balance sheets of housing associations.

The Government could also offer, on top of the payment for any discount, a level of write-down of grant for each property that moves into ownership. This would possibly open up a win-win situation, since writing down grant could also free up housing association balance sheets in order to borrow and build more homes. The aim throughout should be to use the extension of ownership to support the building of more affordable homes – the topic of the next chapter.

Part 6: More Owners and More Homes

The changes proposed in this paper would be worthwhile even if the only benefit was a significant increase in home ownership. However, this is not the only benefit. The policy would also enable a major increase in the supply of affordable homes from the sales receipts involved – 90,000 more every year if the full receipts are reinvested back into new affordable homes.

In this chapter we have assumed that the Right to Buy is extended to housing associations and Right to Own to local authority properties, as the interactions of a full Right to Own are too complex for accurate fiscal modelling without Government undertaking the task itself – although we urge ministers to put that effort into motion.

The starting point, financially speaking, is that the mortgages involved in the Right to Own should be sold off to long term investors. In effect what is for sale here is the income stream from the mortgages, since the government will pay for any payments that the tenant cannot, and so repossession should not occur. This creates a large pool of money at the point these sales are made.

This pool of receipts should be turned into money for affordable housing after paying off any debt owed against local authority properties. The average debt owed against local authorities is around 20%,[90] which given the average value of a local authority property being sold is £149,270. Minus the 40% discount, that gives a total of around 40% per property, or roughly £60,000 as the residual value left. (These values are for properties outside London.)

The most expensive properties participating in this scheme could raise even more than the figures above. A £200,000 property with a £120,000 mortgage raises much less than a tenant who lives in a £1 million property who has built up £180,000 in equity using what we termed the Right to Equity, and which once sold leaves behind £820,000. Given a maximum discount of £112,800 for a London property with the usual Right to Buy then the sales receipts will be much higher.

But even if the average gain from per property is just the £60,000, it would still go far. Outside of London, the grant rate of £37,497 in the past round of affordable homes seems a reasonable rate to consider what might be needed per affordable home.[91] Thus for each home sold you should be able to build at least one property for every one sold under the Right to Own. If we assume that 30,000 homes are sold under the Right to Own each and every year, this would allow the construction of 30,000 affordable homes. Indeed, this would probably allow the construction of homes at lower than affordable rents given a £60,000 receipt per property.

90 Under Freedom of Information requests answered to *Inside Housing* in spring 2018 then since the one-for-one replacement started, 47.4% of the cash was put aside for replacement housing, the Treasury took 19%, 22.6% went on servicing debt, and the remaining 11% went on administration or was retained by town halls.

91 Homes England, *Shared Ownership and Affordable Housing Programme Table 2: Average SOAHP 2016 to 2021 funding per home by Government Office Region (end of March 2021), excluding nil grant homes.* Link

The homes sold would also be able to support the construction of replacement housing association properties as well. Each home sold under the Right to Buy extension would see the housing association property compensated in full. Given the average sale value of around £149,000 and a typical debt per property among housing associations of around £30,000,[92] this would mean that they would have a surplus of £120,000 or so per home. Given the previous grant rate of less than £40,000 noted earlier in this chapter, and even assuming that this has substantially increased, then for every home sold using the Right to Buy extension it should be possible to build at least two new affordable homes.

‘Outside of London, the grant rate of £37,497 in the past round of affordable homes seems a reasonable rate to consider what might be needed per affordable home’

Of course, the vacant high value assets being sold would also be replaced – but we would not count these as additional since there is no net addition in terms of a property being immediately available for sale.

Housing associations may not want to plough all the receipts back into new units. It may prove difficult to get receipts from local authorities in a timely fashion. It may be that the Government wants more social homes (which require more grant per unit) than in the past versus affordable rent or affordable home ownership. It may that they feel the need to prioritise upgrading their existing stock. But it is clear that the Right to Own can help deliver significant numbers of replacements for the homes sold to their existing tenants – especially if combined with the sale of high-value council properties, which is a straightforward revenue-raiser. It is also worth pointing out that since this would be creating extra housing, it would bring down waiting lists for social housing – meaning that two families were being housed due to this policy rather than one as at present.

There is one qualification here, however. As part of any expansion of the Right to Own, the Government needs to also stop trying to raise receipts – the original sin of the programme dating back to the 1980s.

When the Government changed the rules to help boost Right to Buy in 2013, it stated that in the future, any extra receipts would be used to build a new home, so there would be a one-to-one replacement for each home sold. This would reduce the waiting lists while increasing home ownership.

Yet this programme is not working as it should.

The Government has recently set out changes to the Right to Buy so that the council can use 40% of any receipts toward a replacement home, build shared ownership and First Homes as well as for-rent properties, and have slightly longer to build a replacement. They also made it harder for councils to buy new homes to replace sold Right to Buy homes rather than building new affordable homes instead.[93] If necessary, the Government should reduce the replacement time and give funds to a neighbouring

92 See the 2020 Housing Association Global Accounts, Regulator of Social Housing. Link

93 Ministry for Housing, Communities and Local Government, *Retained Right to Buy receipts and their use for replacement supply: guidance*. Link

council rather than allow councils to sit on receipts too long. And as ever, the Treasury should stop trying to pry receipts out of council hands, with all funds being recycled toward new affordable homes in each area.

A huge expansion of affordable housing

Overall, this would allow a huge expansion of affordable housing. On the estimates above, this would mean 90,000 additional homes each year on top of the massive increase in home ownership. Over five years this is 450,000 homes, and over a decade, close to a million new affordable homes that would otherwise not be built, all let to new households currently waiting for a new affordable home.

The 2021-2026 Affordable Housing Programme, which is currently underway, has seen a total of £11.5 billion committed in funding in five years to build up to 180,000 affordable homes.[94] Thus what is being proposed would be able to deliver a major increase – adding an extra 90,000 homes to this rate of affordable home delivery over a five-year period from 36,000 or so to over 120,000 homes a year. These would be additional new homes that would otherwise not be built, available to those who would otherwise not be able to have social housing at all.

> **‘The 2021-2026 Affordable Housing Programme, which is currently underway, has seen a total of £11.5 billion committed in funding in five years to build up to 180,000 affordable homes’**

Of course, adding the Right to Own for housing association tenants would make this more complex, but none of the principles above would change – there would still be a huge increase in home ownership and affordable homes.

The Right to Own would cut housing benefit bills long term and short term

So far this report has argued the case for these changes as ways to substantially increase the levels of home ownership in our society and the number of affordable homes without costing the Government a penny.

But a final point is that the existing Right to Buy – and particularly the new Right to Own – generate long-term savings that are often not usually calculated. These are more than sufficient to justify the discount. So in fact by ensuring Right to Buy is reborn, then the Government is actually pursuing policies which over time should reduce the burden on taxpayers. The discount ‘cost’ is more than repaid via various savings to Government.

94 HM Treasury, *Autumn Budget and Spending Review 2021.* Link

Ownership makes the following savings compared to social tenants remaining as renters:

a) ***Saving on rent when tenants become pensioners.*** Ownership would reduce payments once tenants owned their home outright, which is important particularly for the fact these low-income households will one day be pensioners. The average housing benefit for social tenants is £4,700 a year.[95] If we assume that anyone who moves into ownership would have ended up receiving housing benefit for just 10 years on average when retired (likely an underestimate given life expectancy of over 80), this gives a saving of £47,000 for each household (this figure and the rest in this section do not try to adjust for inflation over time). Given the high costs of maintenance in social housing, this is largely a saving around maintenance and repairs.

b) ***Reducing housing benefit with each new affordable home.*** In addition, building a replacement property for each one sold would reduce the housing benefit paid to private landlords, by also allowing a household to exit the private sector and join the social housing sector (with the option of then moving into ownership itself).

‘For tenants who are relying on housing benefit, the average paid by local authorities is £5,074 and for private tenants is £8,873, a gap of £3,799. Over a 20-year period, the savings from such a claimant being in social rent rather than the private rented sector would be a whopping £76,000’

For tenants who are relying on housing benefit, the average paid by local authorities is £5,074 and for private tenants is £8,873, a gap of £3,799.[96] Over a 20-year period, the savings from such a claimant being in social rent rather than the private rented sector would be a whopping £76,000. Of course, if the house is not sold, then in decades it can be re-let – but under this proposal, that money is brought forward to now and the savings can be made now.

c) ***Saving on housing benefit for those who move into ownership.*** Most housing benefit payments paid under this system would be ‘saved’ by Government in the long run because those who move into ownership would not claim benefit. This effectively reduces the cost of the housing benefit for those tenants who lose their job or see relationships break down, because this is added to the mortgage and paid by the new owner rather than by the government. If, over a lifetime, perhaps four years out of 40 which would have been spent on housing benefit are not, this would save another £18,800, bringing the total saved on housing benefit to £65,500. Including the reduced housing benefit from a new property, this would come to roughly £141,800.

95 Based on average award per week of £90.4. See DWP, *Housing Benefit Caseload Statistics.* Link

96 English Housing Survey 2016-172106-7

d) ***Encouraging work and employment.*** Finally, ownership would reduce housing benefit payments by encouraging employment and potentially leading tenants to increase the level of their contribution in order to fully own their own homes more quickly. This is without mentioning the many social, psychological and economic advantages of home ownership, demonstrated by multiple studies.

‘It is difficult to see any plausible set of assumptions in which the Government would not make a significant saving on housing benefit for every home sold that more than outweighs the ‘cost’ of any discount’

The total of a) and b) alone is £123,000, nearly twice the ‘lost’ discount, so the idea that this policy costs huge amounts of money is simply not true. Obviously, these estimates are very much approximate. But it is clear that the savings from housing benefit should be weighed against any immediate ‘cost’ to the taxpayer from introducing and extending the Right to Own. And it is difficult to see any plausible set of assumptions in which the Government would not make a significant saving on housing benefit for every home sold that more than outweighs the ‘cost’ of any discount. Far from seeing the ‘discount’ as a cost, which the Treasury does at present, each home sold should be viewed as helping to bring down Government bills over the medium term.

Conclusion

This report has shown why the Right to Buy was one of the most powerful policies of recent decades and how it helped nearly one in 10 households into ownership.

It has set out why people still want to see ownership at the heart of Government policy.

It has shown that the Right to Buy has declined due to the barriers being placed in the way of social tenants from exercising it, not least fact that they lose access to a wide range of benefits and support for having the temerity to own rather than rent – hence our wider call for measures to redress the deeply unfair balance between rental and ownership sectors within the housing benefit system.

‘The key question is whether the Government is prepared to act and oversee a Right to Buy reborn, or watch as one of the most transformative policies of the post-war era slides into irrelevance’

And this report sets out a way to drive the Right to Buy forward again, via a Right to Own that removes the risks for those who move into ownership, and a home ownership offer for both local authority and housing association tenants that also significantly increases the volume of affordable housing being built.

This would change the model of social housing in Britain – from dependency on the state to a cycle of build, rent, buy, rinse and repeat. With every monthly payment, the tenants concerned would be owners earning a greater slice of their home – getting an extra stake in society, making an extra step towards freedom and security. On top of this, more affordable homes could also be built at a huge scale.

The key question is whether the Government is prepared to act and oversee a Right to Buy reborn, or watch as one of the most transformative policies of the post-war era slides into irrelevance.

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