

REPORT TO: HOUSING COMMITTEE - 20TH AUGUST 2012
REPORT ON: CONSULTATION ON THE FUTURE OF RIGHT TO BUY IN SCOTLAND
REPORT BY: DIRECTOR OF HOUSING
REPORT NO: 281-2012

1.0 PURPOSE OF REPORT

The Report contains the Council's response to the Scottish Government's consultation on the Future of Right to Buy in Scotland.

2.0 RECOMMENDATIONS

Committee is requested to approve the response to the consultation, set out at Appendix 1, for submission to the Scottish Government.

3.0 FINANCIAL IMPLICATIONS

None.

4.0 MAIN TEXT

The consultation on the Future of the Right to Buy in Scotland states that the transfer of properties out of the social rented sector has decreased the social housing stock and placed increasing pressures on councils and housing associations. The Scottish Government has removed the right to buy for new homes and new tenants under the Housing (Scotland) Act 2010. The consultation paper further states that discounts of up to 70% under the preserved (pre 2002) right to buy scheme are unjustifiable, leading to pressures on rents for remaining tenants and an eroded asset base, some 207,000 tenants still have the preserved right to buy. The Scottish Government is consulting on ways to reform the preserved right to buy and other changes that could be made to existing laws, as well as completely removing all entitlements to the right to buy in Scotland.

4.1 Changes in the Right to Buy

The right to buy was introduced in 1980 and has been reformed under the Housing (Scotland) 1987, Housing (Scotland) Act 2001 and the Housing (Scotland) Act 2010.

Therefore there are a number of different entitlements available to tenants dependant upon when they first took up a tenancy of a social rented property. These are set out below.

Preserved right to buy - tenants who have right-to-buy entitlements over their current home from before 30 September 2002 can buy after a two-year qualifying period with a landlord. For houses, the discount starts at 32% of the market value, rising by 1% a year up to 60%. For flats, the discount starts at 44% of the market value, rising by 2% a year up to 70%.

Modernised right to buy - tenants who gained the right to buy between 30 September 2002 until 1 March 2011 have the right to buy after a five-year qualifying period with a 'relevant landlord'. The modernised discount starts at 20% of the market value after those five years and rises by 1% a year for all house types, up to 35% or £15,000, whichever is lower. Some tenants cannot use the modernised right to buy if they live in an area or type of home that has been classed as 'pressured' or if they are the tenants of registered social landlord (RSL) affected by a ten-year suspension from the right to buy.

No right to buy entitlement - from 2nd March 2011, the 2010 Act ended the right to buy for new tenants and those returning after a break. From 1 March 2011, it also ended for new supply houses (those built or acquired after 25 June 2008). It did not remove any existing entitlements. Existing tenants moving to a new-supply home cannot buy that home. However, they do keep the right to buy if they then move to a home that is not new supply. The act also changed the 'pressured area' rules. This means that from 30 June 2011 local authorities rather than Scottish Ministers can decide (designate) if an area is pressured. They can make the designation for up to 10 years, and can choose types of homes as well as areas.

4.2 Need for Change

The consultation states that the right to buy has extended the benefit of home ownership and has helped create more balanced communities, however it has removed properties from the social rented sector and severely reduced the number of homes available to rent from social landlords. Social rented stock should be preserved to meet the housing needs of those on waiting lists and who are homeless.

The existing laws on right to buy are unfair with some tenants benefiting from much larger discounts than others. The law is too complex and difficult for landlords and tenants to understand. The right to buy is outdated and may have no place today given the need to focus on increasing the availability of affordable housing for those who need it most.

4.3 Proposals

In summary the proposals include: moving tenants with preserved right to buy on to modernised right to buy terms; making amenity houses exempt from the right to buy; ending the right to buy at a future date and extending the 10 year suspension rule for registered social landlords.

The Council's response to consideration of the issues and the questions within the consultation are set out in the consultation response contained in Appendix 1.

5.0 **POLICY IMPLICATIONS**

This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management.

There are no major issues.

6.0 **CONSULTATIONS**

The Chief Executive, Director of Corporate Services, Head of Democratic and Legal Services and all other Chief Officers have been consulted on the preparation of this report. No concerns were expressed.

7.0 BACKGROUND PAPERS

None.

ELAINE ZWIRLEIN
DIRECTOR OF HOUSING

DATE: AUGUST 2012

Appendix 1

Dundee City Council response on the Future of the Right to Buy in Scotland**Questions****1. Do you agree that further restrictions to the right to buy are needed? Y****Please give your comments and reasons.**

In order to meet the needs of homeless households and applicants for social rented housing, particularly in times of reducing resources for new supply, preserving the existed social rented stock is crucial.

Given the changes over time to the Right to Buy, there are different entitlements with preserved right to buy, modernised right to buy and no right to buy entitlement, removing the right to buy would simplify the situation and ensure greater consistency and fairness.

We do not feel the comment at 4.3 of the consultation 'restricting the right to buy may also reduce landlords' overall costs by helping them to manage stock better is justified. It may help with problems of meeting the SHQS in blocks of flats with mixed tenure'. Given the changing patterns of tenure under the right to buy since the 1980s landlords do and will continue to deal with problems associated with mixed tenure where services to owners are to some extent subsidised by rent payers.

2. Do you agree with the proposal to end the right to buy altogether? Y

See above.

3. If so, what notice period should we give?**Three years**

In order to provide adequate notice, and given that many landlords are reliant on receipts to finance improvements, it would be beneficial to end the right to buy entitlement from 2015.

4. Do you agree with the proposal to move all those with a preserved entitlement onto modernised terms? N

As stated above if there is to be further reform this should concentrate on preserving social rented stock, simplification, consistency and fairness. Moving those with a preserved right to buy to a modernised right to buy would not achieve these objectives.

5. If Yes, what notice period should we give for moving everyone onto modernised terms?

Two years Three years Five years Other

NA

6. Which option do you prefer – ending the right to buy or moving from preserved to modernised?

Ending the right to buy.

Please give your comments and reasons.

The reasons are preserving social rented houses to meet housing need, simplification, consistency and fairness.

7. Do you think there would be any unexpected issues with either option? N

If Yes, please explain these.

8. What financial effect would our proposed changes have on social landlords, particularly over the longer term?

Removing the right to buy would prevent rental income diminishing over time. Landlords could then apply income to borrow to finance improvements or sustain new house building. It would allow better forward planning.

9. What steps could landlords take to reduce any negative effects?

No comment.

Other changes

10. Do you support the proposal to repeal section 69 and delegate decision making to landlords? N

Please give your comments and reasons.

This right to buy should be ended. Therefore it should be unnecessary to repeal section 69 relating to the sale of houses provided for tenants of pensionable age with special needs.

If section 69 were to be repealed then guidance for landlords would be required to ensure consistency between landlords and across geographical areas.

11. Do you have any views on the 10-year suspension and possible future changes?

If, as we are suggesting in this response, the right to buy is ended, either the legislation should be repealed, or the current suspension should be made permanent to ensure equity across landlords.

12. Are there any other right-to-buy issues which you think should be tackled? N

Please give any comments.

Equal Opportunities

Questions

13. What groups do you think would be affected – positively or negatively – by the proposed reforms?

No comment.

14. What could we do to avoid any negative effect?

No comment.

15. Do you have any comments on the partial Equalities Impact Assessment?

No.

16. Do you have views on the effect these proposals may have on your business?

We are reliant on capital receipts from RTB sales to partially finance SHQS.

17. Do you have any comments on the partial Business and Regulatory Impact Assessment?

No.