

Consultation Response

To: The Communities and Local Government Committee
Future of Housing Associations Inquiry

By: The Intergenerational Foundation

Date: 18 August 2015

Recommendation: **Legal protection is required to ensure government/s replace social housing stock sold under Right To Buy on a like-for-like basis so that social housing is available for younger and future generations**

1. The Intergenerational Foundation (www.if.org.uk) is an independent think tank researching fairness between generations. IF believes policy should be fair to all – the old, the young and those to come.

Our response...

2. IF is extremely concerned by the housing crisis that is currently affecting young people in the UK. Unless the supply of housing increases significantly, millions of young people, who desire the security and responsibility of owning their own home, face being unable to fulfil that dream.

Long-Term Solutions

3. Responsible governments also have a duty to balance the interests of young people today with the interests of young people to come and therefore, for any housing policy to be intergenerationally fair, it must put in place a housing strategy that addresses the housing crisis over the long term.
4. The decline of social housing came about due to the “success” of the Right To Buy Scheme, introduced in 1980, when local authority housing was sold off to tenants. To date 1.5 million such homes in the UK have been sold. IF believes that the seeds of the current housing crisis were sown when local authority housing stock sold off was not replaced with new social housing. And history could well be repeated unless adequate legal protection is in place to ensure that replacement properties are built on a like-for-like basis for generations to come.

Fair to Taxpayers

5. Currently, 1.3 million people in England rent their homes from housing associations. Extending the Right to Buy scheme would boost levels of home-ownership in the short term, but at a significant cost to would need to be reimbursed for their full market value. depending on how many eligible tenants choose to take up the government’s offer and which parts of the country they live in.
6. Overshadowing the practicalities of this scheme is the question of fairness. One way of looking at the Right to Buy is that it provides social housing tenants with home ownership at a discount paid for by general taxpayers, many of whom may be struggling to find adequate housing themselves. Furthermore, many of the former social housing tenants who have taken up the Right to Buy previously, have gone on to re-sell their properties at a much higher price than they paid for them. In August 2015 the BBC reported that a Covent Garden ex-council flat originally sold to the tenant for £130,000 in 1990 has just been [re-sold for £1.2 million](#) – almost 10 times its original price. The loss to the taxpayer totals £150 million based on 1990 sale prices. When current house prices are taken into account, the figure is estimated to be [£60 billion](#).

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7. Council flat buyers have also cost the taxpayer money by letting the property they bought to social housing tenants. Across London at least 36% of one-time council homes are “now rented out privately but that proportion is even higher in some of the poorest areas where average private-sector rents, often paid by tenants on housing benefit, cost as much as £230 a week more than council rents.”¹ The government has effectively sold properties at a discount and then rented them back for a higher cost, representing poor value for money for taxpayers.

Replacing The Stock/Social Justice

8. IF has serious concerns that current and future governments will not keep their pledge to replace housing association homes sold under the new scheme – particularly in Inner London, where it is extremely difficult to build new affordable housing because of high land costs. This could well result in the new Right to Buy leading to worse segregation between wealthier and poorer areas of the city, which would have grim implications for social justice.
9. There is a grave risk that extending the Right to Buy to cover Housing Association tenants would simply result in one-off gains for a particular group of people while making the overall housing crisis worse, as the supply of affordable housing would almost certainly be permanently reduced unless Housing Associations are legally required to replace the properties sold on a like-for-like basis.

Author: Liz Emerson

For more information about the Intergenerational Foundation and its work please visit www.if.org.uk or email Liz on liz@if.org.uk

¹ Freedom of Information Request, Tom Copley, Labour London assembly member; <http://www.theguardian.com/uk-news/2014/jan/12/right-to-buy-housing-scandal>