

Media release March 23rd 2021

Right to Buy receipts should only be used to fund council housing



The **Labour Campaign for Council Housing** believes that Right To Buy should be ended. It has been a disaster. It is one of the main reasons for the acute shortage of council housing¹. **But so long as the policy remains in place then the receipts from sales should only be used to fund building council housing.**

The government is subsidising home ownership already. More than £16 billion has been spent since 2013 on the Help to Buy scheme, which Radio 4's Today programme commentator Henry Pryor described as the 'crack cocaine' of the building industry, inflating House prices, and boosting developer profits, while failing to address the housing crisis.²

Yet from April 1st the government is allowing money from Right To Buy sales of council housing to be used for shared ownership and First Homes. This is an outrage. Housing Revenue Accounts are "ring-fenced", so rent from tenants cannot be used for other services. Why should receipts from sales be any different? Receipts should be used to help build replacements, or else the rent lost is not replaced by that from a new home.

The government is also proposing that the so-called one for one replacement target will now include shared ownership and first homes. This means that the loss of council housing will be presented as the replacement of one "affordable home" with another. The elastic term "affordable housing" enables the government to camouflage the fact that using RTB receipts for other tenures mean that council homes will not be replaced, accentuating the acute shortage of them.

Secretary Martin Wicks said:

"Council Housing Revenue Accounts have been 'ring-fenced' within a council's General Fund since 1990. The 'ring-fence' means that council tax cannot be used to support council housing and tenants' rent cannot be used to support non-housing services. What the government is proposing is in practice a breach of the 'ring-fence'. Use of RTB receipts to build replacement council homes for those sold, provides rental income which pays for maintenance and renewal of council housing stock. To use them to subsidise home ownership instead, means the council loses the home and the rent.

HRAs have insufficient funds to maintain existing homes and renew key housing components, over the long term. Using RTB receipts to subsidise home ownership will only make the funding shortage worse.

Use of RTB receipts for shared ownership and First Homes will be discretionary. Councils which support council housing should make a public commitment that they will only use RTB receipts for council housing. Supporters of council housing should be pressing councils that own council housing stock to make this commitment whatever their political colour. **Pressure should be brought to bear to make the proposal a dead letter, until it can be withdrawn."**

1 The number of council homes in England has fallen by 200,000 since 2010.

2 In contrast with this largesse, although in October 2017 the government announced £2 billion in grant supposedly for funding 25,000 social rent homes, only 5% of social housing funded by grant is social rent. Homes England has only funded 4,714 social rent homes since 2016 up to September 2020.