

<p><b>Title: THE HOUSING (RIGHT TO BUY) (DESIGNATED RURAL AREAS AND DESIGNATED REGIONS) (ENGLAND) ORDER 2016 ref SI 2016/587</b></p> <p><b>Original IA/RPC No: N/A</b></p> <p><b>Lead department or agency: Department for Levelling Up, Housing and Communities</b></p> <p><b>Other departments or agencies: N/A</b></p> <p><b>Contact for enquiries: Michael Hammacott, Statutory Right to Buy Stewardship Lead, Michael.hammacott@communities.gov.uk</b></p>	<p><b>Post Implementation Review</b></p>
	<p><b>Date: 02/11/2021</b></p>
	<p><b>Type of regulation: Domestic</b></p>
	<p><b>Type of review: Statutory</b></p>
	<p><b>Date measure came into force: 20/06/2016</b></p>
	<p><b>Recommendation: Keep</b></p>
	<p><b>RPC Opinion: N/A</b></p>

<p><b>1. What were the policy objectives of the measure?</b></p> <ul style="list-style-type: none"> <li>• <u>Objective 1</u>: Help keep homes in rural areas affordable to local people.</li> <li>• <u>Objective 2</u>: Help maintain stocks of affordable housing in rural areas.</li> <li>• <u>Objective 3</u>: Help local authorities to increase the amount of affordable housing delivered in rural areas.</li> </ul>
<p><b>2. What evidence has informed the PIR?</b></p> <ul style="list-style-type: none"> <li>• Written feedback has been obtained from the four councils affected by this Statutory Instrument: Chichester, Malvern Hills, Shropshire and Wychavon. This feedback has helped inform the conclusions in this review.</li> <li>• All four local authorities reported that this policy had helped keep housing affordable for local people in rural areas and has helped increase the supply of new affordable housing.</li> <li>• Representatives from all four local authorities responded confirming positive experience of the Statutory Instrument, which has been deemed to have met its objectives (as stated above).</li> </ul>
<p><b>3. To what extent have the policy objectives been achieved?</b></p> <p><b>Background to the Rural Designation policy</b></p> <p>The Right to Buy, Preserved Right to Buy and Right to Acquire schemes seek to balance the benefits of helping social tenants into home ownership with the need for maintaining affordable rural housing.</p>

Tenants who buy their homes through the Right to Buy and Preserved Right to Buy in areas designated as rural by the Secretary of State are restricted in terms of who they can resell the property to. Since 1980, landlords in areas designated as rural can require owners to resell only to people who have lived or worked locally for at least three years, or they can require owners to offer the property back to the former landlord (a right of first refusal). The restrictions are imposed in perpetuity unless the local authority, or housing association in the case of Preserved Right to Buy, chooses to remove the covenant from that property.

When the Right to Acquire scheme was launched in 1997, it was not made available to Housing Association tenants in rural areas. This is because making small rural housing associations sell their assets could endanger their businesses by making it more difficult to raise private finance and build replacement social homes.

Since 2019, rural designation has also been used for planning purposes. Planning obligations for affordable housing are normally sought on developments where 10 or more homes will be provided. However, in designated rural areas, local planning authorities may instead choose to set their own lower threshold in Development Plans and seek affordable housing contributions from developments above that threshold.

### **Objective 1: Help keep homes in rural areas affordable to local people**

Objective 1 has been achieved by giving social landlords in rural designation areas the power to put conditions on the resale of properties bought through Right to Buy or Preserved Right to Buy.

This is achieved by placing a covenant on those properties, which means that the property can only be resold to a local person or a local social landlord. This helps to maintain affordable housing in rural areas (by allowing social landlords to buy back the property) and prevent former Right to Buy properties being purchased as second homes and/or by non-locals, which in turn could lead to increased house prices in rural areas. The local authority, or housing association in the case of Preserved Right to Buy, can choose to not implement the covenant, or remove the covenant, at any time.

### **Impact on council housing tenants**

Council housing tenants in designated rural areas have the same opportunity to take up their Right to Buy as any other eligible tenant. There is no evidence that the covenant on the property hinders them from purchasing their home (for example, there is no evidence of difficulty in tenants obtaining a mortgage). The local authority has the ability to remove the covenant if necessary, for example if the covenant was restricting the owner's ability to sell.

This approach strikes a fair balance between helping rural tenants to realise their aspirations of homeownership whilst also helping keep house prices affordable for local people in rural areas.

**This review considers that Objective 1 has been met.**

### **Objective 2: Help maintain stocks of affordable housing in rural areas**

In rural areas it can be more difficult to build new affordable housing. As such, when the Right to Acquire for Housing Association tenants was introduced in 1997, there was an exception for Housing Association homes in areas designated as rural. This approach differs from the Right to Buy and Preserved Right to Buy, where tenants can still buy their home but with restrictions on resale. This difference in approach is because requiring small rural Housing Associations to sell their assets could endanger their businesses

by making it more challenging to raise private finance. By removing the Right to Acquire, Housing Associations can maintain their rural social housing stock.

The Right to Acquire is only available to some Housing Association tenants. The property must have been built or bought by a Housing Association after 31 March 1997 (and funded through a social housing grant provided by the Housing Corporation or local council) or transferred from a local council to a housing association after 31 March 1997, and the tenant does not have the Preserved Right to Buy. It provides a discount on the property for the tenant who is involved in the purchase, however, the discount is only up to £16,000 (as opposed to up to £84,600 for Right to Buy, or £112,800 in London in 2021/2022).

### **Impact on Housing Association tenants**

If a Housing Association tenant residing in a property would normally have the Right to Acquire, and this property is in an area that has been designated as rural, the Right to Acquire will no longer be available. This means that some Housing Association tenants are unable to buy the home they are living in. As Housing Associations are private companies they use their stock as security to raise private finance. As such, forcing them to sell off specific stock in rural areas would limit their ability to raise funds for new building. Restricting the Right to Acquire is therefore deemed proportionate in order to maintain social housing in rural areas.

For Housing Association tenants who have the Preserved Right to Buy (PRTB), they can still buy their home subject to the same restrictions as for Right to Buy (RTB), as detailed in Objective 1 above.

**This review considers that Objective 2 has been met.**

### **Objective 3: Allow local authorities to increase the amount of affordable housing delivered on smaller sites in rural areas.**

This objective has been achieved by allowing areas with rural designation to ask developers for affordable housing, or housing contributions, on sites of 5 units or more (the usual threshold is 10).

This policy has been successfully used to gain additional affordable housing contributions in Chichester, Malvern Hills, Shropshire and Wychavon, helping to increase the amount of affordable housing in these areas (where developments are likely to be smaller, and therefore more likely to have less units than the normal threshold for requiring affordable housing provision).

Malvern Hills, Shropshire and Wychavon stated in their feedback that the absence of rural designation from the Secretary of State could have had a significant impact on their ability to ensure new affordable housing is delivered in rural villages and settlements.

**The review considers that Objective 3 has been met.**

### **Conclusion**

The objectives of this policy have been met and no policy changes are recommended.

Sign-off for Post Implementation Review: The Minister

***I have read the PIR and I am satisfied that it represents a fair and proportionate assessment of the impact of the measure.***

Signed: ***Christopher Pincher***

Date: 01/11/2021

## Further information sheet

Please provide additional evidence in subsequent sheets, as required.

### **4. What were the original assumptions?**

Our original assumptions were:

- a) the rural designation policy would help keep homes in rural areas affordable to local people; and
- b) help maintain or increase stocks of affordable housing in rural areas.

### **5. Were there any unintended consequences?**

No.

### **6. Has the evidence identified any opportunities for reducing the burden on business?**

The impact on Housing Associations from the Statutory Instrument is minimal. The review has not identified any opportunities for reducing this further. There is no other impact on business.

### **7. How does the UK approach compare with the implementation of similar measures internationally, including how EU member states implemented EU requirements that are comparable or now form part of retained EU law, or how other countries have implemented international agreements?**

N/A