The community right to buy: how housing acquisitions can regenerate left behind communities, improve standards, and decarbonise homes

Policy briefing | Alex Diner | September 2023

Summary

In conjunction with the Homes For Us alliance of grassroots organisations and campaigners, the New Economics Foundation (NEF) is developing policies to fix England’s broken housing model. Our report, Beyond New Build,¹ argued that, alongside building more social homes, the government should encourage the upgrading and repurposing of private rented sector (PRS) properties as social homes.

This paper outlines a range of policy levers which would encourage a flow of transactions from the PRS to the social sector. These would enable social landlords to provide much needed social and affordable housing at speed, targeting need, including more than 100,000 families in temporary accommodation², and rebalancing our broken housing system. First, we outline a community right to buy: pre-emptive first buyer rights for social landlords and community-led housing organisations. This would empower communities to take control of poorly maintained and empty homes in deprived areas with low property values. It would also give them a necessary competitive advantage over buy-to-let, often absentee landlords, who continue to extract wealth from left behind communities. A national acquisitions

¹ Diner, A., Beyond New Build: Repurposing private rented housing to deliver a new generation of social homes for England (14 February 2023) https://neweconomics.org/2023/02/beyond-new-build
programme to support such organisations would catalyse regeneration, injecting jobs, economic growth and pride of place in England’s so-called left behind towns.

Second, local authorities should be empowered to acquire properties from landlords who are unable or unwilling to let their properties to required standards, be it in relation to energy efficiency ratings, the Decent Homes Standard (DHS) - which is due to be extended to the PRS - or any other specified forms of regulatory non-compliance. We therefore propose new rules whereby landlords should be prevented from selling non-compliant properties on the open market, with only local authorities being permitted to purchase them as the buyer of last resort. This would incentivise landlords to invest in better, greener homes and encourage local authorities to acquire them at a reduced price where standards are not met.

These policy levers will only enable acquisitions to occur on a significant scale if they are backed by investment and central government grants. The 10% acquisitions cap on the affordable homes programme (AHP) should be raised and a national housing conversion fund should be adopted and geared towards low-demand areas to inject economic growth and prevent high value property markets from becoming overheated. This fund should include grants for non-registered providers, such as community-led housing groups. Only then can these proposals empower social landlords and grassroots housing organisations to tackle housing need, act as a vehicle for regeneration and economic growth in left behind areas, and help raise standards and energy efficiency in the PRS.

Empowering communities to take control of their homes and regenerate left behind neighbourhoods

Much recent discussion of housing policy has focussed on reforming the planning system to make it easier to build homes and improve prospects for first time buyers. While it is vital to address these issues, to tackle the underlying causes of our housing crisis policymakers must also introduce a package to increase the supply of social and genuinely affordable homes. It is welcome that the government and the Labour party have proposed reforming CPO rules, albeit to different degrees, which could enable local authorities to develop much needed affordable homes on a potentially transformative scale.³

However, alongside new build development, acquisitions should play a central role in increasing the supply of social homes. This would allow local authorities to target housing

The Community Right to Buy: how housing acquisitions can regenerate left behind communities, improve standards and decarbonise homes

need strategically and at speed, buying the right properties to match local demand and help reduce council waiting lists. Acquisitions are particularly pertinent to providing temporary and emergency accommodation to some of the most vulnerable people in society, including asylum seekers, people fleeing domestic violence, and prison leavers. This can be done without many of the complications associated with building new homes, including those related to land acquisition or developer contributions.

Acquisitions have historically played an important role in addressing housing need in England, albeit decreasingly over time. It is now an underused tool. In the late 1970s, local authorities purchased up to 14,000 properties annually, and in the early 1990s government intervention used acquisitions primarily to inject demand following a market downturn. However, in the decades since, and particularly following the coalition government’s cuts to the AHP, social landlords have purchased significantly fewer properties alongside increasing property disposals.


7 Department for Levelling Up, Housing and Communities, Live tables on social housing sales, table 678 (27 June 2023) https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales
The Community Right to Buy: how housing acquisitions can regenerate left behind communities, improve standards and decarbonise homes

Figure 1: Social landlords purchase far fewer homes compared to the early 1990s

Housing acquisitions by local authorities and housing associations, 1991/92 to 2021/22, England

Source: Department for Levelling Up, Housing and Communities, Live tables on affordable housing supply, Table 1009

The Community Right to Buy

Social housing acquisitions should play a vital role across the country, including in high demand areas where many PRS landlords appear to be selling their properties. However, in order to maximise its benefits, acquisitions policy should be targeted at low demand areas, with higher proportions of empty homes. Doing so offers better value for money given the significant regional variation in property prices, with the average home in London valued at almost 3.3 times that of the north east.

There were around 250,000 long-term vacant properties in England as of October 2022. These are often a blight on communities, attracting anti-social behaviour, depressing property values and damaging a community’s pride in its place. Targeting acquisitions in areas with high volumes of empty homes can also be used to catalyse regeneration.

---

9 ONS, UK House Price Index: June 2023 (16 August 2023) https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/housepriceindex/previousReleases
10 A long-term vacant property is one which has been empty for at least six months for council tax purposes: Department for Levelling Up, Housing and Communities, Live tables on dwelling stock (including vacants) (27 June 2023) https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants, table 615
There have been a number of tools available to local authorities to tackle empty homes. Empty Dwelling Management Orders (EDMOs) give local authorities rights to possess empty properties that have been empty for at least two years, but these have been weakened since 2012. Local authorities can also charge council tax premiums on empty homes. The last Labour government’s New Deal for Communities invested billions to regenerate deprived communities and tackle empty homes. Between 2012 and 2015, the Empty Homes Programme distributed almost £100m to social landlords and a further £50m to community-led groups to renovate empty homes. Since the Empty Homes Programme was scrapped, the number of empty homes has increased by 22% between 2015 and 2022.

There is already an ecosystem of community-led housing organisations that buy and renovate poor quality and empty homes to let for sub-market rent, such as Giroscope in Hull, Back on the Map in Sunderland and East Marsh United in Grimsby. This model is how many of what became our largest housing associations came into being. As non-registered social landlords, community-led housing organisations do not have access to AHP grant funding, and can no longer draw on the Empty Homes Programme or Community Housing Fund capital, which have both been terminated. In the absence of this, some have applied to their local authorities for Right to Buy replacement grant funding receipts that would otherwise have been returned to Whitehall, mitigating the end of grant funding.

---

11 The government plans to reduce the time period at which an empty property can become eligible for an EDMO from 2 years to 6 months. HM Government, Anti-social behaviour action plan (27 March 2023) https://www.gov.uk/government/publications/anti-social-behaviour-action-plan, p32
15 In October 2015 there were 203,596 long-term empty vacant properties in England, rising to 248,149 by October 2022: Department for Levelling Up, Housing and Communities, Live tables on dwelling stock (including vacants) (27 June 2023) https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants, table 615
16 https://giroscope.org.uk/
17 https://backonthemap.org/
18 https://eastmarshunited.org/
20 Hull City Council, Right to Buy replacement programme grant fund https://www.hull.gov.uk/housing/housing-regeneration-and-development/right-buy-replacement-programme-
However, with interest rates rising, community-led housing organisations’ funding model is now in severe jeopardy. This sector needs support if it is to be sustained, let alone flourish and play an important role in regenerating communities going forward. They also face further challenges in competing with buy-to-let landlords in acquiring new properties. Owing to a curtailment of the favourable conditions landlords have enjoyed for a number of decades – around tax, borrowing and finance - some landlords, particularly those who are reliant on largescale borrowing, are selling their properties.\(^{21}\) However, low house prices mean left behind areas continue to produce relatively high rental yields for landlords. Even as some landlords sell their properties, these areas still provide investment opportunities for buy-to-let, often absentee, landlords. Furthermore, landlords have little incentive to invest in their properties to attract higher market rents in low demand areas.\(^{22}\) The percentage of non-decent PRS homes across England fell from 37% in 2010 to 23% by 2021, declining in all regions apart from the north east and Yorkshire & Humber - areas with higher proportions of low value homes - where it actually increased.\(^{23}\)

Without grant support and with rising borrowing costs, community-led housing groups – as well as other social landlords and indeed owner occupiers - are disadvantaged when competing with equity-rich, portfolio landlords, who are less adversely affected by soaring interest rates as they are less reliant on borrowing. Crucially, they continue to extract rent from local economies while failing to invest in the homes, people or communities.

Despite these challenges, community-led housing groups can help transform homes, communities and lives, addressing housing need while revitalising deprived areas. Policymaking should seek to nurture such organisations, enabling those that already exist to upscale (while ensuring they still retain their community link and focus) and crucially encouraging their proliferation across a wider range of left behind areas. Public investment

---

\(^{21}\) Mortimer, R., ‘Here’s why landlords are selling up’, The Times (10 June 2023) [https://www.thetimes.co.uk/article/heres-why-landlords-are-selling-up-fj6qpw20p](https://www.thetimes.co.uk/article/heres-why-landlords-are-selling-up-fj6qpw20p)


in community-led housing is also good value for money for taxpayers with an approximate 1:3 cost-benefit ratio.\textsuperscript{24}

If we are to embolden existing grassroots organisations to scale up and proliferate, the government must do more to empower them.\textsuperscript{25} Other analysts have suggested giving councils the power to introduce housing pressure zones, whereby the local authority can restrict landlord acquisitions in specified areas in which it can be demonstrated that such transactions are generating housing problems.\textsuperscript{26} We support this proposal and the principal underpinning it: councils should be empowered to be more strategic about the type of homes on their patch. Introducing a \textit{community right to buy – rights of first refusal to social landlords and community-led housing organisations when properties become available for sale, for a limited, set period} - would give them a competitive advantage over buy-to-let landlords to invest in homes and regenerate communities.

A community right to buy will not be necessary (or desirable) in all local circumstances, particularly where market demand and prices are already high. However, in areas where there is little interest from residential home buyers, but where there is a greater number of empty homes and continued speculation from buy-to-let landlords, a community right to buy would help catalyse community-led regeneration. It is likely to be particularly beneficial for new or aspiring grassroots organisations who are trying to develop a footprint and who might otherwise be unable to compete with buy-to-let landlords at property auctions.

Local authorities should be empowered to introduce a community right to buy if local circumstances would benefit from it, and social landlords and community-led organisations in that area should also be invited to apply for access to it. Community-led organisations who wish to apply would need to demonstrate due diligence, and a commitment to address housing need and regenerate communities.

Pre-emptive buying rights are a tool used in other parts of the world. Barcelona city council, for instance, has made acquisitions a core part of its housing strategy where a municipal pre-emption right of first refusal has played a key role.\textsuperscript{27} Applying such measures in England

\begin{flushright}
\textsuperscript{24} Colquhoun, G., \textit{Housing by the community, for the community: An assessment of the value for money of community led housing in England} (15 September 2020) \url{https://www.communityledhomes.org.uk/resource/housing-community-community}
\textsuperscript{25} Diner, A., \textit{Beyond New Build: Repurposing private rented housing to deliver a new generation of social homes for England} (14 February 2023) \url{https://neweconomics.org/2023/02/beyond-new-build}, pp7-10
\textsuperscript{26} Lloyd, T., Grayston, R., & Hudson, N., \textit{Reboot: building a housing market that works for all} (23 February 2023), \url{https://www.jrf.org.uk/report/reboot-building-housing-market-works-all}, p5
\textsuperscript{27} In Barcelona, municipal pre-emptive buyer rights has facilitated the acquisition of over 1,500 homes between 2016 and 2023, around 22% of the affordable housing developed by the city council over this period. Ajuntament de Barcelona, \textit{Barcelona’s social and affordable housing policy} \url{https://www.housing.eolasmagazine.ie/wp-content/uploads/2023/03/Javier_Buron_2023_small_3.pdf}, p14
\end{flushright}
would empower social landlords and community-led groups seeking to acquire homes in the right areas to target housing need. In Scotland a community right to buy allows community groups to register an interest in land when it comes up for sale, and the Localism Act 2011 allows community organisations to nominate assets of community value under the right to bid. Labour has discussed empowering local groups to buy community assets – such as pubs and football clubs - partly through a right of first refusal.28

The community right to buy described above would go further in giving communities a stake in local housing, and providing a competitive advantage to community-led housing organisations, as well as other social landlords, over buy-to-let landlords. Doing so presents an opportunity to give local authorities greater control over the types of homes in their neighbourhoods. It would also provide a vital tool for community-led housing groups to deliver safe and affordable homes while regenerating their own communities.

**Incentivising better standards in the private rented sector and acquiring new council homes**

As well as empty homes, the millions of poor quality, sub-standard private rented homes also offer an opportunity for social housing acquisitions. The Renters (Reform) Bill has the potential to raise regulatory standards in the PRS and tilt power back towards tenants. Among other proposals, expanding the DHS to the PRS and the introduction of the property portal have the potential to be transformative. The former can help drive up standards and tackle the 23% of PRS homes that as of 2021/22 fell short of the DHS, the largest proportion of any tenure.29 Similarly, the government has consulted on the timeframes and mechanisms by which Minimum Energy Efficiency Standards (MEES) in the PRS should be raised.30 Landlords are likely to be required to ensure their property obtains an Energy Performance Certificate (EPC) rating of at least ‘C’, but this is not likely to be introduced until after 2028.31

---

57% of PRS homes fell below this standard as of 2021/22 and require retrofit investment.\textsuperscript{32} Given 14% of the UK’s carbon emissions originate from our leaky homes, addressing this is also an essential pre-requisite to meeting international carbon reduction goals.\textsuperscript{33} There is currently limited detail about how this will be delivered. The government has confirmed that the DHS will be the subject of future, unspecified legislation without further explanation,\textsuperscript{34} and the only mechanism by which the government proposes MEES will be enforced is through a cost cap and fine for non-compliance. The average cost of improving a property where works are required is around £7,400, but 24% of PRS homes require expenditure of over £10,000 to bring them up to standard.\textsuperscript{35} It is unclear how enhanced standards in the PRS will be enforced given ministers have not formulated a plan to do so.\textsuperscript{36}

The mayor of Greater Manchester, Andy Burnham, has said he wants enhanced CPO powers to acquire properties from landlords letting out substandard homes.\textsuperscript{37} We support the principle of this, as the introduction of new procedures could help incentivise landlords to invest in their properties. Where a property falls short of legal or regulatory requirements, be it in respect of the DHS, MEES, or accessibility standards – something which the proposed property portal would, if designed accordingly, allow councils to track – landlords should be prevented from selling the property on the market by being required to evidence compliance as part of the conveyancing process. If the landlord insists on selling the property without such evidence of compliance, only local authorities should be permitted to purchase the property as the buyer of last resort. Substandard properties are likely to be valued at sub-market levels anyway,\textsuperscript{38} but this procedure would effectively reduce the price paid by the local authority further, incentivising landlords to invest and empowering local authorities.

\textsuperscript{33} New Economics Foundation, The Great Homes Upgrade https://greathomesupgrade.org/
\textsuperscript{34} UK Parliament, Renters (Reform) Bill: Explanatory Notes (17 May 2023), p8 https://bills.parliament.uk/bills/3462/publications
\textsuperscript{36} Department for Levelling Up, Housing & Communities, A fairer private rented sector (2 August 2022), p20, https://www.gov.uk/government/publications/a-fairer-private-rented-sector
\textsuperscript{37} BBC News, Mayor’s plan to seize unsafe housing from rogue landlords (27 June 2023) https://www.bbc.co.uk/news/uk-england-manchester-66030063
The Resolution Foundation has rightly called on government to “get tough” on retrofit; these reforms would do this, incentivising greener, safer, more energy efficient homes, while simultaneously encouraging council-led housing acquisitions.39

A national acquisitions programme

Current affordable homes grantmaking limits the role acquisitions can play; they can constitute a maximum of only 10% of homes delivered under an AHP grant, in order to place a limit on increased demand in the market.40 Recent amendments to the AHP guidance now allow bids to include the acquisition of unsold newly built homes.41 However, the 10% cap is too stringent and limits the ability of social landlords to act quickly and acquire properties to address urgent housing needs. This cap is particularly egregious at a time when the Department for Levelling Up, Housing and Communities has returned almost £2bn in underspend to the Treasury because developers are unwilling to build in current conditions.42

Further, while AHP grants can deliver retrofit and acquisition projects, rules regarding so-called ‘additionality’ requirements, whereby grant providers must demonstrate a net increase in homes, remain.43

To start, the 10% cap should be raised, ensuring AHP grantmaking gives social landlords flexibility to address local housing need as they see necessary. The net additionality rules should also be relaxed to encourage retrofit and acquisitions projects.

Moreover, a national housing conversion fund should be introduced, as has previously been called for by the Affordable Housing Commission, on top of the existing AHP budget.44

---

40 Department for Levelling Up, Housing and Communities, Guidance: Apply for affordable housing funding (February 2023) https://www.gov.uk/guidance/apply-for-affordable-housing-funding
44 Affordable Housing Commission, A National Housing Conversion Fund: Buying Properties to Boost Affordable Housing Supply (23 September 2020)
The Community Right to Buy: how housing acquisitions can regenerate left behind communities, improve standards and decarbonise homes

The Fabian Society estimate a national acquisitions programme could deliver 500,000 homes over 10 years. Funding can be routed through a number of means, including local authority housing companies, to leverage match funded private sector finance while also precluding the property from being subject to Right to Buy. If geared towards left behind areas, it would prevent overheating the property market in high cost areas of the country.

Crucially, and in a similar way to the Empty Homes Programme, a significant part of this budget should not be administered by Homes England (instead being done through a third party intermediary) and should be allocated for community-led housing organisations, alongside regionally and locally administered funds to support new entrants to the sector. This should strike the right balance between ensuring compliance and standards alongside encouraging the growth of the sector, allowing existing practitioners to upscale and cultivating new participants. These grants would act as vital financial security against which to invest in refurbishing and acquiring empty and neglected homes to deliver community-led regeneration of left behind places.

Conclusions and recommendations

We recommend the government should:

1. Allow local authorities to introduce a community right to buy, empowering social landlords and community-led housing organisations to acquire properties strategically. This would allow them to target housing need at speed, repurpose empty and poorly maintained homes in their community, and regenerate left behind communities.

2. Introduce new rules whereby landlords are prevented from selling non-compliant, substandard properties on the market. In these cases, only local authorities should be permitted to purchase the property as the buyer of last resort.

3. Raise the 10% AHP cap on acquisitions, and relax the ‘net additionality’ rules to encourage retrofit and acquisitions projects. Moreover, a national housing conversion fund should be adopted on top of the AHP that is geared towards low demand areas to deliver acquisitions on a transformative scale – including grant funding for community-led housing organisations. This would have multiple policy benefits, including regeneration.
To expand on this work, the New Economics Foundation is looking to undertake further research into the regional and local impact that acquisitions and community-led housing regeneration could have, with a likely initial focus on north east England.