



Llywodraeth Cymru
Welsh Government

Study into the level of transfer of former Local Authority stock into the Private Rented Sector following sale via the Right to Buy and the additional costs to the public purse in terms of Housing Benefit payments

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Summary

This report summarises the findings of a study undertaken by Welsh Government. The exercise was carried out in order to inform the Explanatory Memorandum and Regulatory Impact Assessment for a new Bill which, if passed by the National Assembly for Wales, will end the Right to Buy and Right to Acquire.

The exercise aimed to estimate the likely scale of transfer of former socially rented properties into the private rented sector across a number of Welsh authorities. These are properties sold via the Right to Buy (“RTB”) and Right to Acquire (“RTA”) legislation which are subsequently privately rented to tenants in receipt of Local Housing Allowance.

Housing Benefit is a national benefit designed to help people on a low income meet their housing costs. Housing Benefit can pay part, or all, of the rent depending on the income and circumstances of individual tenants. Local Housing Allowance (“LHA”) was introduced in April 2008 to provide Housing Benefit entitlement for tenants renting private sector accommodation. Generally, a higher rate of Housing Benefit is paid by the Department of Work and Pensions (“DWP”) on dwellings in the private rented sector where tenants receive LHA compared to tenants who rent from a social landlord.

The exercise sought to estimate the likely additional cost to the DWP, and the public purse, in terms of extra Housing Benefit support for the former RTB/RTA stock which is now in the private rented sector and where tenants receive LHA. This was done by modelling the difference between the LHA payments and average social rents (by area and property type). It should be noted the Housing Benefit payments made by the DWP are transfers (made from Central Government to householders) and are not therefore economic costs.

The exercise looked at the additional costs to the public purse in terms of Housing Benefit payments. It did not look at any possible costs to the Local Authorities themselves; for example, in terms of setting any gains from capital receipts on the sale of the properties against the loss of revenue from rents. Nor did it consider any reduction in repair and maintenance costs to authorities following transfer of these properties into the private sector.

The findings were limited by the availability of data which meant the exercise only considered properties sold under the RTB and RTA since 1997 for 8 of the 22 Local Authorities. As the majority of RTB and RTA sales occurred before 1997, the costs are likely to be higher than presented in this paper.

Whilst it would have been preferable to have been able to use data from all Local Authorities, these 8 Local Authorities accounted for around 45 per cent of all social housing stock at 31 March 1997 and provided a reasonable geographical spread across Wales and included rural, urban and valley areas

The exercise used data provided by Local Authorities and large scale voluntary transfer (“LSVT”) organisations. These were created when a Local Authority, with the agreement of its council tenants, transferred the ownership of its social housing stock to a registered social landlord i.e. a housing association. There are 11 such organisations in Wales.

The data provided by the Local Authorities and LSVT organisations was used along with data held by the Rent Officers Wales service on properties within the private rented sector where the tenants are in receipt of LHA. The costs of the average social rent for each property by size and type was then deducted from the equivalent LHA costs to estimate an average additional cost in terms of Housing Benefit payments for each private rental sector tenancy.

Although responses were received from 17 of the 22 Local Authorities and 10 LSVT organisations, due to issues with the quality and coverage of the historical information available, as outlined later in the paper, the data matching exercise could only be applied to 8 Local Authorities and their associated LSVT organisations.

The estimates shown are based on information provided on RTB/RTA sales since 1997, along with data on properties in the private rented sector in receipt of LHA between 2010-11 and 2014-15, for the Local Authority areas of Flintshire, Wrexham, Carmarthenshire, Vale of Glamorgan, Cardiff, Rhondda Cynon Taf, Caerphilly and Monmouthshire.

Estimates for the number of properties sold via the RTB and RTA, into the private rented sector (and subject to Housing Benefit/Local Housing allowance), are based on the number of unique matches between RTB/RTA sales and data on properties where tenants were in receipt of LHA at some point between 2010-11 and 2014-15. Tenants of these properties could claim LHA more than once during this period (e.g. annually). In order to provide cost estimates in this exercise, information on the number of claims made, rather than on the number of properties, has been used.

It should be emphasised that the figures shown in this paper, both in terms of numbers and additional costs, are broad estimates based on a limited sample of data and over a limited time period. However, they provide an indication of the likely scale of transfer of former RTB/RTA properties into the private rented sector and of subsequent additional costs to the public purse in terms of Housing Benefit payments. Any estimates shown for Wales are extrapolated from the data for the 8 Local Authorities used in the matching exercise.

Main Findings:

- Based on the data matching exercise, it is estimated that across the 8 Local Authorities, around 12.5 per cent (2,001 dwellings) of properties sold via RTB/RTA since 1997 have transferred to the private rented sector and were in receipt of LHA at some stage over the 5 years from 2010-11 to 2014-15.
- There were considerable variations in the results across the 8 Local Authorities with the estimated percentage transferring to the private rented sector (and for which LHA was paid to tenants) during the 5 year period varying from 5.9 per cent (44 dwellings) in Monmouthshire, to 17.4 per cent (505 dwellings) in Cardiff.
- Extrapolated to a Wales level and applying a similar overall percentage (12.5 per cent) means an estimated 4,695 properties transferring to the private rented sector and in receipt of LHA at some stage over the same period.

- Based on the number of LHA claims (3,929 claims), the additional costs to the public purse in terms of Housing Benefit payments across the 8 Local Authorities over the 5 years was estimated at around £9.3 million, giving an estimated annual average over the period 2010-11 to 2014-15 of £1.86 million. As stated earlier, the actual costs are likely to be higher.
- There were considerable variations in the results across the 8 Local Authorities with additional costs to the public purse in terms of Housing Benefit payments over the 5 years ranging from around £220,000 in Monmouthshire to £ 4.5 million in Cardiff.
- Extrapolated to the Wales level, and using the same average cost per claim as applied to the estimate for the 8 authorities, would indicate an estimated cost to the public purse in terms of extra Housing Benefit payments of £21.9 million over 5 years, giving an estimated annual average over the period 2010-11 to 2014-15 of £4.4 million¹.

¹ This also assumes that the number of claims per sale is the same for Wales as for the 8 authorities.

1. Introduction

- 1.1 Since the introduction of the Right to Buy (“RTB”) in October 1980, around 139,000 social rented dwellings have been sold across Wales. As a result, there has been a significant reduction in the availability of social rented homes for those who cannot afford to buy a home, or to rent from a private landlord, and who are dependent on social housing or some other form of subsidised provision.
- 1.2 Between January and April 2015, the Welsh Government consulted on proposals for changes to the legislation on the RTB and RTA. A White Paper in 2015 put forward two main proposals:
 - changing existing legislation – which will reduce the maximum discount available to a tenant who applies to buy their home from their Council or Housing Association landlord
 - developing new legislation – which, if passed by the National Assembly for Wales, will end the Right to Buy and Right to Acquire.
- 1.3 Further details of the consultation, including a summary of the responses, are available at the following link: [http://gov.wales/consultations/housing-and-regeneration/future-of-right-to-buy/?status=closed&Local Authorityng=en](http://gov.wales/consultations/housing-and-regeneration/future-of-right-to-buy/?status=closed&LocalAuthorityng=en)
- 1.4 Following the consultation, the Minister for Communities and Tackling Poverty in the previous Government announced her intention to make an Order to reduce the maximum discount available under the schemes and to develop legislation to abolish the schemes. The Statutory Instrument to reduce the maximum discount came into force on 14 July 2015². With regard to legislation to abolish the RTB and RTA, a Bill was prepared prior to the end of the Government’s term for consideration by the new Government. The study outlined within this report was undertaken in order to inform the Explanatory Memorandum and Regulatory Impact Assessment for the new Bill.

2. Background

Right to Buy

- 2.1 The RTB scheme was introduced by the 1980 Housing Act and came into effect in October 1980. It allows qualifying tenants of Local Authorities and Registered Social Landlords to purchase the home they rent at discounted prices, according to the length of their tenancy. Discounts have ranged from 32 per cent to 70 per cent of the market value and, prior to 14 July 2015, up to a maximum discount of £16,000 depending on the type of property, the residential area and time spent as a tenant of social housing. RTB may not apply to certain types of property and restrictions to subsequent sales apply in rural areas.

² Following the public consultation on the future of the Right to Buy and the Right to Acquire (referred to in paragraph 1.2 above), from 14 July 2015 onwards, the maximum discount available in relation to Right to Buy and Right to Acquire properties will change from the current level of £16,000 to £8,000. The change is made by the Housing (Right to Buy and Right to Acquire) (Limits on Discount) (Amendment) (Wales) Order 2015. This Order amends the Housing (Right to Acquire) (Discount) (Wales) Order 1997 and the Housing (Right to Buy) (Limits on Discount) (Wales) Order 1999 to reduce the discount available, in relation to both Right to Acquire and Right to Buy, to £8,000 from £16,000. Social landlords need to ensure any applications served on them before 14 July 2015 are subject to a maximum discount of £16,000, but any applications served on them on or after 14 July 2015 are subject to a maximum discount of £8,000.

Right to Acquire

- 2.1 The RTA scheme was introduced by the 1996 Housing Act and came into effect from 1 April 1997; this scheme only applies to tenants of registered social landlords/housing associations. The RTA scheme gives qualifying tenants of registered social landlords/housing associations a right to purchase their home, if the property was provided using Social Housing Grant or was transferred from a Local Authority on or after 1 April 1997, subject to specified exceptions. Qualifying tenants were entitled, prior to 14 July 2015, to a discount of 25 per cent of the value of the property, up to a maximum of £16,000.
- 2.3 The RTB legislation was aimed at extending home ownership across the UK. At the time, it was assumed³ that the RTB and later RTA homes would remain in owner-occupation. However, as shown by research and by this study, this has not proved to always be the case.

Levels of Private Rented Stock

- 2.4 In 1981, at the time the RTB policy was introduced, there were an estimated 1.1 million dwellings across Wales. The majority of these (around 62 per cent) were owner-occupied, a further 29 per cent were socially rented from Local Authorities and registered social landlords/housing associations and around 10 per cent were in the privately rented sector. By March 2014, the number of dwellings had increased to 1.4 million, however, over this period the tenure pattern of dwellings had changed dramatically.
- 2.5 The 2001 Census showed that at a Wales level around 71 per cent of occupied dwellings in Wales were owner-occupied, 18 per cent were socially rented and the remaining 11 per cent were in the private rented sector. For the 8 Local Authorities used in the data matching exercise, figures from the 2001 Census show that the percentage of privately rented properties varied from 13 per cent in Cardiff to just 6 per cent in Caerphilly.
- 2.6 Since 2001, there has been a further shift with particular increases in the estimated number and proportion of privately rented dwellings. Between 2000-01 and 2014-15 the number of privately rented dwellings has more than doubled and now accounts for 15 per cent of all dwelling stock in Wales. The percentage of dwellings in the private rented sector has also increased across all the 8 Local Authorities used in the data matching exercise. The largest increase in the percentage of private rented dwellings over this period was seen in Cardiff where there was a rise of 9.1 percentage points, followed by Wrexham which saw a rise of 5.5 percentage points (Table 1).

³ Springings et al. (2012): Unintended Consequences; Local Housing Allowance meets the Right to Buy, University of Glasgow and Renfrewshire Council.

Table 1 - Percentage of Private Rented Dwellings

Local authority	2001 Census (a)	<i>Per cent</i>
		Dwelling Stock Estimates March 2015(b)
Flintshire	7.5	12.0
Wrexham	8.2	13.7
Carmarthenshire	10.4	14.7
Vale of Glamorgan	9.2	12.8
Cardiff	13.2	22.3
Rhondda Cynon Taf	10.1	14.0
Caerphilly	6.0	11.4
Monmouthshire	9.1	7.4
Wales	10.7	14.8

Source: 2001 Census and Welsh Government dwelling Stock Estimates

(a) 2001 Census Standard Table S049 -Dwelling type and accommodation type by tenure (households and dwellings)

(b) Welsh Government Dwelling Stock Estimates - The tenure split between owner-occupied and privately rented dwellings has been calculated for 2014-15 using information from the Annual Population Survey. The percentages shown are based on estimated dwelling numbers not actuals.

3. Purpose of the Study

3.1 The study was undertaken as part of the work to prepare the Bill to end the Right to Buy and Right to Acquire in Wales. The main aims of the study were:

- To estimate the likely scale, across 8 of the 22 Welsh Local Authorities, of former RTB and RTA properties sold since 1997 that have transferred into the private rented sector and were subject to Housing Benefit/Local Housing Allowance (“LHA”) between 2010-11 and 2014-15.
- To assess the potential estimated additional costs to the public purse in terms of Housing Benefit payments arising from tenants receiving LHA for private rented properties following the transfer of RTB and RTA properties into the private rented sector, rather than a lower amount of Housing Benefit (paid to social housing tenants) had the properties remained in the social sector.

3.2 Similar research was undertaken out in Scotland by the University of Glasgow and the published paper is available at the following link:

http://extra.shu.ac.uk/ppp-online/issue_2_030812/documents/consequences_local_housing_allowance.pdf

3.3 This research presented a brief review of existing research as well as a more detailed analysis centred on one Local Authority area, Renfrewshire.

4. Scale of Transfer of RTB and RTA properties to the Private Rented Sector

- 4.1 Between October 1980 and 31 March 2015, around 139,000 dwellings were sold across Wales via RTB or RTA, which is equivalent to around 45 per cent of all social housing in 1981.
- 4.2 Over time, some of those dwellings purchased via the RTB or RTA may have been re-sold for a number of reasons including, relocation of the purchaser, changing financial circumstances following ill-health, unemployment or relationship breakdown, the death of the original purchaser or to capitalise on the discount received in periods of house price inflation. Whilst some of these properties remain in owner-occupation, over this period a number of properties which were originally purchased via the RTB or RTA, following re-sale, have transferred to the private rented sector. This has an impact on local housing markets and communities.

5. Sources of Data

- 5.1 There is no readily available source of information on the rates of acquisition of housing by the private rental sector in Wales. The Rent Officers Wales Team is a part of the the Welsh Government. Its role is to value residential accommodation in the private rented sector and to gather rental information on, and analyse, local rental markets to provide Local Authorities with figures for Local Housing Allowance. It also provides advice to Local Authorities in assessing claims for Housing Benefit made before 7th April 2008 and undertakes Fair Rent valuations for regulated tenancies. The Rent Officers Wales Team holds information on properties within the private rental sector, from which it can be determined whether or not that property is in receipt of LHA.

Monthly LHA Upload

- 5.2 Every month, the Rent Officers Wales Team receives an extract from Local Authorities relating to properties on which LHA is claimed. The file contains details of the addresses and postcodes on which LHA has been claimed, along with details relating to the date of the annual claim. The data is used by the Rent Officers Wales Team to ensure that properties on which LHA is calculated are omitted from the Market Rental Evidence which is used to derive the annual LHA rate calculations. Properties on which LHA are claimed are included in records on an annual basis, and therefore will only appear once in any given year.

LHA Rates

- 5.3 The weekly LHA rates are calculated on an annual basis for each Broad Rental Market Area ("BRMA") and are published annually in April on the Welsh Government's website. The latest rates applicable for April 2014 onwards are available at the following link: <http://gov.wales/topics/housing-and->

regeneration/welfare-reform/rentofficers/publications/local-allowance-rates-2014/?Local_Authorityng=en

The rates are based on BRMA and number of bedrooms. The earliest LHA rates used in this exercise date from 2010. It was not possible to use the LHA rates for 2009 (the year LHA came into effect) as the BRMA structure was revised for 2010 and unfortunately, did not align to the data matching exercise. Additionally, until 2012, LHA rates were calculated on a monthly basis. Since 2012 they have been calculated annually. For simplicity, for those years where the LHA was calculated monthly (pre-2012), the April figure is used as the fluctuations of LHA between months was deemed to be marginal.

- 5.4 The Local Housing Allowance rates for the private rental sector are not guaranteed to cover the full cost of the rent for for a claimant. The rate is currently calculated based on the 30th percentile of Market Rental Evidence collected by the Rent Officer Wales based on the number of bedrooms a property has and also, the BRMA in which the property is located. Therefore, the amount of LHA paid will represent the cheapest 30% of properties rented in any given area. The claimant is expected to make up any potential shortfall.

Link to Properties Sold via RTB and RTA

- 5.5 As the information held by the Rent Officers Wales Team includes details of the addresses and postcodes on which LHA has been claimed, and the date of the annual claim, it was determined these could be linked, via a matching exercise, to those properties which have been sold via RTB and RTA should similar information relating to address, postcode, property type, bedroom number and date of sale be available from Local Authorities in Wales.
- 5.6 In On 21 July 2015, the Welsh Government wrote to the Chief Executives of the 11 Local Authorities which still own their own housing and to the Chief Executives of the 11 large scale voluntary transfer (“LSVT”) bodies to seek co-operation with requests for the supply of data, or information, relating to details of properties sold via RTB or RTA. This was followed up with a request for information on all properties sold by each organisation under the RTB legislation since its introduction in October 1980 and, where relevant, any properties sold via the RTA legislation. The organisations were asked to include the following items of data:
- Property Number
 - Address Line 1 (Street/Road Name)
 - Address Line 2 (Town)
 - Address Line 3 (County)
 - Postcode
 - Dwelling Type (House/FLocal Authorityt)
 - Number of Bedrooms
 - Date Sold (dd/mm/yyyy)
 - Legislation (RTB/RTA)

Data Received

- 5.7 Some of the 11 LSVT bodies were unable to provide data prior to the date of stock transfer. In these cases, where possible, the relevant Local Authority was

also contacted and asked for data to be supplied for the period prior to stock transfer if available.

5.8 Data were provided by 17 Local Authorities, of which 6 were no longer stock retaining, and also by 10 LSVTs as listed below:

Local Authorities:

- Isle of Anglesey
- Gwynedd (no data provided for LSVT Cartrefi Cymunedol Gwynedd LSVT date of transfer 12 April 2010)
- Conwy and Cartrefi Conwy (date of transfer 29 September 2008)
- Denbighshire
- Flintshire
- Wrexham
- Powys
- Pembrokeshire
- Carmarthenshire
- Swansea
- The Vale of Glamorgan
- Cardiff
- Rhondda Cynon Taf and RCT Homes (date of transfer 10 December 2007)
- Merthyr Tydfil and Merthyr Valleys Homes (date of transfer 20 March 2009)
- Blaenau Gwent and Tai Calon Community Housing (date of transfer 26 July 2010)
- Caerphilly
- Monmouthshire and Monmouthshire Housing Association (date of transfer 17 January 2008)

Other LSVTs:

- Tai Ceredigion (date of transfer from Ceredigion 30 November 2009)
- NPT Homes (date of transfer from Neath Port Talbot 5 March 2011)
- Valleys to Coast (date of transfer from Bridgend 12 September 2003)
- Bron Afon Community Housing (date of transfer from Torfaen 1 April 2008)
- Newport City Homes (date of transfer from Newport 9 March 2009)

5.9 The data provided was forwarded to the Rent Officers Wales Team to assess its suitability for carrying out a data matching exercise with its records on private rental properties in receipt of LHA.

6. Methodology

Data Selection

6.1 The initial step of analysis by the Rent Officers Wales Team consisted of selecting which Local Authorities' RTB data was suitable for matching against the LHA data they held. The criteria used were based on whether the Local Authority had included all necessary information to undertake matching within their extract of sold properties. The minimum requirement was for the date the

property was sold as well as Address Line 1 and Postcode (to enable matching between the Local Authorities sold houses extract and the monthly LHA data upload), number of bedrooms (to determine at what rate LHA have been claimed on the property) and property type (to determine the amount of Social Rent paid on the property).

6.2 Although the response was very good and covered 17 of the 22 Local Authorities, and 10 of the 11 LSVTs, the coverage and quality of the data received varied considerably. Very few authorities were able to provide any data for the period prior to local government re-organisation in 1996. Where Local Authorities did provide data for the period prior to 1996, it was not always available in a suitable format for carrying out the matching exercise proposed.. For some authorities, data was not always available for all the required data matching fields including postcode, property type and bedroom number.

6.3 Of the 17 Local Authorities who provided data, there were 8 which had provided data for all the fields required to carry out the matching exercise with the records held by the Rent Officers Wales Team. However, these 8 authorities did not have information available for the whole period since the introduction of RTB in 1980.

6.4 The 8 Local Authorities used in the matching exercise were:

- Flintshire
- Wrexham
- Carmarthenshire
- Vale of Glamorgan
- Cardiff
- Rhondda Cynon Taf
- Caerphilly
- Monmouthshire

6.5 In most cases, the reasons the data provided by the other 9 Local Authorities could not be used was because of missing data on number of bedrooms or postcodes as set out below:

Ceredigion	No data provided prior to transfer to Tai Ceredigion in 2009
Neath Port Talbot	No data provided prior to transfer to NPT homes in 2011.
Bridgend	No data provided prior to transfer to Valleys to Coast in 2003
Torfaen	No data provided prior to transfer to Bron Afon Community Housing in 2002
Newport	No data provided prior to transfer to Newport City Homes in 2009

Anglesey	Missing post code and bedroom number
Gwynedd	Inconsistencies in availability of post code and bedroom number
Conwy	Missing post code and bedroom number for sales prior to transfer to Cartrefi Conwy in 2009.
Denbighshire	Inconsistencies in availability of post code and bedroom number
Powys	Missing data on number of bedrooms
Pembrokeshire	Missing data on number of bedrooms
Swansea	Missing data on number of bedrooms
Merthyr Tydfil	Missing post code and bedroom number
Blaenau Gwent	Missing post code and bedroom number

- 6.6 Following assessment of the data available, it was decided that data with sold dates from 1997 onwards supplied by the 8 Local Authorities listed above, could be used in the exercise as this represented the earliest common sold date between data supplied by different Local Authorities. This would allow for a comparative analysis between data supplied by the 8 Local Authorities.
- 6.7 Whilst it would have been ideal to have been able to use data from all Local Authorities, these 8 Local Authorities accounted for around a substantial proportion (45 per cent) of all social housing stock at 31 March 1997. They also provided a reasonable geographical spread across Wales and included rural, urban and valley areas.

Matching Exercise

- 6.8 The data from the monthly LHA upload and from Local Authorities for 8 Local Authorities were matched using Address line 1 and Postcode. This relied on an identical match between these data items. For example, if for a specific property, there were spelling or grammatical differences between Address line 1 between both sets of data, this address would not be included in the exercise. As part of its work to determine LHA, the Rent Officers Wales Team was able to determine the Broad Rental Market Area (BRMA) in which each individual property was located. This is essential when estimating costs, as the LHA rate is based on the BRMA rather than the Local Authority area. If a property was sold after the submission date of the LHA upload, then the property was not included (as in these instances LHA would have been claimed on a Local Authority property). The requirement for an identical match and the restrictions of the submission date for the LHA upload, though essential in ensuring the accuracy of the property match, further reduced the sample size available for the exercise.
- 6.9 These matches were then grouped by BRMA, number of bedrooms and financial year based on the submission date of the LHA upload. For example, if details for a specific matched property were received four times in a LHA upload on a submission date of 01/04/2010, 01/05/2011, 05/04/2012 and 01/04/2013, then this property would be included in 4 financial years for LHA calculation 2010, 2011, 2012 & 2013.
- 6.10 To avoid double counting, if a property match occurred on multiple submission dates within the same financial year, then this would only be included once. For

example, if a property had a submission date of 01/04/2010 and 01/02/2011, then there would only be one match, for financial year 2010-11.

7. Results for Property Transfer

Local Authority Results

- 7.1 As shown in Table 2, there were a total of 16,048 properties sold via the RTB or RTA across all the 8 Local Authorities between 1997-98 and 2014-15. This represents 43 per cent of all RTB and RTA sales across Wales over this period.
- 7.2 Based on the RTB/RTA sales since 1997, and using LHA data from 2010 to 2014, it is estimated that over the last 5 years around 12.5 per cent (2,001 properties) of the 16,048 properties sold in these 8 Local Authorities had subsequently transferred to the private rental sector and the tenants were in receipt of LHA at some time over the 5 year period from 2010-11 to 2014-15.
- 7.3 There was, however, considerable variation between the 8 Local Authorities, both in the volume of RTB/RTA sales, and in the percentage transferred to the private rented sector over this period. Cardiff had both the highest number of RTB/RTA sales since 1997-98 (2,894 properties) and the highest percentage which subsequently transferred to the private rental sector and were in receipt of LHA at 17.4 per cent (505 properties). The lowest volume of RTB/RTA sales was in Monmouthshire (746 properties) as well as the lowest percentage of those in the private rental sector and receiving LHA at just 5.9 per cent (44 properties) (Table 2).

Table 2 - Scale of former RTB/RTA Properties Transferred to the Private Rented Sector and in receipt of LHA

Local authority	RTB/RTA sales 1997/98 to 2014/15	RTB/RTA homes sold 1997/98 to 2014/15 in the private rented sector and in receipt of LHA	
	Number	Properties	Per cent
Flintshire	1,444	99	6.9
Wrexham	2,854	360	12.6
Carmarthenshire	2,025	211	10.4
Vale of Glamorgan	1,030	176	17.1
Cardiff	2,894	505	17.4
Rhondda Cynon Taf	2,449	242	9.9
Caerphilly	2,606	364	14.0
Monmouthshire	746	44	5.9
Total	16,048	2,001	12.5

Source: Data on RTB/RTA sales provided by Local Authorities and relevant LSVTs
Data on properties in receipt of LHA from Rent Officers Wales from 2010-11 onwards

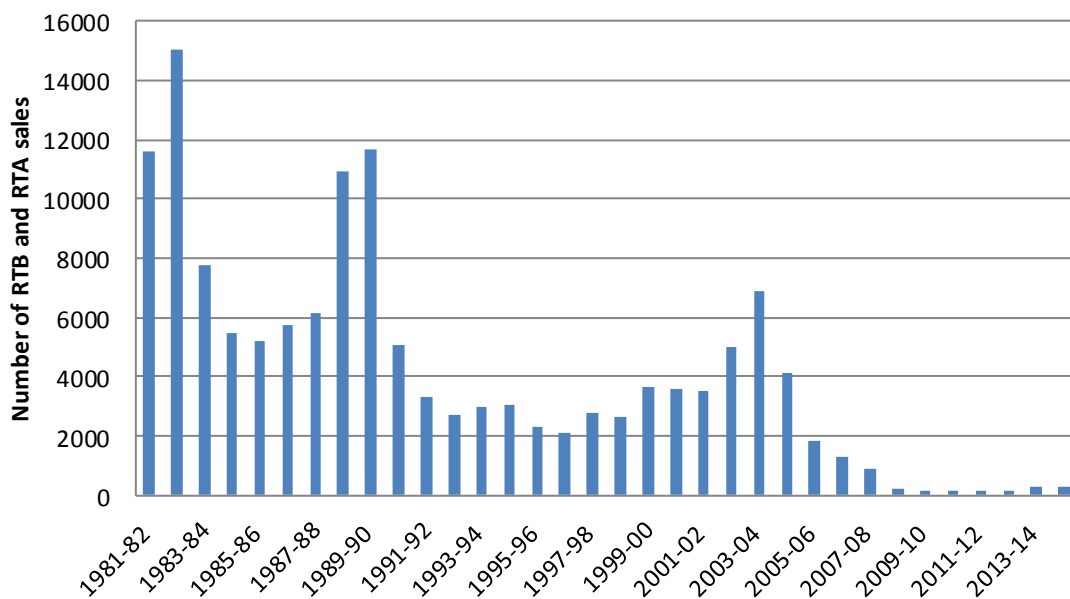
- 7.4 It must be emphasised that these figures are estimates. Given that a number of properties were not included in the matching exercise, due to slight differences in addresses or to changes in postcodes over the period, the results are likely to be an underestimate rather than an overestimate.

7.5 Another factor which needs to be taken into account is that the matching exercise only covered those properties sold via the RTB or RTA from 1997 onwards. Information is not readily available on the total number of sales at an individual Local Authority level from the introduction of the original legislation in October 1980. It is known, however, that at a Wales level the number of sales from 1997-98 onwards represents just 27 per cent of all RTB and RTA sales to date.

7.6 Chart 1 below shows the number of Right to Buy and Right to Acquire sales completed in Wales annually between 1981-82 to 2014-15. In total since the legislation was first introduced by the UK Government in the 1980 Housing Act, almost 140,000 sales have been completed in Wales, the majority of which (around 61 per cent) took place in the 10 years immediately after the scheme was introduced.

7.7 More recently, 2003-04 saw a spike in the number of sales prior to a reduction in the maximum discount available for the purchase of the property from £24,000 to £16,000. Since 2003-04, the annual number of RTB and RTA sales has declined sharply averaging at just 210 sales each year over the last 5 years. This would indicate that the actual number properties sold across the 8 Local Authorities since October 1980 which have since transferred to the private rental sector could be much higher than the results for this matching exercise shows.

Chart 1. Number of Right to Buy (RTB) and Right to Acquire (RTA) sales, Wales, 1980-81 to 2014-15.



Source: RTB/RTA sales data provided by Local Authorities and registered social landlords available on Stats Wales Welsh Government

Indications for Wales

7.8 Across Wales, a total of 37,650 properties were sold via RTB and RTA between 1997-98 and 2014-15. It is possible to provide a broad indication of the potential level of transfer to the private rental sector and in receipt of LHA at a Wales level. This is based on the actual overall RTB/RTA sales since 1997/98 and using the

percentages established at a Local Authority level in the data matching exercise described above.

- 7.9 It should be noted, however, these figures would be extrapolations only and are not based on the results of any actual matching of information for individual properties as was the case for the 8 Local Authorities. The Wales level figures are modelled estimates based on an assumption that the rate of transfer to the private rental sector would be similar across all areas of Wales to that seen in the 8 Local Authorities over the 5 year period from 2010-11 to 2014-15, which is unlikely to be the case.
- 7.10 Using the 12.5 per cent transfer average for all 8 Local Authorities would result in an estimate of potentially 4,695 properties transferring to the private rented sector and in receipt of LHA at a Wales level at some time over the 5 year period from 2010-11 to 2014-15. However, should data have been available for more authorities and over a longer time period then it is possible that the estimate for Wales may be higher.
- 7.11 It is not certain that transfer rates in other local authorities would reflect this average. Given the considerable variation across the 8 authorities in the percentage of RTB/RTA properties transferring to the private rental sector and in receipt of LHA, at an all Wales level numbers could range from as little as 2,221 properties if based on the lowest Local Authority percentage (5.9 per cent in Monmouthshire) to 6,570 if based on the highest Local Authority percentage (17.4 per cent in Cardiff). However, either of these extremes is considered to be very unlikely.
- 7.12 These are very broad indications of the likely scale of transfer at a Wales level based on the results of the matching exercise for the 8 Local Authority areas. However, as with the estimates for the 8 Local Authorities, it should be noted that they are based only on sales since 1997-98 and therefore represent just 27 per cent of all RTB and RTA sales to date. This would indicate that the actual number properties sold across Wales since October 1980 which have subsequently transferred to the private rental sector and in receipt of LHA could be much higher than these estimates would suggest.

8. Estimation of Additional Costs to the Public Purse.

- 8.1 The reduction in recent years in the amount of available social rented dwellings has resulted in an increasing number of households, who would previously have been eligible for social housing, renting in the private rented sector. The private rented sector has also been used more widely in recent years to provide accommodation for homeless households. Many of these households may be dependent on LHA which, due to the higher rents within the private rented sector, would result in much higher costs to the public purse than would have been incurred should these dwellings have remained as social rented and the households were in receipt of Housing Benefit to support those rents.
- 8.2 The second part of the exercise was therefore to estimate the difference to the public purse (in terms of Housing Benefit) of local housing allowance paid to

tenants living in properties previously sold under the RTB or RTA, compared to the lower Housing Benefit payments that would have been made had the property remained in the social sector.

9. Methodology

Estimating LHA Costs

- 9.1 For this part of the exercise, information on the number of LHA claims rather than the number of property sales has been used.
- 9.2 Estimates of LHA costs were determined for the 8 Local Authorities included in the matching exercise by combining the results of the matching exercise with the weekly LHA Rates. The match between the 2 datasets was undertaken using financial year, BRMA and number of bedrooms. Where a property had a number of bedrooms that exceeded the LHA rate calculations, the maximum LHA rate was used. For example, where the maximum LHA amount payable in a year was for 4 bedrooms, if a property had 5 bedrooms, it would receive the 4 bedroom rate.
- 9.3 Using this method it was possible to calculate the number of former Local Authority and registered social landlord/housing association properties upon which LHA was claimed for any given financial year, BRMA and bedroom number, split into Local Authority areas. To obtain an annual figure, these totals were then multiplied by the relevant LHA rate multiplied by 52 to give an annual LHA cost for specific Local Authority/BRMA/property type/bedroom number combinations.

Estimating Additional Costs to Public Purse

- 9.4 The next stage of the exercise involved calculating the difference between the LHA being paid for renting from a private landlord and the Housing Benefit being paid to cover the costs of renting that stock through the Local Authority had these properties not been sold via the RTB or RTA.
- 9.5 In order to provide this estimate of likely additional costs to the public purse in terms of Housing Benefit payments, the study considered the average social rents for each property type and size as charged by each individual Local Authority within each financial year. The implicit assumption was that the cost to the public purse of these properties, had they remained in the social sector, would be the costs of Housing Benefit to cover the full cost of the average weekly social rent in each case and no account was taken of any potential differences in the proportion of Housing Benefit paid. Department for Work and Pensions ("DWP") data indicates that in 2014-15, Housing Benefit expenditure in Wales was equivalent to around 70 per cent of the total social housing rents figure. The exercise did not take into account any likely impact on Housing Benefit levels following the introduction of Welfare Reform in April 2013, nor did it consider any ongoing repair and maintenance costs for these properties.
- 9.6 The data used was the average weekly social rents for all Local Authority general needs stock by dwelling type and number of bedrooms which is provided

to the Welsh Government as part of the annual social housing stock and rents data collection. The information is published on Stats Wales and is available at the following link:

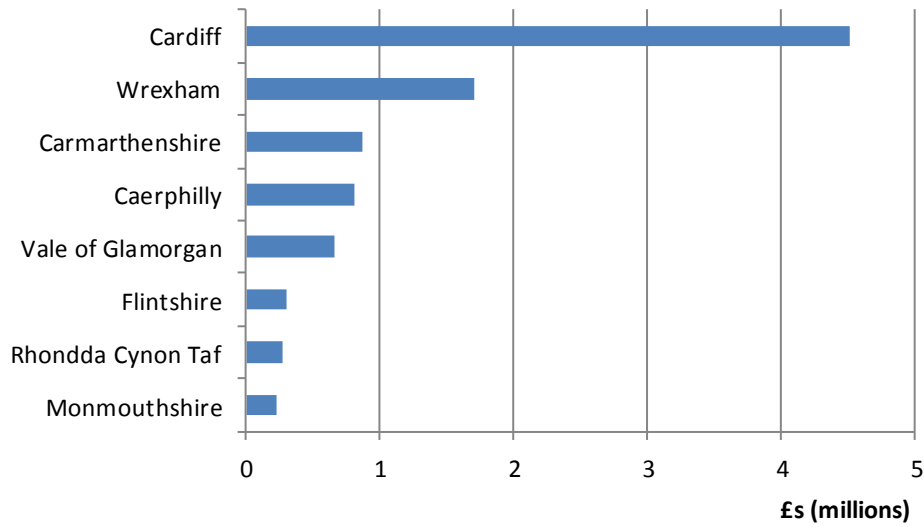
<https://statswales.wales.gov.uk/Catalogue/Housing/Social-Housing-Stock-and-Rents>

- 9.7 Using the same method used in the calculation of LHA costs to obtain an annual figure, the totals were then multiplied by the relevant social rent figure, multiplied by 52, to give an annual social rent cost for specific Local Authority/property type/bedroom number combinations.
- 9.8 The average social rent costs for each Local Authority and for each year were then deducted from the equivalent LHA costs to estimate the annual additional cost to the public purse in terms of Housing Benefit payments for the private rental properties. The data available for the 2015-16 financial year was not included as it was incomplete.
- 9.9 As previously stated, this matching exercise did not take into account any potential differences in the proportion of Housing Benefit paid and has assumed that the Housing Benefit met the full cost of the average weekly social rent in each case. Nor did it take into account any likely impact on Housing Benefit levels following the introduction of Welfare Reform in April 2013.
- 9.10 As the DWP data indicates that in 2014-15 Housing Benefit expenditure in Wales was equivalent to around 70 per cent of the total social housing rents figure, it would suggest that the additional costs to the public purse resulting from the matching exercise outlined above are a conservative estimate and could be higher if based on the larger difference between actual Housing Benefit expenditure and LHA costs.

10. Results for Additional Cost

- 10.1 As shown in Table 3 below, taking in to account the total number of LHA claims and the overall costs of LHA allowance across the 8 Local Authorities over the 5 years from 2010-11 to 2014-15, and taking away from that figure the costs of average Local Authority social rents (should these properties have remained unsold), the estimated additional cost to the public purse in terms of Housing Benefit payments would be around £ 9.3 million. This represents an annual average for the 8 Local Authorities over those 5 years of around £1.86 million per annum. The amount varied from around £219,711 in Monmouthshire (£ 43,942 per annum) to £4,508,650 in Cardiff (£901,730 per annum) (Chart2).

Chart 2 - Total estimated additional cost to the Public Purse between 2010-11 and 2014-15 for former Right to Buy /Right to Acquire dwellings sold after 1997 (a)



Source: Data on RTB/RTA sales provided by Local Authorities and relevant LSVTs
 Data on properties in receipt of LHA from Rent Officers Wales

(a) Based on all statutory (RTB and RTA) sales from 1997 onwards and Local Housing Allowance and average local authority social rents between 2010-11 to 2014-15

10.2 As stated above, these costs cannot be regarded as actual figures and are estimates only based on the information available and the assumptions set out above. However, they do provide an indication of the potential level of both the overall additional costs to the public purse in terms of Housing Benefit payments over the last 5 years and the average annual amounts for the 8 Local Authorities used in the matching exercise should the properties not have been sold via the RTB or RTA.

Table 3 – Estimated Additional Costs offormer Right to Buy /Right to Acquire Dwellings Transferred to the Private Rented Sector and LHA (a)

Local authority	LHA claims 2010-11 to 2014-15 (RTB/RTA sales post 1997)	Total LHA Costs 2010-11 to 2014-15	Total local authority social rent costs 2010-11 to 2014-15	Total additional cost to public purse 2010-11 to 2014-15	Additional cost per LHA claim	Annual average additional cost to public purse
	Number	£s	£s	£s	£s	£s
Flintshire	109	712,928	413,967	298,961	2,743	59,792
Wrexham	772	4,632,675	2,923,824	1,708,851	2,214	341,770
Carmarthenshire	522	2,771,564	1,909,459	862,104	1,652	172,421
Vale of Glamorgan	240	1,657,624	1,002,189	655,436	2,731	131,087
Cardiff	1,399	10,597,051	6,088,401	4,508,650	3,223	901,730
Rhondda Cynon Taf	327	1,510,555	1,245,016	265,539	812	53,108
Caerphilly	478	2,597,961	1,794,528	803,433	1,681	160,687
Monmouthshire	82	568,020	348,310	219,711	2,679	43,942
Total	3,929	25,048,378	15,725,693	9,322,684	2,373	1,864,537

Source: Data on RTB/RTA sales provided by Local Authorities and relevant LSVTs

Data on properties in receipt of LHA from Rent Officers Wales

(a) Based on all statutory (RTB and RTA) sales from 1997 onwards and Local Housing Allowance and average local authority social rents between 2010-11 to 2014-15

10.3 These estimates provide a very broad indication of potential additional costs. It should be noted they are only based on sales from 1997-98, which, at a Wales level, only account for around 27 per cent of total RTB and RTA sales across Wales since October 1980. The matching exercise only looked at LHA rates and average social housing rents from 2010 to 2014, and both of these would have been lower in earlier years.

10.4 There is a possibility however, that as the exercise was based on sales from 1997-98 onwards only, even given the lower levels of LHA and Housing Benefit in earlier years, the costs could be higher than those estimated here.

10.5 This exercise did not take into account any differences in the overall amounts of benefit paid on each property (assuming the full rental costs were covered in each case). Neither has any account been taken of the likely impact on benefit levels arising from the recent Welfare Reform. Both of these factors may impact on the estimated additional costs to the public purse shown.

Estimated Average Annual costs

Table 4 – Estimated Average Annual Additional Costs of former Right to Buy/Right to Acquire Dwellings Transferred to the Private Rented Sector and LHA for 8 local authorities(a)

Year	LHA claims between 2010-11 and 2014-15 on RTB/RTA homes sold post 1997	Total LHA Cost	Total cost of social rents	Total cost to public purse	Average Cost per LHA claim
	Number	£s	£s	£s	£s
2010-11	619	4,002,039	2,208,574	1,793,465	2,897
2011-12	718	4,804,819	2,726,093	2,078,725	2,895
2012-13	786	4,924,620	3,150,684	1,773,936	2,257
2013-14	926	5,727,413	3,847,788	1,879,625	2,030
2014-15	880	5,589,487	3,792,554	1,796,932	2,042
5 year total	3,929	25,048,378	15,725,693	9,322,684	2,373

Source: Data on RTB/RTA sales provided by Local Authorities and relevant LSVTs
Data on properties in receipt of LHA from Rent Officers Wales

(a) Based on all statutory (RTB and RTA) sales from 1997 onwards and Local Housing Allowance and average Local Authority social rents between 2010-11 to 2014-15

10.6 The number of LHA claims made on former RTB/RTA properties transferring into the private rented sector and in receipt of LHA has been increasing across the Local Authorities since 2010-11, though there was a slight fall in 2014-15 which may have been affected by recent changes in Welfare Benefits introduced since 2013. The annual additional cost to the public purse however, has fluctuated, while the average cost per LHA claim has been generally decreasing, and varied from £2,897 in 2010-11 to £2,030 in 2013-14. This may be affected by year on year differences in the types and sizes of property which have transferred and on which an LHA claim was made.

11. Extrapolation of Additional Costs at a Wales Level

11.1 Based on the results from the data matching exercise for the 8 Local Authorities, it is possible to speculate on indicative costs at an all Wales level. This is based on an assumption that the number of claims per sale is the same for Wales as for the 8 authorities.

11.2 The number of LHA claims between 2010-11 and 2014-15 on the 2,001 RTB/RTA homes sold 1997/98 onwards was 3,929, which give an estimated cost per claim of £2,373. If the same level of claims was seen at across Wales this would give a total of 9,218 total LHA claims over the 5 years. The estimated additional cost per claim is £2,373 which would indicate an estimated overall additional cost to the public purse in terms of Housing Benefit payments of around £22 million over 5 years, or around £4.4 million per annum.

11.3 Looking at the variations across the 8 Local Authorities however, the estimated additional costs to the public purse at a Wales level could vary considerably.

Data for the 8 Local Authorities over the 5 years shows the estimated average additional cost per claim could vary from around £812 in Rhondda Cynon Taf to around £3,223 in Cardiff.

- 11.4 Applying these estimated costs per claim to the estimated figure of 9,218 LHA claims (between 2010-11 and 2014-15) at a Wales level would produce modelled estimated overall additional costs to the public purse ranging from £7.5 million over 5 years (around £1.5 million per annum), to £29.7 million over 5 years (around £5.9 million per annum).
- 11.5 Again, these are only very broad indications of likely additional costs at the Wales level and are based on assumptions that the scale of transfer seen across the 8 local authorities used in the data matching exercise would be similar across all Local Authorities. This is unlikely to be the case.
- 11.6 However, these estimates are based only on those properties sold via RTB and RTA since 1997-98 . At a Wales level, 73 per cent of all RTB and RTA sales were prior to that date. It is likely therefore, that both the number of properties transferring into the private rented sector and in receipt of LHA, and the additional subsequent costs to the public purse in terms of Housing Benefit payments, could be much higher.

12. Conclusion

- 12.1 The results of the matching exercise, though based on a limited sample of data for 8 of the 22 local authorities in Wales over a 5 year period, indicate that the level of transfer of former RTB and RTA properties into the private rented sector and in receipt of LHA across Wales could be substantial. They also indicate that given the higher levels of LHA compared with average social housing rents, the additional costs to the public purse in terms of Housing Benefit payments could be considerable.
- 12.2 A further factor which needs to be considered is that the results of this matching exercise are based only on those properties sold via RTB and RTA since 1997 which, at a Wales level, represent just 27 per cent of all properties sold since the introduction of the RTB legislation in October 1980. This would indicate that the level of transfer into the private rented sector, and any additional Housing Benefit costs incurred, could be much higher again than these results show even given the lower levels of LHA and Housing Benefit in earlier years.

13. Glossary

Broad Rental Market Area (BRMA) – a Broad Rental Market Area for Local Housing Allowance purposes is an area within which a person (or in the context of Local Reference Rents, a tenant of the dwelling) could reasonably be expected to live having regard to facilities and services, taking account of the distance of travel to and from those facilities and services. The BRMA contains residential premises of a variety of types to ensure representativeness of the rents that a landlord might reasonably be expected to obtain in that area.

Housing Benefit – Housing Benefit is a national benefit designed to help people on a low income meet their housing costs. Housing Benefit can pay part, or all, of the rent depending on the income and circumstances of individual. Housing benefit can help pay for rent and some types of service charges but will not cover water charges, care or support costs, and most heating charges. Housing benefit does not cover mortgage payments.

Large Scale Voluntary Transfer (LSVT) -Large scale voluntary transfer involves the local authority transferring ownership of its housing stock, with the agreement of its tenants, to a registered social landlord or housing association. There are 11 LSVT organisations in Wales.

Local Housing Allowance (LHA) - the Local Housing Allowance (LHA) system provides a way of working out Housing Benefit (HB) for people who rent from a private landlord. Local authorities use LHA rates based on the size of household and the area in which a person lives to work out the amount of rent which can be met with HB.

Rent Officers Wales (ROW) – a statutory officer responsible for ensuring that the lettings information collected is representative of the full range of market rents for similar properties on which a rent determination is made and to record the information that they have used on the Rent Officers Wales lettings information database.

14. Further Information.

Further information on the sale of properties via RTB and RTA is available in an annual statistical release at the following link:

<http://gov.wales/statistics-and-research/social-housing-sales/?lang=en>

More detailed data are available on the StatsWales website:

<https://statswales.gov.wales/Catalogue/Housing/Social-Housing-Sales>