

TITLE Update on Government's Right to Buy proposals included within the Housing and Planning Act 2016

FOR CONSIDERATION BY Community and Corporate Overview and Scrutiny on 13th March 2017

WARD All

DIRECTOR Graham Ebers

OUTCOME / BENEFITS TO THE COMMUNITY

To update on Right to Buy proposals

RECOMMENDATION

The committee is recommended to note the report.

SUMMARY OF REPORT

The Housing and Planning act 2016 received Royal assent in May 2016. It has implications for Housing Associations and stock retaining local authorities.

The Act introduces voluntary right to buy for housing associations and a disposal of assets levy for local authorities. This report updates the current position on the act.

Background

The Housing and Planning Act contains a number of measures on Right to Buy for local authorities and housing associations, by introducing the measures it does not necessarily mean they will immediately come into force. This is the case for the measures with implications for right to buy, in summary they are;

Extension of right to buy for housing associations, in October 2015 the National Federation of Housing made an agreement with central government to extend voluntary right to buy to housing associations. The agreement consists of four key principles, they are;

- Right to buy discounts for housing association tenants: housing association tenants would have the right to purchase a home at right to buy level discounts.
- Board control over which homes to sell: housing associations will have the final decision about whether to sell an individual property, with the presumption that they will sell a tenant their current home where they can.
- Full compensation: housing associations will get the full market value of the properties sold, with the value of the discount funded by the Government.
- Flexible one for one replacement: nationally, for every home sold under the agreement, a new affordable property would be built thereby increasing overall supply. The type and location will be flexible to their needs.

A pilot project involving the National Federation of Housing and 5 housing associations commenced in November 2015, and a subsequent large scale regional pilot of the voluntary right to buy scheme was announced in the Autumn Statement on 23 November 2016.

The impact of the extension of right to buy for housing associations on local authorities is not clear at this time. However the cost of funding this falls to government, and ultimately local authority stock retaining authorities, Wokingham Borough Council being one of these.

The mechanism for this is another measure contained within the Housing and Planning Act 2016. It introduces a levy for stock retaining authorities. It is expected that the levy would be funded by local authorities disposing of high value housing assets. The act allows government to estimate the amount of money each individual authority would receive, in each financial year, from sales of higher value homes. Authorities will be then required to pay this amount to treasury.

The Table below gives an indication on governments thinking on what constitutes a high value asset by region.

	One-bedroom	Two-bedroom	Three-bedroom	Four-bedroom	Five or more bedrooms
North east	£80,000	£125,000	£155,000	£250,000	£310,000
North west	£90,000	£130,000	£160,000	£270,000	£430,000
Yorkshire & the Humber	£85,000	£130,000	£165,000	£265,000	£375,000
East Midlands	£105,000	£145,000	£175,000	£320,000	£430,000
West Midlands	£100,000	£145,000	£180,000	£305,000	£415,000
East	£155,000	£220,000	£265,000	£440,000	£635,000
London	£340,000	£400,000	£490,000	£790,000	£1,205,000
South east	£165,000	£250,000	£320,000	£495,000	£755,000
South west	£135,000	£200,000	£260,000	£375,000	£535,000

There is currently no detail on how this will be put into practice. The latest update from government is that it may come into operation in financial year 18/19.

We have undertaken modeling of the impact of the levy and it will have a negative impact on HRA finances. The Chartered Institute of Housing who we are working with to review the HRA business plan commented;

‘There is a lack of clarity and detail around the Government’s intentions for a levy on higher value assets. The most recent statements suggest that a levy could be implemented in 2018/19, but there has been little sign of activity from DCLG in recent weeks and the issue is not mentioned in the Government’s housing white paper.

The baseline business plan makes no assumptions about the levy. However, rudimentary modelling of potential policies indicate that a levy would have a substantial negative impact on the capacity of the HRA, if introduced, and so its introduction presents a potentially significant risk’

Analysis of Issues

From a Wokingham Borough Council perspective it seems like a return to the days of subsidy when the council sent 44% of rental income to government, the levy is a

mechanism to tax stock retaining authorities.

Along with the 1% rent reduction for 4 years, and our ability to utilize retained right to buy receipts in the long term, if the levy was introduced it could make the HRA business plan unviable.

The financial impact of the measures of the Housing and Planning Act in relation to the levy if introduced will become clearer nearer the end of financial year 17/18.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A		
Next Financial Year (Year 2)	N/A		
Following Financial Year (Year 3)	N/A		

Other financial information relevant to the Recommendation/Decision

None

Cross-Council Implications (how does this decision impact on other Council services, including properties and priorities?)

None

Reasons for considering the report in Part 2

None

List of Background Papers

None

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