

Agenda Item IMD34

INDIVIDUAL EXECUTIVE MEMBER DECISION

REFERENCE IMD: IMD 2018/34

TITLE	Consultation on Right to Buy Receipts
DECISION TO BE MADE BY	Executive Member for Housing - Pauline Jorgensen
DATE, MEETING ROOM and TIME	8 October 2018 David Hicks 2 at 7pm on Monday 8th October 2018
WARD	None Specific;
DIRECTOR	Director of Locality and Customer Services - Josie Wragg

OUTCOME / BENEFITS TO THE COMMUNITY

In submitting a formal response to the Government consultation, the Council seeks to ensure that the best mechanisms for the use of Right to Buy receipts to enable the Council to build more homes are in place in the Borough.

RECOMMENDATION

That the Executive Member for Housing approves the consultation response for submission.

SUMMARY OF REPORT

A consultation on the use of receipts from Right to Buy sales was released by the Ministry of Housing, Communities and Local Government in August 2018 and will run until 9th October 2018. The consultation considers options to change the rules governing the money raised from Right to Buy sales to make it easier for councils to build more homes. It also seeks views on whether the commitment that every additional home sold (as a result of the increase in discounts in 2012) is replaced on a one-for-one basis nationally should be retained, or reformed to focus on the wider supply of social and affordable housing.

The current rules require a significant proportion of all receipts to be paid to Government rather than benefitting the communities in which the homes are sold. This adversely impacts the ability of local authorities to invest in housing. There are some clear benefits and opportunities for the Council under the new proposals. Using the receipts for shared ownership properties as well as for affordable and social rent properties expands the opportunities of the Council to deliver replacement housing stock, as would the ability to use the receipts through our housing companies. However, the introduction of a price cap for acquisitions of £152,000 per dwelling in the Homes England South West region will significantly reduce the Council's ability to purchase replacement stock.

Background

On the 14th August 2018, the Government opened a consultation on the use of Right to Buy Receipts. The consultation considers options to change the rules governing the money raised from Right to Buy sales to make it easier for councils to build more homes. It also seeks views on whether the commitment that every additional home sold (as a result of the increase in discounts in 2012) is replaced on a one-for-one basis nationally should be retained, or reformed to focus on the wider supply of social and affordable housing. The consultation closes on the 9th October 2018.

The proposals are:

1. Allowing local authorities to hold the Right to Buy receipts they currently have for five years instead of three. NB – the Government is not planning to extend the three year deadline for new receipts.
2. Right to Buy receipts can currently fund no more than 30% of the cost of a replacement home (whether through acquisition or new build) and local authorities have to find additional funding for the remaining 70%. The Government is considering greater flexibility by:
 - (a) Increasing the cap to 50% of build costs for homes for social rent in areas where authorities meet the eligibility criteria for the Affordable Homes Programme and can demonstrate a clear need for social rent over affordable rent; and
 - (b) Allowing local authorities to “top-up” insufficient Right to Buy receipts with funding from the Affordable Homes Programme up to 30% of build costs for affordable rent, or 50% of build costs for social rent where authorities can demonstrate a need for social rent, with bids for top-up to be submitted to the Affordable Homes Programme.
3. In order to increase new supply, the Government is considering restricting the use of Right to Buy receipts for acquisition by:
 - (a) Introducing a price cap per dwelling based on average build costs at Homes England operating area level (£152,000 in South West for Wokingham Borough).

OR

- (b) Allowing acquisition in certain areas only, for example, where average build costs are more than acquisition costs.
4. Permitting the use of receipts for shared ownership as well as for affordable and social rent.
5. Allowing local authorities to gift land from the General Fund to their Housing Revenue Account at zero cost, without increasing the Housing Revenue Account Capital Finance Requirement or increasing borrowing limits by the amount necessary to transfer the land into the Housing Revenue Account. This may only be applied to land which has been held in the General Fund for a number of years and to land which has not previously been developed/contains derelict buildings.
6. Allowing council-owned housing companies to use Right to Buy receipts.

7. Providing a short window of time (3 months only) during which local authorities could return receipts without interest.
8. Welcomes any other suggestions for other changes to Right to Buy receipts.
9. Reforming the replacement commitment by measuring the overall effects of Government policy on social housing stock, instead of narrowly measuring it against the Right to Buy target.

Analysis of Issues

The current rules require a significant proportion of all receipts to be paid to Government rather than benefitting the communities in which the homes are sold. This adversely impacts the ability of local authorities to invest in replacement affordable housing.

There are some clear benefits and opportunities for the Council under the new proposals. Using the receipts for shared ownership properties as well as for affordable and social rent properties expands the opportunities of the Council to deliver replacement housing stock, as would the ability to use the receipts through our housing companies.

However, the introduction of a price cap for acquisitions of £152,000 per dwelling in the Homes England South West region will significantly reduce the Council's ability to purchase replacement stock. The average price of a property in Wokingham Borough currently stands at around £420,000, with the average price of a flat/maisonette standing at around £233,000. The only properties available in Wokingham Borough under £152,000 are park homes and retirement leasehold apartments.

The Council's draft response is included in Appendix 1.

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)	£0	Yes	Capital
Next Financial Year (Year 2)	£0	Yes	Capital
Following Financial Year (Year 3)	£0	Yes	Capital

Other financial information relevant to the Recommendation/Decision

The proposals in the consultation document will impact the way the Council spends its Retained Right to Buy receipts in future.

Cross-Council Implications

The Government's proposals will have a significant impact on the Council's social housing stock and Housing Revenue Account. There are also implications for the Council's housing companies.

SUMMARY OF CONSULTATION RESPONSES

Director – Corporate Services	No comments received
Monitoring Officer	No specific comment
Leader of the Council	No comments received

Reasons for considering the report in Part 2

N/A

List of Background Papers

Use of Right to Buy Receipts Consultation Paper:
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733469/Right_to_Buy_consultation.pdf

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**WOKINGHAM BOROUGH COUNCIL RESPONSE TO THE “USE OF RECEIPTS FROM
RIGHT TO BUY SALES” CONSULTATION**

1. *We would welcome your views on extending the time limit for spending Right to Buy receipts from three years to five years for existing receipts but keeping the three-year deadline for future receipts.*

The Council welcomes the time extension to 5 years proposed in the document, but does not agree that this should be limited to current receipts. Other proposals within this consultation document seek to encourage local authorities to use their retained Right to Buy receipts to build new affordable homes rather than acquire them. Development is a longer process that involves identifying and securing suitable sites, obtaining planning consent, procuring contractors and then the build process itself. The 3 year timescale is simply not long enough to deal with the uncertainties of the development process. The Council would like to see the time limit extended to 5 years for all retained Right to Buy receipts.

2. *We would welcome your views on allowing flexibility around the 30% cap in the circumstances set out above, and whether there are any additional circumstances where flexibility should be considered.*

We welcome the proposal to increase the cap to 50% of build costs for homes for social rent. Our predominant need in Wokingham Borough is for homes for social rent and increasing the cap would enable us to increase the supply of replacement homes of this tenure.

3. *We would welcome your views on restricting the use of Right to Buy receipts on the acquisition of property and whether this should be implemented through a price cap per unit based on average build costs.*

The Council strongly objects to the proposal to introduce a price cap on acquisitions linked to Homes England region average build costs. Wokingham Borough, one of the highest cost areas of the country outside of London, falls into the South West Homes England region, where the proposed cap is £152,000. The introduction of a £152,000 price cap per dwelling in the South West would have a dramatic adverse impact on the Council's ability to replace RTB dwellings. The average price of a property in Wokingham Borough currently stands at around £421,910, with the average price of a flat/maisonette standing at around £233,520. The only properties available in Wokingham Borough under £152,000 are park homes and retirement leasehold apartments. Furthermore, the use of the average build cost is fundamentally flawed, as it fails to take into account the cost of land required to deliver new build homes. We request that the Government either abolish the price cap proposal or sets price caps at a more local level taking into account house prices in that area.

4. *We would welcome your views on allowing local authorities to use Right to Buy receipts for shared ownership units as well as units for affordable and social rent.*

The Council welcomes the proposal to use Right to Buy receipts for shared ownership as this would expand the opportunities and flexibility for the Council to deliver replacement affordable homes. Whilst social rented homes are our

predominant need, there are a number of first-time buyers in Wokingham who struggle to get onto the housing ladder. This additional flexibility will help address these needs. The Council would expect any proceeds from staircasing to be reinvested into further affordable homes.

- 5. We would welcome your views on allowing the transfer of land from a local authority's General Fund to their Housing Revenue Account at zero cost. We would also welcome your views on how many years land should have been held by the local authority before it can be transferred at zero cost, and whether this should apply to land with derelict buildings as well as vacant land.*

The Council considers this to be a positive proposal as it adds further flexibility to increase housing delivery. However, in reality, gifting land to the Housing Revenue Account (HRA) is unlikely to be a particularly attractive offer to many local authorities. Despite the Council purchasing its housing stock from Government under self-financing for almost £100 million in 2012, we have continued to face regular Government interventions (i.e. 1% rent cut, the threat of the high-value voids levy, etc.) that challenge and undermine our HRA business plan.

- 6. We would welcome your views on whether there are any circumstances where housing companies or Arm's-Length Management Organisations should be allowed to use Right to Buy receipts.*

The Council would welcome the opportunity for housing companies to be able to use Right to Buy receipts. The Council has its own wholly owned housing companies (including Loddon Homes, a Registered Provider) delivering an ambitious programme of affordable housing for rent and shared ownership. The ability for the companies to be able to use Right to Buy receipts coupled with the proposal to "top up" with funding from Homes England Affordable Homes Programme (in cases where there are insufficient receipts) would increase the Council's ability to fund replacement homes.

- 7. We would welcome your views on allowing a short period of time (three months) during which local authorities could return receipts without added interest.*

The Council feels that the added interest is an unfair and harsh penalty for local authorities who are striving to spend money raised in their area on replacement homes for local people. The Council's preference would be to see the added interest provision removed. However, should the interest arrangements continue, a short grace period during which local authorities can return receipts without harsh interest charges would be beneficial. The Council requests this period be extended to 12 months to allow time for feasibility work to be undertaken.

- 8. We would welcome your views on other flexibilities which could be introduced to make it easier for local authorities to deliver new housing with their Right to Buy receipts.*

Having purchased our Council homes through self-financing, we feel that local authorities should be able to keep 100% of receipts from homes sold under the Right to Buy and to set our own criteria on expenditure.

9. *Should the Government focus be on a wider measurement of the net increase in the supply of all social and affordable housing instead of the current measurement of additional homes sold and replaced under the Right to Buy? If the target were to change, we would welcome your views on what is the best alternative way to measure the effects of Government policies on the stock of affordable housing.*

The Council views that the most effective measurement to assess the proposed changes in the use of Right to Buy receipts would be to continue with the current measurement of additional homes sold and replaced under Right to Buy.

Wokingham Borough has seen significant increases in the supply of social and affordable housing and any changes to homes sold and replaced under Right to Buy would get lost in a wider measurement. We request the current measurement remains as is, so that we can understand the full impact of the Right to Buy regime.

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