

## Taunton Deane Borough Council

### Tenant Services Management Board – 23rd January 2012

#### Consultation: Reinvigorating the Right to Buy and one for one replacement

#### Report of the Rent Recovery and Voids Manager (This matter is the responsibility of Executive Councillor Jean Adkins)

### 1.0 Executive Summary

On 22<sup>nd</sup> December 2011 the Department for Communities and Local Government published a consultation paper outlining its proposals to increase the cap on Right to Buy discounts; and options for meeting the Government's commitment to ensure that every additional home sold under Right to Buy is replaced with a new home for Affordable Rent.

This report considers the key government proposals and sets out a draft response for the consultation process which ends on 2<sup>nd</sup> February 2012

Tenant Services Management Board members are asked for their comments on the key proposals.

Tenant Services Management Board members can access a full copy of the consultation document via the link below, with copies also available on request from Housing Services Lead.

<http://www.communities.gov.uk/publications/housing/reinvigoratingrighttobuy>

### 2.0 Background

Taunton Deane Borough Council tenants, probably, have the Right to Buy, if they are a secure tenant.

#### Existing qualifying period, cap and discounts:

A)

If a tenant's secure tenancy was in existence before 18 January 2005 (and the tenant has been a tenant continuously since that time) the tenant, probably, has the Right to Buy when they have spent at least 2 years as a public sector tenant. The following discounts and cap apply:

- Houses - 32% of the properties value plus 1% for each year beyond the qualifying period up to a maximum of 60%
- Flats - 44% of the properties value plus 2 % for each year beyond the qualifying period up to a maximum of 70%

B)

If a tenant's secure tenancy was in existence on or after 18 January 2005 the tenant, probably, has the Right to Buy when they have spent at least 5 years as a public sector tenant. The following discounts and cap apply:

- Houses - 35% of the properties value plus 1% for each year beyond the qualifying period up to a maximum of 60%
- Flats - 50% of the properties value plus 2% for each year beyond the qualifying period up to a maximum of 70%

In practice, most Right to Buy discounts are limited to caps set in secondary legislation. In the South West, this cap is set at £30,000.

### **3.0 Key Government proposals for tenants**

#### Proposals for caps, discount rates and eligibility

There is a balance to be made between offering generous discounts and having enough receipts to fund the building of replacement homes.

The Government are proposing a more generous discount, which the Government believes, will allow a greater number of social tenants to take up their Right to Buy and meet their own home ownership aspirations, support social mobility and help create and sustain mixed communities.

The Government's proposal is to raise the upper limit (the cap) on Right to Buy discount entitlement to £50,000 throughout England, providing a substantial increase in the cap currently set for in the South West.

The Government is interested in views on whether there is a case for changing the minimum and maximum discount rates applying to houses and flats, or the rate at which tenants qualify for increase percentage discounts.

The Government do not intend to change the qualifying period for eligibility.

The Government is planning to implement the proposed changes in April 2012.

### Suggested response

The council would prefer to have the ability to decide, locally, the discount (rates and cap) tenants receive. Broad guidelines could ensure there are sufficient funds from Right to Buy sales to build new homes.

### Protecting tenants who exercise their Right to Buy

The Government states that it is important that tenants have clear information on what is involved in entering home ownership so that the risks of them being unable to sustain owner occupation are mitigated.

### Suggested response

Please refer to Appendix A and the responses given to 'Question 2 and Question 3'

### Rural areas

The Government has recognised previous concerns raised over the impact of Right to Buy on rural areas where the original stock of council housing was small and high house prices made owner occupation inaccessible for many local people. The Government would welcome evidenced assessments of the impact on rural affordable housing of the proposed changes to Right to Buy discounts.

### Suggested response

Please refer to Appendix A and the responses given to 'Question 4'

### Exclusions

Some properties are excluded from the Right to Buy. These include, among others, homes which are suitable for occupation by older people, sheltered housing for older people and those with disabilities.

There are no plans to change the rules on properties excluded from Right to Buy.

## **4.0 Key Government proposals for council's**

### Council's transaction, administration and improvement costs

Currently councils can deduct the actual administration and transaction costs of successful sales from Right to Buy receipts, but there is no allowance for costs relating to applications under Right to Buy which do not result in a sale.

The Government are proposing to set a flat rate allowance for each region.

The Government is considering making a further allowance to deduct the costs of handling withdrawn Right to Buy applications.

Currently council's can claim any costs they have incurred improving the sale property in the last three years from Right to Buy receipts. The Government are proposing to remove this allowance, in recognition that improvements increase the value of the property and this will be reflected in the market price and in the Right to Buy receipt.

#### Suggested response

We would welcome a locally defined calculation of allowable deductions that identifies the actual transaction and administration costs incurred on all sales at the time/date the sales take place. We would welcome the introduction of an allowance that provides for the cost of handling withdrawn Right to Buy applications.

#### Buyback

Under current arrangements, councils have the option of using Right to Buy receipts to cover part of the costs of buying back former council homes. The Government is considering whether to continue to allow the use of receipts for this purpose once other costs have been covered.

#### Suggested response

Please refer to Appendix A and the responses given to 'Question 10'

#### Proposals for apportioning Right to Buy receipts

Where receipts are sufficient to cover all allowable costs and Local Authority and Government assumed income then the Government propose that councils should apportion Right to Buy receipts as follows:

- Housing debt supportable from the income on additional sales;
- Transaction and administration costs on all sales;
- Local authority assumed income; and
- Government assumed income.

Any remaining receipt is then available to support funding for replacement homes. The treatment of the remaining receipt balance will depend on decisions on Buyback and the delivery model implemented for replacement homes.

#### Note:

The consultation document provides a more detailed explanation of the proposals for apportioning Right to Buy receipts.

### Suggested response

It is important that all of the receipt raised is retained by councils, to enable them to quickly invest in affordable housing locally. Taunton Deane Borough Council has in excess of 3,400 'active applicants' registered on its Choice Based Lettings Scheme who are waiting for an affordable home in the area.

### Proposals for delivering Right to Buy replacement homes for Affordable Rent

The Government has set out for consultation a range of possible delivery models for managing the replacement programme. These are:

- Local delivery – where receipts for replacement are left with the council where the Right to Buy sale took place for reinvestment;
- National delivery – where receipts for replacement are brought together and then allocated through the Greater London Authority in London and by the Homes and Communities Agency in the rest of England; and
- Combined approaches – with some central direction on use of the receipts but leaving substantial local control

The Government are clear that under all models receipts used for replacement homes will need to be supplemented by borrowing, provider contributions in land or other funding.

Note:

The consultation document provides a more detailed explanation of the proposals for 'Replacement delivery models'.

### Suggested response

The replacement model we would prefer is the 'Local model'. It is important that all of the receipt raised is retained by the council, locally, to enable it to quickly invest in affordable housing. Taunton Deane Borough Council in excess of 3,400 'active applicants' registered on its Choice Based Lettings Scheme who are waiting for an affordable home in the area.

## **5.0 Recommendation:**

- Tenant Services Management Board are requested to note the proposals to increase the cap on Right to Buy discounts; options for meeting this Government's commitment to ensure that every additional home sold under Right to Buy is replaced with a new home for Affordable Rent.
- Tenant Services Management Board members are asked for their comments on the key proposals.

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## Appendix A

### Suggested Officer Comments

#### **Question 1 - We would welcome your views on the proposals for caps, discount rates and eligibility?**

The council would prefer to have the ability to decide, locally, the discount (rates and cap) tenants receive. Broad guidelines, issued by central government could also ensure there are sufficient funds from Right to Buy sales to build new homes.

#### **Question 2 - Do you agree that information currently provided to prospective Right to Buy purchasers is sufficient? If not, what else should be included?**

Our view is that the leaflets issued by the CLG namely, "Your Right to Buy your home" and "Thinking of buying a council flat", are very informative and helpful. They convey what it is current in terms of the existing Right to Buy scheme very well. Our experience is that existing literature is easy to understand and reader friendly.

Better promotion of the Right to Buy scheme could be achieved by the regular publishing of articles in tenants newsletters. Such promotions could be made a specific requirement and contained within the emerging regulatory service standards.

#### **Question 3 - Are there further steps which could be taken to ensure that tenants who purchase under Right to Buy know about and understand the implications of home ownership, including their obligations on becoming a leaseholder?**

In our view more needs to be undertaken to assist leaseholders in recognising the implications of home ownership. This could be achieved by setting specific requirements within a regulatory standard for social housing providers which ensures leaseholders are fully supported in developing their understanding of becoming a leaseholder.

#### **Question 4 - We would welcome evidenced assessments of the impact on rural affordable housing of the proposed changes to Right to Buy discounts?**

If the proposed increase in discount leads to an increase in take up of Right to Buy in rural areas, we believe, it will lead to a net reduction in availability of social housing in such areas. We currently have approximately 1300 council housing properties which we consider to be in a rural setting. We would welcome the current restrictions on Right to Buy properties continuing, namely:

- That the property can only be resold to someone who has been living or working locally for at least three years; or

- That if the owner wishes to resell within 10 years of the Right to Buy sale, they must first offer the property to the original social landlord.

Our suggestion is to enhance the existing restrictions on resale. For example: Increasing the living or working locally restrictions period from 3 to 5 years; and increasing reselling period restriction from 10 to 15 years where the seller must first offer the property to the original social landlord.

**Question 5 - We would welcome your views on the proposals that a part of the Right to Buy receipts should be used to pay down the housing debt supportable from the lost income from these additional sales?**

We welcome the proposal that part of the Right to Buy receipt should be used to pay down the housing debt supportable from the lost income from these additional sales.

We would welcome a formula that identifies the actual housing debt supportable from the lost income from each additional sale at the time/date the sale takes place.

**Question 6 - What proportion of Right to Buy applications are subsequently withdrawn in your area?**

In response to the above question Table 1 below provides data in relation to Taunton Deane Borough Council Housing Services.

Table 1:

Year	New Right to Buy applications received.	Total no. of Right to Buy applications received and subsequently withdrawn in the financial year	Total no. of Right to Buy applications subsequently withdrawn in the financial year
2008/09	36	23	(41)
2009/10	22	10	(16)
2010/11	31	14	(16)
April 2011 to 12th January 2012	25	9	(16)

Source: Taunton Deane Borough Council Housing Services data at January 2012.

Note: Please note that the figures in ( ) are the total recorded against each year and not the actual number of applications received and withdrawn in the respective years. The reason for the difference is that some applications received in a financial year were withdrawn in the next financial year.



**Question 7 - What costs are included in managing aborted applications?**

Officer time/costs and associated administration costs; legal costs; and surveying costs.

**Question 8 - What sources of funding have you used for improvement works in your area?**

Taunton Deane Borough Council has used internal revenue contributions to fund capital expenditure through direct revenue funding (DRF), major repairs allowance and borrowings.

**Question 9 - We would welcome views on the proposed approach to projected receipts?**

Taunton Deane Borough Council welcomes the proposal to protect the projected receipts for the council and central government.

**Question 10 - We would welcome any information councils can provide on the use of Buyback properties. We would also welcome views on this proposal?**

Although property Buyback is not well used at Taunton Deane Borough Council, we consider, in the new financial era, a decision not to continue to allow the use of receipts for this purpose could restrict our strategic options. We would want to avoid any such restriction.

**Question 11 - Do you have any comments on the proposals to not amend section 131 of the Housing Act 1995?**

We support the proposal not to make amendments to section 131 of the Housing Act 1995.

**Question 12 - We would welcome views on the calculation of allowable deductions?**

We would welcome a locally defined calculation of allowable deductions that identifies the actual transaction and administration costs incurred on all sales/withdrawals at the time/date the sales/withdrawals take place.

**Question 13 - Which model for delivery of replacement housing do you consider the most appropriate, and why?**

The replacement model we would prefer is the 'Local model'. It is important that all of the receipt raised is retained by the council, to enable the council to quickly invest in affordable housing locally. Taunton Deane Borough Council currently has in excess of 3,400 'active applicants' registered on its Choice Based Lettings Scheme who are waiting for an affordable home in the area.

**Question 14 - How can housing associations and councils be further encouraged to use receipts from Preserved Right to Buy sales to support provision of replacement homes?**

No comment.

**Question 15 - If there are any exceptions where administration and debt cost cannot be covered, please provide details?**

No comment.

**Question 16 - Based on experience, are you able to provide any evidence on the likely percentage of Right to Buy purchasers on Housing Benefit?**

Table 2 below provides data in relation to Taunton Deane Borough Council Housing Services where Right to Buy purchasers have been or have not been in receipt of housing benefit.

Table 2:

Year	No. of Right to Buy sales.	No. of purchasers in receipt of Housing Benefit.	% of Right to Buy purchasers in receipt of Housing Benefit.
2008/09	6	Nil	Nil
2009/10	7	1	14%
2010/11	11	3	27%

Source: Taunton Deane Borough Council Housing Services data; January 2012.