

Ministry of Housing Communities & Local Government

Use of receipts from right to buy sales – Consultation

Annex B: Consultation response proforma

Options for reforming the rules around the use of right to buy receipts

Timeframe for spending Right to Buy receipts

Question 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 would welcome the retention of receipts from 3 to 5 years for all receipts. Alternatively, or in addition, there would be more scope for flexibility if councils could formally enter into a 'grant award' with a housing provider within the 3/5 year time period rather than having to actually 'spend' the receipt. The grant award could be conditioned that the works are complete and final claim for payment made within a set time period. A formal grant 'award' rather than 'spend' within the 3/5 year time limit would offer far more flexibility in allocating the receipts.

Cap on expenditure per replacement unit

Question 2:

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

Would the same flexibilities apply if it wasn't the LA who was finding the additional funding for the remaining 70%, but instead working with an RP?

In many instances the 30% grant from the Right to Buy receipts is not sufficient to encourage local RPs to take up a grant award under this scheme. It is difficult for us to engage with RPs and build up a development pipeline as Homes England are able to offer, in some circumstances, a higher grant rate than the 30%. As a result RPs prefer to work directly with Homes England through the Affordable Homes Programme.

The criteria outlined in the consultation paper is fairly narrow and we have concerns over how we could demonstrate a clear need for social rent over affordable rent. There has been no new social rent accommodation built in the area for a number of years, so the opportunity to provide some would be welcomed. We would need to examine the Home Options data in detail to be able to demonstrate this need.

The Council would welcome consideration of increasing the cap on funding above 30%. Additional 'top up' would be welcome subject to a simple and streamlined application process. It would be advantageous if the Council could predetermine (with the Affordable Home Programme) additional levels of funding and the circumstances where this might apply to give some certainty to RPs bidding for the grant award.

Use of receipts for acquisition

Question 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 use of Right to Buy Receipts for purchasing property is an attractive option for councils. It can be a relatively straightforward and quick response to allocating and spending the RTB receipts that are time constrained. In our experience, RPs that are already delivering on a particular site, are often amenable to picking up additional units.

The Council's SHMA requirements identify the need for the provision of a higher percentage of 2 and 3 bedroom houses in High Peak. The range of values for 2 and 3 bedroom properties varies across the borough but are generally in the range of:

2 bedroom £150,000 - £250,000

3 bedroom £180,000 - £375,000

The above prices reflect predominately new build units. Whilst this may preclude cheaper older properties, RPs, whilst not exclusively, are generally more amenable to purchasing units on sites where they already have a presence rather than a more adhoc/sporadic geographical spread of older units.

Comparing this with the figure of £132,000 (Midlands) there is likely to be very limited scope to offer Right to Buy receipts to fund acquisitions. As such, the Council would not support a cap on acquisitions. It restricts the LA's ability to utilise the receipts and to add to its current stock by means other than through building.

Tenure of replacement home

Question 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.

Whilst this would provide another delivery option which may assist less viable sites to come forward, the delivery of shared ownership units does not ultimately meet the needs of lower income and benefit dependent households on the Councils housing register.

Changing the way the cost of land is treated

Question 5A:

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.

This would be beneficial and welcome option. However, the Council would need to be clear on the overall business case for doing this (on an individual case basis). For example, the General fund may lose the sale value of the land in doing this, but if transferring to the HRA provides development certainty and consequently Council Tax/New Homes Bonus etc.

Question 5B:

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.

This is a positive step as maximum flexibility would be available if in the case of the above there was no ownership time limit and land with derelict buildings was included.

Transferring receipts to a Housing Company or Arm's-Length Management Organisation (ALMO)

Question 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.

If the scheme allowed Council's nomination rights then this would be a viable option for the LA's to provide the much needed Affordable Housing in specific areas.

Temporary suspension of interest payments

Question 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 would support this strategy.

Other comments

Question 8:

Do you have any other comments to make on the use of Right to Buy receipts and ways to make it easier for local authorities to deliver replacement housing?

The current grant agreement with Councils and Secretary of State limits grant eligible items in relation to roads/infrastructure cost to: Major site development works (where applicable). These include piling, soil stabilisation, road/sewer construction, major demolition. However, this excludes off site infrastructure costs, which are often necessary to the delivery of housing developments. . Whilst the RTB receipt would not directly fund additional affordable units the receipt would have the ability to fund infrastructure costs without which development may not be brought forward. If development is not delivered, this precludes the delivery of all housing (including affordable) or, the viability is such that limited or no affordable housing is delivered.

Local example: Within the High Peak Adopted Local plan the Council has allocated a number of housing sites on the northern outskirts of Buxton town centre. This is a combination of sites in council ownership and private developers. Together they will deliver almost 800 houses within the Local Plan period.

In order to develop the sites enhanced/new road infrastructure is required. This consists of the construction of a new roundabout on the A6 and link roads (east and west) to access the sites. Despite a planning consent to deliver the road infrastructure in 2001 and renewed in 2006 and 2012 development has not been forthcoming. This approach placed the burden of delivering the infrastructure with the private developer. Due to viability issues, the development of the roundabout/link road and housing development sites has stalled.

The council has successfully bid to Homes England under the Housing Infrastructure Fund and has been awarded a £2m grant for the construction of the roundabout and part link roads to unlock the housing sites. However, previous to this award, the use of RTB receipts to help fund this infrastructure was explored but not resolved. The use of these could have contributed to the infrastructure costs and in turn enhance the viability and delivery of the sites. The exact detailed cost of the infrastructure is currently unknown and the grant award may fall short of being able to deliver the full scope of works. A more flexible approach to spending RTB Receipts would allow these to meet any project deficit.

Reforming the replacement commitment

Question 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 would support a wider measurement of the net increase in the supply of all social and affordable housing. In particular, this council has a good track record in the delivery of social housing through the following initiatives:

- *Ensuring policy compliant numbers of affordable housing at 30% through approval of planning applications.*
- *Identifying supplementary sites where the council is working with RPs to deliver an enhanced level of affordable housing over and above the policy compliant 30%.*
- *Adopting a portfolio approach to developing land in its ownership in order to maximise community benefit.*
- *Working with delivery partners (private housebuilders, developers and registered providers) to share risk and expertise in order to accelerate delivery of housing, including policy compliant social housing.*
- *Working closely with Homes England to implement funding bids through HIF and LAAC to deliver off site infrastructure and site remediation to accelerate housing delivery.*
- *Publishing and promoting a brochure of available council owned sites.*

Currently, the Government is unable to count the delivery of the affordable units as set out in the above initiatives. The Council would therefore welcome a wider measurement that considers alternative initiatives of delivering affordable housing into account.