

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Housing Portfolio Holder

18 January 2011

AUTHOR/S: Executive Director of Operational Services / Corporate Manager
Affordable Homes

RIGHT TO BUY CONSULTATION RESPONSE

Purpose

1. To seek the approval of the Housing Portfolio Holder for the draft response to the Right to Buy (RTB) consultation.
2. This is not a key decision but has been requested by the Portfolio Holder as the issue is of potential significance to the Council.

Recommendations

3. That the Housing Portfolio agrees to submit Table One as part of the Council's formal response to the consultation.

Background

4. The CLG issued the consultation paper, *Reinvigorating the Right to Buy and one for one replacement*, on 23/12/11. Consultation responses are required by 2nd February 2012. This consultation was signalled in the paper *Laying the Foundations: A Housing Strategy for England*, published in November 2011.
5. The consultation consists of 16 questions, which are attached at Appendix A. Some of these questions are for housing associations only whilst others are technical questions seeking, for example, evidence of operational details. Responses to these technical questions are being drafted by officers and a copy of the final response will be made available to Members once completed.
6. The views of the Portfolio Holder are sought on two of the questions in the consultation, which are set out in the Options below.

Considerations

7. The RTB was introduced in 1980 and at its peak there were over 160,000 sales per year nationally. RTB sales are currently running at around 2,600 per year. In South Cambridgeshire during this period over 5,000 homes have been sold (around half of the original council house stock). Sales in recent years however are typically down to two- three properties per year.
8. In, *Laying the Foundations*, the Government state that they want "to help more people realise their aspiration of home ownership" and that they are "now determined to reverse this decline and reinvigorate the policy to give a new generation the opportunity of home ownership."
9. A significant commitment of this policy change is to "replace every additional home sold under Right to Buy with a new home for Affordable Rent."

10. The main proposal is to raise the discount to a maximum of 60% for houses and 70% for flats and to raise the maximum discount cap to £50,000 nationally. Currently average discounts are 25% and with caps at around £38,000. It is difficult at this stage to estimate what level of extra sales that this will generate within the District.
11. The consultation paper sets out a series of technical proposals which recognises that the market value of a sold home will be reduced by a number of factors including:
 - The discount to the tenant
 - The repayment of any debt on that property
 - Allowable administration costs
 - The proportion to the Treasury

The residual receipt that is left after these various deductions will be required to be used to help fund a replacement Affordable Rent dwelling.

12. In order to achieve the one for one replacement of homes sold using this residual receipt the consultation paper sets out four different models for comment. These are listed in table 1 below.

Options

13. The two consultation questions being considered in this report are as follows:

Table 1

Question	Pros for Council	Cons for Council
Q1. We would welcome the views on the proposals outlined above.	Council is pleased to support people in meeting their aspirations for home ownership.	<p>Large numbers of sales could have a detrimental effect on the HRA business plan.</p> <p>There are very few Council homes in some villages and a significant number of sales may remove all of the social rented homes from that village. Limited land supply may then prevent the supply of affordable rented homes to that village.</p> <p>It is also likely that the availability of social rented homes will decrease considerably over the coming years through housing association conversions and newbuild homes let at Affordable Rents and we are</p>

		concerned that further reductions in social rent through replacement RTB homes with Affordable Rents will have an adverse impact on the affordability and supply of housing to meet the needs of the most vulnerable in the district.
Q13. Which model for delivery of replacement housing do you consider the most appropriate, and why?		
<p>Local Model</p> <p>Receipts retained by the Council to use as it wishes. Could choose to work in partnership with other councils and/or housing associations. Would not be restricted to funding new Affordable Rent housing.</p>	<p>Council would welcome this model as it would be free to use money as needed in district e.g. could be used for a regeneration scheme or even for a corporate project such as an IT project.</p>	<p>The Council will have no borrowing headroom in the early years of the business plan. As the receipt would only fund an Affordable Rented home this assumes that the full cost of developing that home would come from borrowing. It may prove difficult therefore for the Council to build all the replacement homes needed in the early years. However, the Council does have a good working relationship with its housing association partners and would welcome further opportunity to target funding for new affordable homes in the District through a partnership arrangement, until such time that the Council is in a position to build new Council homes in its own right.</p>
<p>Local Model with Direction</p> <p>Receipts retained by Council but restricted to</p>	<p>Council would welcome the opportunity to locally determine the use of the</p>	<p>The direction provided in the regulations should be sufficiently flexible to allow</p>

<p>funding the provision of new Affordable Rent homes. Could choose to work in partnership with other councils and/or housing associations.</p> <p>Direction would be specified in amendments to existing regulations and monitored</p>	<p>receipt.</p> <p>Suggested process would be easy to administer.</p>	<p>innovative schemes to be included e.g. the use of the receipts to bring back into use empty homes as Affordable rent homes not just new build schemes.</p> <p>The Council would lose the ability to use funds for other vital capital spending which may also be critical to the operation of the housing service or of wider community significance.</p>
<p><i>Local model with Agreement</i></p> <p>Receipts retained by Council but restricted to funding new Affordable Rent homes only and only with formal agreement of Secretary of State. This would require detailed proposals business plans to be developed and agreed. Secretary of State could choose to divert some of the funding from receipts elsewhere in the country.</p> <p>Could choose to work in partnership with other councils and/or housing associations.</p>	<p>Council would be grateful for the opportunity to make a business case for the use of receipts locally.</p>	<p>The process proposed would be resource intensive with no guarantee that the effort would be matched by the funds made available.</p>

<p>National Model</p> <p>All available receipts would be pooled and administered by the HCA and the Greater London Authority. Council would have to make specific bids to the HCA for funding on a continuous basis (continuous market engagement).</p>	<p>The Council has a good track record of working with partner housing associations and securing funds through the HCA processes and a track record for spending all of the money that is made available. The Council is a high demand growth area and would see this as an opportunity to secure more funding for Affordable Housing than that lost through RTB sales.</p>	<p>There is loss of local self-direction, which does not sit well with other aspects of the Localism agenda.</p> <p>The work required to prepare bids for funding is a resource cost that would not be required if the receipts were already with the Council.</p> <p>There would be no guarantee of the Council receive its fair share of the receipts pool with the potential that there would be an affordable homes deficit in a high demand area.</p>
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Implications

14.	Financial	<p>The proposals have implications for the 30 year HRA Business Plan particularly if RTB sales rise sharply.</p> <p>If the Government chooses not to go with the Local Model option then it could mean a loss of flexible capital income to the Council.</p>
	Legal	None
	Staffing	<p>If RTB sales increase significantly there will be a need to increase the staffing resource in this area (currently only one part time officer). Similarly if the Local Model with Agreement or the national Model is chosen there may need to be an increase in resources by recruiting staff or working in partnership to buy in extra capacity.</p>
	Risk Management	<p>The biggest risk is in the implications for the sustainability of the long-term business plan. Sensitivity testing is currently being carried out to test the full implications of this.</p>
	Equality and Diversity	<p>The further reduction in the availability of social rented homes may have an impact on the affordability for those on low incomes to access suitable accommodation.</p>
	Equality Impact Assessment completed	N/A
	Climate Change	N/A

Consultations

15. None

Consultations with Children & Young People

16. None

Effect on Strategic Aims

17. Commitment to being a listening council, providing first class services accessible to all. The affordable housing programme is one of the key roles of the Council. The long-term sustainability of the HRA is therefore critical. If the proposed changes to the RTB lead to very large numbers of sales there could be a detrimental effect to the HRA and there may be the loss of much needed affordable homes in parts of the District.

Conclusions / Summary

18. The Council is pleased to support people in meeting their aspirations for home ownership.
19. The commitment to use resources to build a new affordable home for each one sold is welcomed. The Council however, would want to see priority given to local decision making over the use of the residual receipts rather than those receipts being pooled nationally with the chance that none of the new homes would be within the district.
20. It is difficult currently to estimate increased number of sales that this proposal will generate within the District. If there is a very large increase in sales there could be a detrimental impact on the HRA business Plan.

Background Papers: the following background papers were used in the preparation of this report:

CLG, *Laying the Foundations: A Housing Strategy for England*, November 2011.

CLG, *Reinvigorating the Right to Buy and one for one replacement*, Consultation, December 2011

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