

Consultation Response on the Use of Receipts from Right to Buy Sales

The options set out in the consultation give local authorities a sense of the changes the Government is considering, the link is below:

<https://www.gov.uk/government/consultations/use-of-receipts-from-right-to-buy-sales>

Response by 9th October 2018

Background

Right to Buy (RTB) receipts are monies that the Council receives for the sale of its housing dwellings to tenants. The amount the tenants pay is at a discounted amount with the maximum discount of £80,900. The Council can partly use these receipts to fund capital expense, some is returned to the Treasury.

In April 2012 the Right to Buy legislation was reinvigorated and a commitment was made that for every additional home sold there would be a commitment to replace it. Local Authorities could enter into an agreement with the Government to retain additional sales receipts to fund replacement stock; these are known as 1-4-1 receipts.

Crawley entered into this agreement.

The terms of the 1-4-1 agreement is that the authority have three years from receipt of the income to fund no more than 30% of the cost of a replacing the unit, with the authority funding the remaining 70%. If the authority is unable to spend these receipts within the three years they have to be returned together with interest of 4% per annum.

Due to issues outside its control Crawley was in the position of having to return some 1-4-1 receipts in 2017-18. This was highlighted in the Cabinet report [Item 12 on the link](#)

The Questions in the consultation are below -

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.'

Answer – YES

Crawley would benefit from being able to extend the spending deadline from three to five years for existing receipts. All existing receipts are committed, the extension of the three years to five would be beneficial as often there are issues outside of our control that delay schemes.

The consultation mentions that authorities have had 6 years since the rules were introduced to build up their experience and capacity to develop and deliver new housing. However this takes no account of the complexity of the type of developments that Crawley is trying to achieve going forward.

Question 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'.

Answer - YES

Allow local authorities to "top-up" insufficient Right to Buy receipts with funding from the Affordable Homes Programme up to 30% of build cost 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.

The development at Forge Wood is all social rented properties and we would be able to apply for the top up, although all our 1-4-1 receipts are committed at present.

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'.

Answer - NO

Our authority is in the South East and the cap of £167,000 would restrict our ability to buy properties as the average house price is £290,000.

Our average build costs are lower than acquisition costs, although the authority is running out of potential sites to build; buying properties is a good option for use of land.

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'.

Answer - YES

Planning policy is to have 40% affordable housing, of this 70% is rent and the balance shared ownership, as such we would welcome this initiative. This would have prevented us repaying 1-4-1 receipts in 2017/18.

Crawley now has restricted capacity to build affordable rental properties due to the HRA borrowing cap (explained in 5A) by building shared ownership units this would provide an alternative funding with the stair casing payments.

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'.

Answer - Yes

I think the HRA would welcome the transfer of land from the General Fund (GF) to the Housing Revenue Account (HRA) for a zero cost as we are not able to include this cost in the calculation when using 1-4-1 funding. So any cost transferred would be a cost to the project and the HRA.

If the transfer was not at zero and we do not finance this by using reserves we would increase the HRA Capital Financing Requirement (CFR). The CFR is the total historic outstanding capital expenditure which has not yet been paid for from revenue or capital resources. If this expense is not financed and the CFR is increased this would have an impact on the amount of borrowing the HRA could achieve in the future. In 2012 the HRA took on borrowing to finance the purchase of the HRA stock of £260.325m and our approved Treasury Management Strategy 2018/2019 gives an Authorised Limit for borrowing of The HRA of £263,902 giving us headroom of £3,577. Although further bids have been made to the Government to increase borrowing limits.

The Telford scheme land was intended to be purchased by the HRA for new affordable homes, but the size and nature of the site would require private housing GF. So the land was purchased through the GF and a land transfer will be required when building starts to the HRA.

In Crawley's position the majority of the land at present we would transfer from the GF to the HRA is accounted for as investment properties and the disposal as zero would create a loss on disposal that would increase the cost of provision of service. So the GF would not want to transfer the properties at zero.

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'.

I am not sure that years should be the criteria for how long the land has been held by the local authority before it can be transferred at zero cost unless we are looking at land that the authority has held for many years with no obvious use. This land will not be costing the council any money except for maintenance.

Rather than the length of time the land has been held, it may be preferable to distinguish between vacant land and land in existing use.

Land that has been purchased needs to be considered differently as we may want to recover some of the costs before transferring.

Land is held in the Councils accounts at an existing use value e.g. what we are presently using it for and not as a development opportunity. Land has no cost other than maintenance and may bring in income.

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'.

Answer – N/A

At Crawley we do not have either a housing company or Arm's-Length Management Organisation so we would not transfer Right to Buy Receipts but we need to think about what impacts this may have in the future.

Some local authorities are setting up housing companies as a means of developing expertise and capacity to deliver new housing. These housing companies do not have to offer the right to buy opportunity to its tenants. In the Social Housing Green Paper it says that "local authorities should deliver new affordable housing through their HRA unless they have transferred their stock or the HRA cannot sustain new development. And in cases where housing company schemes need government consent, such as if the plans involve transferring homes from the HRA to the company, local authorities should explain how they plan to make homeownership offers to tenants of any new affordable homes leaving the uncertainty around housing companies.

An Arm's-Length Management Organisation is a not-for-profit company that provides housing services on behalf of a local authority. Normally the local authority retains ownership of the housing and tenants remain secure tenants of the local authority. Some ALMO's are considering construction of new housing which would be owned and managed by the ALMO.

We would want to consider how we want to deliver our housing and think about the future ownership of the homes.

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'.

Question - YES

There would be advantages to having have the short window to be able to return unspent 1-4-1 receipts without adding interest. The timings of payments is very much dependent on the contractor and delivery timetables by having this small window it gives us a good opportunity to liaise with our contractors, to ensure that timings can be overcome.

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'?

No comment