
REPORT TO:	HOUSING AND COMMUNITY SERVICES	AGENDA ITEM: 9
DATE OF MEETING:	4th OCTOBER 2018	CATEGORY: RECOMMENDED
REPORT FROM:	STRATEGIC DIRECTOR (SERVICE DELIVERY)	OPEN
MEMBERS' CONTACT POINT:	MARTIN GUEST (01283) 595940 martin.guest@south-derbys.gov.uk	DOC:
SUBJECT:	COUNCIL RESPONSE TO MINISTRY OF HOUSING, COMMUNITIES AND LOCAL GOVERNMENT CONSULTATION ON USE OF RIGHT TO BUY RECEIPTS	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: HCS14

1.0 Recommendations

1.1 The Committee is recommended to endorse these comments as the Council's response to the Ministry for Housing, Communities and Local Government (MHCLG) consultation on the use of Right to Buy (RTB) receipts to meet its extended deadline date of the 12 October 2018.

2.0 Purpose of Report

2.1 To provide the Committee with information about the consultation and set out the Council's proposed response to the consultation on the use of RTB receipts.

3.0 Detail

3.1 This consultation seeks views on options for reforming the rules governing the use of RTB receipts from the sale of council housing, and whether the Government should reform its 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. A copy of the full consultation is available:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/733469/Right_to_Buy_consultation.pdf

Scope of this consultation:

3.2 This consultation seeks views on the options and invites consultees to comment as well as respond to specific questions. These proposals relate to England only. The purpose of the consultation is to seek views on options to reform the rules governing the use of RTB receipts. Any policy changes brought forward as a result of the consultation would be subject to appropriate assessment.

Consultation

- 3.3 This consultation is open to everyone. It is primarily aimed at stock-holding English local housing authorities including South Derbyshire District Council (SDDC). This consultation will last for eight weeks and will close on 9 October 2018; following clarification from the Government the Council has until 12 October to submit its response. Consultation responses are submitted by online survey:

<https://www.surveymonkey.co.uk/r/RTBconsultation>

Background

- 3.4 The Social Housing Green Paper, “A new deal for social housing”, published on 14 August 2018 sets out the Government’s vision for social housing following wide ranging and extensive engagement with social housing residents and landlords. This includes changing the rules around how local authorities can use the money raised from RTB sales in order to make it easier for them to build more homes.
- 3.5 This consultation paper provides the opportunity to comment on these ideas, which are set out in more detail in paragraph 3.6 below. It also sets out options for reforming the commitment that every additional home sold (as a result of the increase in discounts introduced in 2012) is replaced on a one-for-one basis nationally.

Questions and Suggested Response

- 3.6 The paper poses a number of specific questions. Officers from the Council’s Housing and Finance Teams have reviewed the technical questions and have provided a response based on the Council’s current position and future policy direction, see 3.6.1 to 3.6.10.

- 3.6.1 Question 1: We would welcome your views on extending the time limit for spending RTB receipts from three years to five years for existing receipts but keeping the three-year deadline for future receipts.

Council Response – This proposal will be welcomed by many local authorities (LAs) who are having / have had to pay the receipts and interest back to the Treasury. However, it could delay the pace at which affordable homes are delivered as the prospect of returning the funding ensures that each LA puts plans in place to avoid paying back the funds. Receipts are currently fully utilised within South Derbyshire and any relaxation in this policy could have the negative impact of delaying or reducing overall numbers.

- 3.6.2 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.

Council Response – Increasing the cap to 50% of build / acquisition costs would definitely enable more affordable homes to be delivered. It would also reduce the current problems associated with LA’s overpaying for acquired units because they have the payback plus 4% interest due imminently to the Treasury. Flexibility should also be considered around the value of receipt that can be used to buy back former Council houses. The maximum one-for-one that can be utilised currently stands at 6.5% of the valuation. Any upward movement would be a bonus if the Council was to

consider purchasing former dwellings as part of the Housing Revenue Account (HRA) Business Plan.

3.6.3 Question 3: We would welcome your views on restricting the use of RTB receipts on the acquisition of property and whether this should be implemented through a price cap per unit based on average build costs.

Council Response – This would not be supported by the Council as if the receipts could only be utilised for new build, the amount paid back to the Treasury would increase significantly and restrict many LAs who do not have the option to build. This would be detrimental, not only to the Council but to other LAs. The RTB scheme needs to be more flexible not more rigid to ensure LAs have the funds to meet the target to increase affordable housing numbers.

3.6.4 Question 4: We would welcome your views on allowing local authorities to use RTB receipts for shared ownership units as well as units for affordable and social rent.

Council Response – In South Derbyshire, this would not be considered as the need is for affordable housing that stays affordable in perpetuity (rented), however this would be welcomed in other LAs where site viability may be an issue.

3.6.5 Question 5A: We would welcome your views on allowing the transfer of land from a local authority's General Fund to its HRA at zero cost.

Council Response – This would be a positive change that would be welcomed by all LAs and will enable nil cost land transfers into the HRA to increase the number of sites for affordable use. Gifted land from the general fund would make it easier for this Council to build more affordable homes. However, from a tax payer point of view it would be unfair to sacrifice land that could potentially be sold as a General Fund capital receipt as this reduces the potential for community capital projects. Any transfer of land or buildings would need careful consideration at a local level by the LA.

3.6.6 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.

Council Response – Land should have been held by the LA for three years and only where the land is specifically required and ready for affordable housing development (i.e. not brownfield sites with existing derelict building or the HRA would be subsidising demolition and clearance costs). Any transfer of land or buildings would need careful consideration at a local level by the LA.

3.6.7 Question 6: We would welcome your views on whether there are any circumstances where housing companies or Arm's-Length Management Organisations (ALMOs) should be allowed to use RTB receipts.

Council Response – No, on balance the constraints outweigh the benefits; ALMOs were created to enable financial freedom from the LA and should not be propped up from future sales of houses whose tenants have the preserved RTB from when the property was council owned.

3.6.8 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.

Council Response – This would be welcomed by LAs who do not have the capacity or financial ability to undertake a build / acquisition programme. The Council has a planned programme in place to use its capital receipts.

3.6.9 Question 8: Do you have any other comments to make on the use of RTB receipts and ways to make it easier for local authorities to deliver replacement housing?

Council Response - Proposals in Question 2 will definitely make it easier to acquire and build without having to find the 70% top up cost per dwelling. This percentage could be increased further to make it easier for LAs to deliver without substantial additional borrowing. If more of the receipt could be used this would potentially reduce the borrowing need undertaken by authorities. Further flexibility regarding the percentage would be preferable.

3.6.10 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 RTB? 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.

Council Response – The Council agrees that the increase and reduction in number of affordable homes (irrespective of how they are funded) should be measured rather than focusing on one-for-one replacement. This would enable a holistic overview of each LA area in terms of whether affordable housing is increasing to meet the needs of the population (and meeting targets) or decreasing overall and would enable a more accurate reflection of affordable provision by LA area.

4.0 Financial Implications

4.1 There are no specific financial implications for the Council relating to the consultation, financial implications for the proposals are set out in the detail of the report.

5.0 Corporate Implications

5.1 There are two strategic aims contained within the Council's Corporate Plan that provide a background to this consultation.

- Place, PL1 to facilitate and deliver a range of integrated and sustainable housing and community infrastructure
- Outcomes, O1 is to maintain financial health

5.2 There are no legal implications associated with responding to this consultation.

6.0 Community Implications

6.1 None