

Right to Buy and one-for-one replacement: draft agreement consultation

NFA response

18 April 2012

Introduction

The National Federation of ALMOs (NFA) represents 55 ALMOs, which manage over 807,000 council homes across 54 local authorities.

The NFA welcomes the opportunity to respond to this informal consultation on how a local model for re-providing affordable homes lost through the Right to Buy will work. The NFA fully supports the government's aim to allow local authorities to deliver the replacement homes by retaining the receipts to spend in their areas and believes this necessary to ensure that the HRA self-financed business plans remain viable in the long term, but believes certain changes are required to the proposals in order to make this a reality.

Local with Agreement Delivery Model

The NFA is concerned that the draft local agreement is overly prescriptive and contains a number of barriers to local authorities and their ALMOs wishing to take up this option. The NFA is primarily concerned with the following issues:

- The development timescale
- The interest rate to be charged on receipts if unused by the local authority
- The treatment of local authority land in the calculations
- The exemption of any new build role for ALMOs in this re-provision.

The development timescale

The NFA believes that the current proposal to allow local authorities two years to spend the money on new affordable homes or return the receipts to the HCA or GLA is too short a time period for some development plans to be implemented. It is also inconsistent with time periods given recently to both housing associations and local authorities for HCA grants. The NFA would like to see a three year period be given to allow authorities to develop and implement local plans. This would also help give local authorities time to gauge the local level of Right to Buy sales and therefore receipts under the new arrangements and make plans accordingly.

The interest rate to be charged on receipts if unused by the local authority

The NFA believes that the proposed interest rate for unused receipts is too high at 4% over the base rate. We believe, once councils have entered into agreements with the Secretary of State, they will be genuinely trying to get developments off the ground, but will fear being financially disadvantaged by this agreement should those plans fail or be delayed through no fault of their own. Acknowledging the desire of

central government to have some financial disincentive for councils not just to sit on the receipts, the NFA would recommend setting rates at a more reasonable 1% over the base rate.

The treatment of local authority land in the calculations

The agreement states that land held by the council cannot be counted as a value in the scheme. Land has a market value, but if councils cannot include it in their costs, it will result in councils needing to find additional funds from elsewhere, which may or may not be available. This appears to disincentivise councils from making the best use of their land assets to provide replacement housing and deliver value for money. The policy should instead be incentivising councils to use land in the most cost-efficient way by allowing it to be included as a value in the scheme.

The exemption of any new build role for ALMOs in this re-provision

Part 5 of the agreement currently prevents a council giving receipts to an organisation “in which the Authority holds a controlling interest”. This effectively prevents councils re-providing through their ALMOs. In some areas this could reduce investment locally and restrict councils’ choice in re-provision. The NFA urges the government to take this condition out of the agreement, so that there is the maximum opportunity for receipts to be used locally through the most appropriate mechanism to build replacement homes.

Other issues

In addition to the points raised above, the NFA would also like to see confirmation in the agreement that any replacement properties will be excluded from the limit rent and that any new social homes provided through this agreement will be excluded from the pooling arrangements, as set out in the ‘Reinvigorated Right to Buy’ policy. This needs to be set out in the agreement at the start to prevent unnecessary delay in having to apply to the Secretary of State for each new build development.

The NFA would also urge government to consider increasing the cost floor arrangements for flats, so that any new flatted developments would still be financially feasible for councils to build. In many areas flats will be the most suitable new dwellings to re-provide, but the combination of the high level of discount available for flats and the current timescales for the cost floor arrangements mean that the financial risk will be too great for local authorities to take and re-provide local homes.

We would also like to see the monitoring arrangements change from the proposed quarterly arrangements to a yearly one. This would help make the system less bureaucratic and onerous for local authorities and their ALMOs. Payments of any estimated unused receipts could still be made on a quarterly basis to central government in line with existing arrangements for RTB receipts and then adjusted for the actual receipts at the end of the year.

For further information please contact Chloe Fletcher, NFA Policy Manager, at chloe.fletcher@hqnetwork.co.uk or on 07515 050207.