

COUNCILS CALL FOR NEXT GOVERNMENT TO ADOPT A MORE FLEXIBLE APPROACH TO RIGHT TO BUY

The next government should adopt a more flexible approach to the Right to Buy (RTB) scheme say councils, as a new survey shows most authorities only expect to be able to replace half or fewer of the homes they sell under it.

The survey was carried out by the Local Government Association, Chartered Institute of Housing (CIH), and the National Federation of ALMOs (NFA).

Government figures show that about 11,260 homes were sold under the scheme between 2013 and 2014, almost double the 2012 to 2013 figure of 5,944. However, 73 per cent of councils responding to the survey feel that the current system only allows them to replace half or fewer of homes they have sold. Twelve per cent said they will not be able to replace any at all.

This hinders councils' efforts to find homes for those residents currently on their waiting lists. With almost 1.4 million households currently waiting for a home, the report argues that it is imperative that councils have the powers to replace housing sold through RTB quickly and effectively. This will allow other families in their areas to access affordable homes and keep down future housing benefit bills.

The LGA, CIH and NFA are calling on the future government to:

- Give councils more flexibility to combine the receipts with other grants, funding and land to deliver replacement homes. Currently councils can use receipts to fund only 30 per cent of the cost of the new home and face restrictions on using land and other funding for the other 70 per cent. Councils should also be allowed to share their receipts with ALMOs (Arm's-length Management Organisations), if they wish to.
- Let councils retain 100 per cent of receipts from sales to reinvest locally. This would mean the Treasury forgoing the share it currently receives. There were £751 million of receipts generated by RTB sales between 2013 and 2014 and the research estimates that only about 40 per cent of that (£305 million) will be available to councils for reinvestment.
- Allow councils to vary the RTB discount locally in some specific circumstances to set it at a level that still offers an attractive discount to tenants and provides receipts needed to contribute to replacing the homes sold.

Cllr David Sparks, LGA Chair, said: "There are millions of people on council waiting lists and local authorities want to get on with the job of building new homes that people in their areas desperately need. That is why it is so important that councils have the power and funding to replace any homes sold under the Right to Buy quickly.

"The common sense answer to this housing crisis is for the Government to allow councils to retain 100 per cent of the receipts from Right to Buy directly and give councils greater flexibility over the level of discount and how they use them to replace the homes sold."

CIH Interim Chief Executive Gavin Smart said: “Councils could be replacing many more homes if complex funding arrangements on the current Right to Buy scheme were changed. By taking action now government can ensure that more social and affordable housing won’t be lost, which is vital for people on low incomes.

“Since its inception, Right to Buy has helped millions of people become homeowners but there are many more who remain in housing need. It is crucial that every home sold is replaced - a few simple reforms would give councils a real fighting chance of achieving this.”

Sue Roberts MBE, NFA Chair said: “Our report underlines the very real need to replace the homes sold under Right to Buy and ensure the money generated is channelled back into building more homes for local people. This country is currently in the throes of a housing crisis and councils need to be able to replenish all housing stock sold off under right to buy to ensure more people in need can benefit from affordable housing.

“Councils need to be able to replace lost social housing within their local communities so we are also asking the government to allow councils to be able to pass on Right to Buy receipts to their ALMOs, where they wish to, to allow them to get building and address the housing shortage that we are currently seeing across the UK.”

Notes to editors

Methodology

This research was carried out jointly by the Chartered Institute of Housing (CIH), the Local Government Association (LGA) and the National Federation of ALMOs (NFA). It focused specifically on council-owned homes sold during the year 2013/14 and was based on a combination of publically available government statistics and a survey of stock-owning local authorities.

Government statistics

Government statistics were used to establish the number of homes sold and the total value of those homes for each authority who participated in the research. These statistics are available via the [DCLG website](#).

Survey

During January 2015 a survey was sent to the director of housing or equivalent in every stock-owning local authority in England, a total of 167 organisations. It was used to collect:

- participants’ views about the practicalities of providing replacement homes in their area and about the barriers and obstacles which are making that challenging
- further statistical information to supplement that which was already publically available, specifically:
 - the number of homes which they had projected they would sell under the previous, lower set of discounts
 - the amount of the receipts from sales which they were able to retain locally to reinvest in new homes.

In total 78 authorities completed the survey, a response rate of 47 per cent. Although organisations from all parts of England took part, the response rate was particularly high in the

North East and North West of the country and below average in the East Midlands and West Midlands.

The report can be found here:

www.almos.org.uk

Right to Buy background

Under the current system, the amount of receipts kept by the Treasury is based on the predicted amount of Right to Buy sales in each authority. This means that only when the Treasury has received the predicted amount does money become available to be retained locally via a process set up and administered by the Homes and Communities Agency.

The Government has put in place an application process for local authorities to retain a share of Right to Buy receipts locally to invest in replacement stock. The current system requires councils to submit quarterly returns to Government setting out the amount that it will retain and the amount that it will pay to the Treasury. The process requires that capital receipts must constitute no more than 30 per cent of the total amount spent on replacement homes. In addition, councils are prohibited from counting the contribution of their own land as part of the development cost for the purpose of providing a site for social housing.

The agreements also prevent any expenditure 'wholly or partly' funded by HCA grant from being funded by Right to Buy receipts. The current arrangements allow a council to grant fund another body to build or acquire using Right to Buy receipts, however, they prevent Right to Buy receipts from being given over to an ALMO or other organisation that the council has control over.

Ends