

Use of receipts from Right to Buy sales – Ministry of Housing, Communities & Local Government

RSN regularly provides concise potential responses to key current consultations. These are not intended to be definitive or to reflect the views of RSN and may include potentially opposing responses to reflect different views designed to assist individual organisations in compiling their own response. We do however recognise the pressure members are under and we hope this service will assist.

The government wants to support local authorities to build more affordable homes. This consultation invites views on options to change the rules governing the money raised from Right to Buy sales to make it easier for councils to build more homes.

It also seeks views on whether the 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 should be retained, or reformed to focus on the wider supply of social and affordable housing.

It is published alongside the [social housing green paper](#)

This consultation closes on 9 October 2018.

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

Suggested responses are set out below

Timeframe for spending Right to Buy receipts

Q1: 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.

Response:

We fully support the proposed extension to 5 years. However, in rural communities this should apply to both existing and future receipts. The pre-development stage for individual developments is frequently much longer in rural communities due to a number of factors including design criteria and the level of community engagement required. This should be recognised by extending the period for spending Right to Buy receipts for all rural communities (generally defined as those with 3000 or lower population).

Cap on expenditure per replacement unit

Q2: 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.

Response:

The proposal to allow the cap on expenditure to be raised to 50% is welcomed. However, this should be applied to all rural communities (defined as those with 3000 population or less). The construction costs are greater in rural communities (due to the smaller nature of schemes and, often, more remote location) where economies of scale are more difficult to achieve. This should be reflected in allowing Right to Buy receipts to cover 50% of replacement costs and allowing top up grants from the Affordable Homes Programme for social rented developments across rural communities where 'affordable rent' is too often out of reach for low paid local residents.

Use of receipts for acquisition

Q3: 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.

Response:

If the use of receipts for the acquisition of existing properties is to be restricted, we would not support the use of regional averages for build costs. These costs vary dramatically within regions with costs in rural areas

frequently out-stripping those in more populated areas. Any threshold utilised must reflect local variations in costs.

Tenure of replacement home

Q4: 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.

Response:

The presumption should be for receipts from Right to Buy sales to be utilised to provide homes for social or affordable rent. If not, then the principle of replacing stock which is lost will not be upheld. However, where the local authority is content that no such demand exists, we would support the proposed flexibility to allow other forms of below market tenure.

Changing the way the cost of land is treated

Q5A: 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.

Q5B: 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.

Response:

We fully support the proposed greater flexibility for local authorities to transfer land at zero cost. We see no reason to restrict this flexibility to vacant land and the flexibility should certainly also apply to land with buildings. This will assist local authorities in achieving their affordable housing priorities.

Temporary suspension of interest payments

Q7: We would welcome your views on allowing a short period of time (three months) during which local authorities could return receipts without added interest.

Response:

Local authorities would certainly prefer to spend their receipts within their areas. However, where this does not prove possible, the flexibility to return the receipt without interest would be welcomed.

Other comments

Q8: 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?

Response:

Affordable housing is in short supply in many rural communities. Existing stock is diminishing and new stock is hard to develop for a range of reasons. Currently, just 8% of housing in rural areas (communities of 3000 population or less) is affordable. House prices continue to be out of reach for many local residents, especially those on low incomes.

We would strongly recommend the suspension of Right to Buy in rural communities of less than 3000 population in order to protect the existing affordable housing stock in these communities from further depletion

If Right to Buy is to continue, then this policy should be properly 'rural proofed.' Government should find a mechanism to ensure that homes are replaced in the same communities where units are lost through Right to Buy. Too often, homes that are replaced are far from these rural communities resulting in diminishing stock and increasing difficulties for people on lower incomes who need to work locally. This situation must change if rural communities are to be sustainable in the future.