

## Response of Gateshead Council to Government (MHCLG) Consultation “Use of receipts from Right-to-Buy sales”

### Policy Context

1. The Government has issued a consultation on the use of receipts from all Right-to-Buy sales. The focus is on addressing the missed target of securing the replacement of homes sold, on a one-to-one basis.

### Background

2. The consultation has been issued in parallel with the Social Housing Green Paper, and the Government’s announcement about the launch of a Voluntary Right-to-Buy pilot in the Midlands, giving 3,000 housing association residents the opportunity to buy their home at a discount.
3. Rather than looking at Right-to-Buy as a whole, the consultation covers very specific issues within this subject:
  - i. The timeframe for spending receipts
  - ii. Cap on the use of receipts – currently receipts can fund no more than 30% of a replacement home.
  - iii. Use of receipts for acquisition
  - iv. The use of receipts by Arm’s Length Management Organisations

### Gateshead response

4. There are 8 questions in the consultation paper; the response submitted on behalf of Gateshead is set out in the attached annex.
5. The consultation period ran for 8 weeks, until 9<sup>th</sup> Oct 2018. This necessitated a response to the consultation being submitted in advance of Cabinet, however, the Cabinet Member for Housing was consulted on the draft response.

### Implications of Recommended Option

6. **Resources:**
  - a) **Financial Implications** – The Strategic Director, Corporate Resources confirms that there are no specific financial implications directly arising from this consultation response.
  - b) **Human Resources Implications** – No human resources implications.
  - c) **Property Implications** – No property implications.
7. **Risk Management Implication** – No risks associated with the consultation.
8. **Equality and Diversity Implications** – No equality and diversity implications
9. **Crime and Disorder Implications** – No crime implications.

10. **Health Implications** – No health implications.

11. **Sustainability Implications** – No sustainability implications directly arise from this report

12. **Human Rights Implications** - No human rights implications.

13. **Area and Ward Implications** – The detail of this consultation would impact on all Ward Areas.

## Use of receipts from Right to Buy sales – Gateshead Response

### 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:

This would be supported, as it would allow for longer term planning.

*(Note - There remains uncertainty about how the extension to Right-to-Buy within the Registered Provider sector will be funded, and whether the Government may revisit the proposal to require Local Authorities to make a contribution through having to sell stock, or through Right-to-Buy receipts).*

### Question 2:

We would welcome your views on allowing flexibility around the 30% cap in the circumstances set out in the consultation paper, and whether there are any additional circumstances where flexibility should be considered

Answer:

The proposed flexibility is supported; however, it would be helpful if any arbitrary cap is increased to 50% or even removed completely to allow decisions to be made on local circumstances and to support the delivery of homes that meet local housing needs. This flexibility could be required to support the supply of social rented properties or targeted against specific types of tenure, such as Supported Housing.

The ability to bid for Affordable Homes Programme funding for any top-up would be supported, however, it would be more helpful if the amount of funding awarded was based on a business case, supporting a more sustainable national housing market, rather than fixing a potentially arbitrary limit linked % of build cost.

An LGA commissioned report in early 2018, identified the benefits of discounts and caps being applied locally. In the North, there was substantial evidence that a reduction in the discount had the potential to reduce the number of social houses being sold and simultaneously increase the amount of capital retained, which would help to maintain current levels of social housing and increase the supply of new units.

### 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:

Gateshead Council has a presumption in favour of delivery of new build first, however, strategic acquisitions can offer more cost-effective solution, help to meet specific housing needs, address specific estate priorities, and help bring back into use empty homes, particularly where this can be blended with other funding.

If a price cap is to be considered for acquisition, it should reflect local market conditions. This would include acquiring properties above the average build costs that offer greater value for money.

### 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:

The flexibility would be welcome, however, the additional administrative burden of Shared Ownership should be recognised.

*(Note - Sh Ow is an important element of our local housing offer, ensuring we can meet the range of housing needs within the Borough, including the retention of our working age, and economically active population, and build a sustainable housing market)*

### 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:

This would be supported only if this would remain at the discretion of each Local Authority.

**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.

Answer:

The flexibility would be welcome, but it should be at each Local Authority's discretion, and on an individual case basis, subject to the business case. Setting a limit could introduce an unnecessary, and arbitrary obstacle to sound and strategic planning.

The consultation describes land with derelict buildings in addition to vacant land but we would like to see this extended further. The transfer of any general fund land to the HRA could be justified if it's demonstrated to be advantageous as part of a wider regeneration scheme.

**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.

Only at the local authority's discretion where there is a justifiable business case in the interest of meeting local housing need.

**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.

Answer:

An extension would be welcome to avoid putting development at risk, where delays in development programmes are justifiable.

**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?

Answer:

To ensure Gateshead's wide-ranging housing needs can be met, the retention of good quality, affordable and sustainable social stock in the Borough is vital. Concerns about the disposal of social housing homes include:

- i. Net loss of affordable stock
- ii. The type and size and location of properties disposed of impacting on choice and ability to meet housing need.
- iii. Whether income from the disposal may be reinvested within the Borough.

Gateshead Council would continue to petition to keep 100% of Right-to-Buy capital receipts to be invested in Gateshead, and to allow flexible use, including on the remediation of sites, that could be bought forward for Social and Affordable rented housing.

Remove restrictions on the mix of funding types permitted to be used on individual schemes (RTB capital receipts, Homes England Grant, etc.)

Locally agreed, achievable targets (not necessarily one-for-one replacements) that consider the range & value of HRA stock sold compared to local housing needs.

The scope of the consultation was limited to use of receipts rather than the policy itself. Officers continue to lobby through our participation in the LGA for the Right to Buy to be more radically reformed. Through the LGA response to the consultation it has been argued that RTB receipts are council receipts and it should not be for the

Government to determine how they are used or to take away. It is our view that councils must be able to retain 100 per cent of receipts to invest in new and existing stock as is needed locally.