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Our ref: HS/AMH/MB

Your ref:

Right to Buy Consultation  
Affordable Housing Regulation and Investment Division  
Zone 1/B3  
Eland House  
Bressenden Place  
London  
SW1E 5DU

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Dear Sirs

**Response of Epping Forest District Council to the CLG Consultation Paper on "Reinvigorating the Right to Buy and one for one replacement"**

I am writing on behalf of my Council to provide you with the Council's comments on the Consultation Paper issued by the Department for Communities and Local Government on "Reinvigorating the Right to Buy and one for one replacement".

The Consultation Paper was considered in detail by the Council's Housing Scrutiny Panel on the 30 January 2012. Under the Council's Constitution, the Housing Scrutiny Panel is responsible for responding to consultation papers relating to housing functions.

Please note that the Council is not responding to each of the sixteen questions set out in the Consultation Paper. Instead, we are only responding on those issues within the Consultation Paper on which the Council has a specific view. In addition, where possible, information sought from your Department within the Consultation Paper has been provided.

The comments that the Council would like to make are as follows:

**Proposals for Caps, Discount Rates and Eligibility**

*(Question 1)*

We believe that the resultant effect of, and the level of interest from tenants to the Government's proposals will be quite different in different parts of the Country. The current maximum RTB discount in our Region is £34,000; therefore, the Government's proposals result in the maximum discount for our Region being increased by 47%. However, in London, where the current maximum RTB discount is only £16,000, the maximum RTB discount is increased by over 210%. Therefore, notwithstanding the fact that property prices are, generally, slightly higher in London than the Epping Forest District, it is likely that the take-up of the Consultation Proposals by tenants in London will be greater than in similarly high-priced areas such as Epping Forest.

The Consultation Paper asks for views on whether there is a case for changing the minimum and maximum discount rates applying to houses and flats, or the rate at which tenants qualify for increased percentage discounts. It is the Council's view that the current discount rates are very generous and should not be changed in order to further reinvigorate the Right to Buy.

The Council welcomes the Government's intention not to change the qualifying period for eligibility.

### **The Right to Acquire**

Paragraph 37 of the Consultation Paper points out that, as assured tenants, some housing association tenants benefit from the Right to Acquire. The Council would suggest that, in fact, many housing association tenants are eligible for the Right to Acquire, but do not necessarily exercise this right, due to the financial benefits being less than even the current Right to Buy Scheme.

The paragraph goes on to explain that the proposals for increasing the maximum discount under the Right to Buy do not apply to the Right to Acquire.

It is the Council's view that, since many housing applicants on council housing registers are now nominated to housing associations for accommodation, and not housed directly by their Council, it is now inequitable to have a different purchase scheme for housing association tenants and council tenants. It is the Council's view that the arrangements and discounts for sitting tenants to purchase either their Council property or their housing association property should be the same. It follows, therefore, that the Council believes that the proposals within the Consultation Paper should also apply to housing association tenants, and that the Right to Acquire should be re-aligned with the (proposed) Right to Buy Scheme.

### **Exclusions**

The Council welcomes the Government's intention, set out in Paragraph 40, not to change the rules on properties excluded from the Right to Buy.

### **Use of Right to Buy Receipts: Proposals on Allowances and Deductions**

*(Questions 5, 6, 7 and 12)*

The Council welcomes the Government's proposals to compensate local authorities for the loss of income to the Housing Revenue Account (through the HRA self financing arrangements) for each Council property sold above the total number of sales assumed by the Government within local authorities' HRA Self Financing Settlements.

We also welcome the fact that the Government has at last recognised that all local authorities incur costs in relation to the administration of **withdrawn** sales.

However, the Council strongly disagrees with the Government's proposal to assess the local authority transaction and administration costs for the Right to Buy based on a flat rate allowance, instead of the actual cost to the Council as at present.

It is also our view that Paragraph 7 of Annex B is either incorrect or unclear. This paragraph, as currently written, states that;

***“the flat rate allowances for transaction and administration costs on sales for withdrawn applications would be ... £1,070 per sale (outside London).”***

However, we believe that this figure relates to the proposed flat rate allowance for both actual sales and withdrawn applications. This is on the basis that the proposed flat rate allowance for actual sales alone (set-out in Paragraph 5 of Annex B) is only £850 outside of London.

If our understanding is correct, clearly, the wording within Paragraph 7 needs to be corrected. If our understanding is wrong, we feel that the proposals within Paragraphs 5 and 7 of Annex B need to be made clearer.

More importantly, from the Council’s point of view, the actual Right to Buy administration costs claimed from Right to Buy sales over the past three full years under the current arrangements have been as follows:

Year	Number of Sales	Total Admin Cost Claimed	Average Admin Cost per RTB
2010-11	9	£44,313	£4,923
2009-10	9	£35,505	£3,945
2008-09	7	£39,344	£5,620

You will see from the above table that the Council’s actual average administration costs per (successful) Right to Buy sale was £4,766 per sale. This actual cost to the Council was therefore around £3,700 more than the proposed flat rate allowance of £1,070 – despite the fact that the proposed allowance (we believe) includes an allowance for the cost of administering withdrawn applications, which of course the Council’s actual claims over the past three years cannot include.

Therefore, if the Government’s proposals to introduce a flat rate administration allowance go ahead, the Council will lose around £3,400 per sale compared to the current arrangements. Based on the Government’s assumption that our Council will sell 37 properties over the next four years under the existing Right to Buy Scheme, the Council will lose around £136,000 over the next four years, compared to the current arrangements.

The Council notes from Paragraph 47 that the Government believes that adopting a flat rate allowance at the 40<sup>th</sup> percentile of costs will provide a strong incentive to councils to achieve efficiency in their operations. However, the Council continuously strives to make efficiency savings within all of its areas of operation and we fundamentally disagree that savings of this magnitude can be made in a relatively small area of operation for the Council.

The Council would therefore strongly urge the Government to either retain the existing approach of allowing local authorities to reclaim the actual administration costs, or to increase the proposed flat rate allowance to a more realistic and equitable level.

In addition, and in any event, since the current RTB arrangements will effectively apply to assumed sales, the Council feels that it is only fair and appropriate that the flat rate administration allowance should only apply in relation to **additional** sales to those assumed.

#### *Nos. of Withdrawn RTB Applications*

The Consultation Paper states that the Government would welcome any information local authorities can provide on actual numbers and costs incurred in managing RTB applications which are subsequently withdrawn. The Council has kept a running total of:

- The number of RTB applications (and discretionary sale applications prior to 1980) received since 1977;
- The number of completed sales; and
- The number of applications that have been withdrawn.

Over this 35-year period, the Council has received 11,634 RTB applications, which have resulted in 6,169 actual sales and 5,465 applications withdrawn. Therefore, as can be seen, 45% of all Right to Buy applications received of this period have subsequently been withdrawn.

More recently, over the 12 month period January 2011 to December 2011, the Council has received 26 RTB applications and, within the same period, only 7 RTB sales have been completed. Therefore, although there is a time lag between applications received and sales completed, it is reasonable to deduce from this information that, currently, around 75% of RTB applications being received by the Council are subsequently being withdrawn.

This evidence therefore suggests that the proposed uplift of 25% referred to within Paragraph 7 of Annex B to cover withdrawn applications is insufficient. The Council would suggest that the uplift should be more in the region of 60% - 70%, if it is to properly reflect the relatively high number of withdrawn applications that occur.

### **Proposals for Delivering Right to Buy Replacement Homes for Affordable Rent**

*(Question 13)*

The Council currently has over 5,700 households on its Housing Register seeking affordable rented housing, provided either by the Council or one of our Housing Association Partners. The numbers registered on our Housing Register have been increasing continuously over the past five years. The increase in numbers is predominantly due to the difficulties that local residents are having in either purchasing their own property or meeting their housing need in other ways.

In view of the high number of households seeking and needing affordable housing in the Epping Forest District and other areas within our Region, the Council is strongly of the view that any Council homes lost within a district due to the proposed changes to the Right to Buy should be replaced by at least one new affordable home within that District.

The Council has recently agreed to embark on a new Council Housebuilding Programme for the provision of new rented housing, at affordable rents, on Council-owned land (predominantly difficult-to-let garage sites). However, our initial feasibility studies have identified that, even with charging affordable rents (as opposed to social rents), there will still be a funding gap between the amount of loan that can be supported from the rental income received from the new properties over a 30-year period (taking into account management and maintenance expenditure) and the construction costs – even with no land cost. Therefore, we have identified that we will still need some form of grant funding to enable the Council Housebuilding Programme to be viable.

Therefore, the additional capital receipts that are expected to arise from the increased RTB sales as a result of the Government's proposals could provide an invaluable source of funding for our Housebuilding Programme, if we are able to use them.

For these reasons, the Council is of the firm view that the "Local Delivery" model for the replacement programme is the most appropriate, and is the model that the Council supports.

The Consultation Paper sets out three variations of the Local Model. Understandably, because the "Base" Local Model (i.e. without any direction or agreement) provides local authorities with

maximum flexibility to manage its own affairs and, as recognised by the Consultation Paper, is generally consistent with replacement homes being built in areas of greater housing need, the Base Local Model is the Council's first preference.

However, we recognise that, due to the maximum flexibility offered under this Base Local Model, it is unlikely that all the available receipts would be used for replacement homes and that it would therefore be unlikely to deliver on the Government's commitment of one-for-one replacement at the national level.

Therefore, if the Government is of the view that the Base Local Model is inappropriate, it is the Council's view that the variation of the Local Model with Agreement should be the model adopted by the Government. This is because this variation of the Local Model provides three main benefits:

- (1) It enables the Government's commitment of one-for-one replacement at a national level to be achieved;
- (2) We consider it to be a fairer way of utilising the receipts arising from additional RTB sales, since the additional capital receipts will only be used within the local authority areas in which they have been generated; and
- (3) All of the capital receipts generated from additional RTB sales will be used to provide and replace affordable housing, and not used for other housing purposes.

For the avoidance of doubt, the Council does not support the National Model.

I hope that you find this response from my Council of assistance in formulating the Government's final regime.

Yours faithfully

**Alan Hall**  
**Director of Housing**