



Executive Director/Director Non-Key Executive Decision Report

Author/Lead Officer of Report: Sally
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Report to: Director of Housing and Neighbourhoods Service

Date of Decision: 8th October, 2018

Subject: Response to Use of receipts from Right to Buy sales consultation

Which Cabinet Member Portfolio does this relate to?
Neighbourhoods and Community Safety

Which Scrutiny and Policy Development Committee does this relate to?
Safer and Stronger Communities Scrutiny and Policy Development Committee

Has an Equality Impact Assessment (EIA) been undertaken? Yes No

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information? Yes No

Purpose of Report:

The Government are currently consulting on options for reforming the rules governing the use of Right to Buy receipts from the sale of council housing and whether there should be a reform of the commitment that every additional home sold is replaced on a one-for-one basis nationally. Appendix A of the report sets out the Council's proposed response.

Recommendations:

1. That the content of the responses provided in Appendix A are approved as Sheffield City Council's response to the "Use of receipts from Right to Buy sales" consultation.

Background Papers:

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

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: <i>Karen Jones</i>
	Legal: <i>Andrea Simpson</i>
	Equalities: <i>Louise Nunn</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	Lead Officer Name: <i>Sally Butterworth</i>
	Job Title: <i>Operations Manager</i>
Date: <i>8th October 2018</i>	

1. PROPOSAL

- 1.1 The Council is providing a response to the proposals in the Use of receipts from Right to Buy sales consultation. This document suggests providing additional flexibilities on the use of Right to Buy receipts which the Council welcomes. It also suggests a change in measurement of the one for one replacement of every additional home sold.
- 1.2 Detailed responses to each of the questions asked by government is contained in Appendix A.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 The response to the consultation supports a more flexible approach to the use of Right to Buy receipts in delivering affordable and social rented along with affordable home ownership. If this approach is supported by Government it could result in an increase in the speed and scale of delivering new affordable homes in Sheffield. This helps to support the Council's ambition of delivering Thriving neighbourhoods and communities.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 The Council is responding as a consultee and due to the short government timescale for consultation there has been limited opportunity to consult wider stakeholders. The opportunity to respond to the consultation directly was flagged recently with tenants at a city wide Sheffield event.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 There are no equalities implications arising from this consultation.

4.2 Financial and Commercial Implications

- 4.2.1 There are no financial implications arising from this consultation directly. Financial implications for Sheffield directly are contained within the responses to individual questions.

4.3 Legal Implications

- 4.3.1 There are no legal implications arising from this report or the proposed response

4.4 Other Implications

- 4.4.1 There are no additional implications arising from this consultation.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 None considered response to consultation.

6. REASONS FOR RECOMMENDATIONS

6.1 That the City Council has considered the proposals and would like its response to the consultation to be considered by Government.

Use of Receipts from Right to Buy Sales Consultation – Sheffield City Council Response

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.

We would welcome the extension from three years to five years for using existing receipts, however we feel for future receipts, keeping to the three deadline for spend is not realistic, especially if this is to be used for a new site and an extension to 5 years for all receipts would be our preference. In Sheffield we are presently looking at regeneration schemes which involve purchasing land, consulting with residents, remedial works, procurement and building works which makes the 3 year window difficult to achieve. Our recent spend on the 1-4-1 replacements has focused on acquisitions and new build products currently in the pipeline which has made spend more expedient.

2. 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.

We would welcome flexibility particularly around the current cap and welcome the increase of use of RTB receipts to 50% for the provision of social housing. We would also welcome increased flexibility to use other sources of grant funding alongside right to buy receipts. We feel that there are additional circumstances where increasing receipts to 50% is appropriate, this includes the provision of specialist accommodation such as that for older persons or vulnerable adults and children where enhancing the opportunity to increase provision will have wider service benefits. This could be reducing demand on adult social care and health budgets through the provision of more appropriate lifetime homes.

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.

It is our experience that acquisitions of existing stock can sometimes be better value than New Build and particularly for certain types of dwelling e.g. 4 bed properties, so we would still want the ability and flexibility to be able to acquire these. Our Strategic Housing Market Assessment informs our acquisition policy and allows us to make strategic acquisitions to help meet housing need.

If the Government feel it is necessary to introduce price caps then it is our view that any potential cap should be determined by the property size and location rather than a blanket regional price cap. It would be more appropriate to apply a sliding scale of caps linked to property size. We feel that a cap of 113k removes the flexibility to purchase properties off plan which could result in the provision of affordable housing in the

wrong location. The ability to purchase off plan (which would be categorised as acquisitions) benefits the developer and allows the Council to get affordable homes in the right places.

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.

We would welcome using Right to Buy receipts for shared ownership units as well as social and affordable rent. We would need to undertake further work to ensure it would deliver a balanced housing offer as part of our stock increase programme. Sheffield City Council is developing a shared ownership model and requires additional flexibility to get this right. Delivering a successful Shared Ownership programme is likely to depend upon local geographical area. Also, for those households who are current council tenants we feel it will be difficult for the scheme to compete with the Council's Right to Buy offer due to the generosity of the discounts offered.

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.

It is unlikely in the current economic climate that the General Fund would be in a financial position to gift land to the HRA, however a relaxing of restrictions with local flexibility and choice giving authorities freedoms on transfers should be welcomed.

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.

Relaxation to regulations is welcomed and this should come with local freedom and flexibility to respond to local needs without prescriptive time limits.

Yes, we think land with derelict buildings as well as vacant land should be included.

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.

One of our key priorities is to maximise the delivery of affordable housing within the City. The Council's HRA property numbers are declining due to increases in RTB and as such retained receipts are being reinvested within the Council's HRA stock. Where Councils are establishing their own housing companies the transfer of receipts for the provision of more affordable housing should be supported. Housing companies could be allowed to use RTB receipts for shared ownership units.

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.

Whilst any flexibility is welcomed, three months is a relatively short period of time. It is suggested that a twelve month period would be more appropriate. However, it is felt that a one-off amnesty would provide an additional unnecessary bureaucratic process, and linked to the response provided in Question 1, if the timescale were to be extended to 5 years for all future receipts this would remove the need for a specific window at this time.

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?

Our first comment here relates to the amount of capital receipt we receive for each sale. It can be argued that the RTB discounts have been too high since 2012 particularly for those with low qualifying years e.g. a tenant living in a flat gets 50% discount for just 3- 5 years tenancy. The discount far outweighs what the tenant will have paid in rent during that period.

Also the maximum discounts are too high (now at £80,900) prior to 2012 the maximum discount was £24,000. Although the maximum discount was in need of review in 2012, the eventual increase of over 300% appeared hugely excessive and this has been extremely prohibitive in delivering on the target of a one for one replacement. To emphasise the impact here, for Sheffield since 2012 the increase in maximum discount has meant that our gross capital receipts for the 1769 RTB sales completed has been reduced by more than £29.8 million.

To create more opportunities for investment, it is our view discounts are too generous, disproportional and should be reviewed.

In addition, up to 70% of stock in some of our neighbourhoods in Sheffield have been sold under the right to buy and in some localised areas the number exceeds this. Our local intelligence shows that around half of these RTB properties are then transferring into private rented properties which has led to a destabilising effect on some of our neighbourhoods and an increased cost both locally in management and nationally through benefit related funding of higher private sector rents. Whilst we support multi-tenure estates this does create legacy issues and the transformation of previous council estates into almost predominantly private sector accommodation and the loss of affordable housing. It is felt that whilst the government supports right to buy as a model to increase home ownership the introduction of an increased private rented sector with elevated rents is an unintended consequence. One way to help Local Authorities manage this is through extending their ability to refuse or restrict Right to Buy applications in geographically targeted areas.

9. Should the Government focus be on a wider measurement of the net increase in the supply of all social and affordable housing instead of the current measurement of additional homes sold and replaced under the Right to Buy? If the target were to change, we would welcome your views on what is the best alternative way to measure the effects of Government policies on the stock of affordable housing.

The main concern with using a wider measurement of the net increase in the supply of social and affordable housing is that the incomes needed to afford Starter Homes, discounted market sales housing and other 'affordable' homeownership products such as homes for shared ownership (which all fall within the National Planning Policy Framework's definition of affordable housing) are often significantly above the incomes needed for both affordable rent and social rented housing. For example, the approximate household income of a shared owner in our area is £29,000, which is roughly the median household income for Sheffield. It is therefore not a product for low income households. It is important that future measurements should continue to recognise changes in the supply of the different types of affordable housing (rented and owned), rather than, for example, using a cumulative figure of the additional number of homes that fall within the NPPF's definition of affordable housing.

Within Sheffield we already measure all affordable home provision in the city. Whilst the provision of affordable homes including affordable home ownership is supported, the prioritisation and measurement of social and affordable rented accommodation should not be lost or masked. Demand for social rented accommodation remains high in the city.

The position in Sheffield is that providing a one for one replacement is extremely difficult under the current rules due to overly generous discounts and low property values. Currently the sale to replacement ratio is approximately 4 – 1 based on the receipts received.