

Agenda item 10

DECENT AND AFFORDABLE HOMES PDG 20 MAY 2014

BRIEFING PAPER

SUBJECT: RIGHT TO BUY SALES AND ONE FOR ONE REPLACEMENT

Background

To inform members of the impact of the Governments increase in the cap of the Right to Buy discount from the 2 April 2012 and the subsequent usable receipts received from this for replacement housing.

Introduction

The Right to Buy scheme was introduced in 1980 which gave qualifying social tenants the right to buy their homes at a discount. The scheme is open to secure tenants of local authorities and non- charitable housing associations and those assured tenants of housing associations who have transferred with their homes from a local authority as part of a housing stock transfer. More than 1.78 million homes have been sold in England under the Right to Buy (RTB) up to March 2013.

For information the number of Right to Buy Sales for Mid Devon from 1980 up to March 2013 is 2726. In comparison East Devon District Council sold 2536 and Exeter City Council 2999.

In April 2012 the Government increased the caps on RTB discounts to enable more tenants to achieve their ambition of home ownership.

In 'Laying the foundation: A Housing Strategy for England', published on the 21 November 2011 the Government also set out its commitment to ensure that the receipts on every additional home sold under the RTB are used to fund a replacement.

In March 2012 Officers signed a 3 year agreement with the Government enabling Mid Devon District Council to retain receipts from RTB's for replacement housing.

This agreement limits the use of the net RTB receipts to 30% of the cost of the replacement homes i.e. only £300,000 could be used to offset the cost of a £1,000,000 project. Any receipts not used during the 3 year agreement would need to be repaid to the Government with an interest applied.

In addition, Local Authorities are also allowed to fund up to 50% of the cost of repurchasing former council houses, up to a maximum of 6.5% of any net receipts (i.e. receipts available to support one for one replacement).

Present Situation

The Table below shows the annual Right to Buy sales of the remaining stock holding District Councils in Devon based on statistical data from the live tables on Social Housing sales – www.gov.uk.

Year	2008/9	2009/10	2010/11	2011/12	2012/13*	2013/14
East Devon	2	4	3	4	15	Data not available
Exeter	5	2	9	5	23	Data not available
Mid Devon	3	9	7	4	8	24

*New discount cap came into effect

The number of sales in Mid Devon only slightly increased in the financial year immediately following the discount cap increase however we have seen a sharp increase during the year 2013/14.

This increase looks to continue as the number of RTB applicants who applied within 2013/14 and are still going through the sale process is 12 with a further 2 applications already having been received during April 2014. It is therefore expected that a similar number of RTB's as last year will be completed for the year 2014/15.

Financial Information on the One to One Replacement

Following the self –financing changes in March 2012 under the Housing Revenue Account Reform you will recall that the Housing Service looked to borrow up to our allowable £5 million 'head room.' This would enable the Council to build new affordable housing to replenish 'lost' stock and actively reduce the housing waiting list.

The first of these schemes, 22 homes at Wellpark, Crediton was completed during the 2013/14 financial year. Two other projects at Fir Close in Willand and St Andrews Street in Tiverton are due to commence this year.

The table below details the receipts following the useable receipts retained for providing new social housing to offset the cost of one for one replacement.

Retained from 2012/13	(£ 240,585)
Retained from 2013/14	(£ 845,633)
Total in replacement fund	(£ 1,086,218)
Funding applied for 2013/14	
Wellparks, Crediton	£ 820,407
St Andrews Street, Tiverton	£ 21,008
Fir Close ,Willand	£ 9,157
Balance	(£ 235,645)
Funding to be applied for 2014/15	
RTB buy back – Authers Heights (Up to 50% but no more than 6.5%)	£ 56,000
Balance available 2014/15	(£ 179,645)

*Balance of 6.5% included in the (£179K) = (£14,604)

The remaining balance together with the expected useable receipts during this financial year will be used to partially fund the Fir Close and St Andrews Street projects.

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