

1 Purpose

- 1.1 To consider and set out the implications of the proposed legislative changes that will extend the Right to Buy to those with the Right to Acquire.

2 Recommendations/for decision

- | | |
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| 2.1 | That the Committee: |
| 2.2 | Notes the content of the report. |

3 Executive summary

- 3.1 The Housing and Planning Bill proposes to extend the Right to Buy discount to all Housing Association tenants. This will be achieved through a voluntary agreement between the government and Housing Associations (represented by the National Housing Federation). It is anticipated that in the region of 114 units in Aylesbury Vale will be sold in 2016/17 under both Right to Buy and Right to Acquire, taking into consideration the extension of the Right to Buy discount. The government has identified 'one-for-one' replacement as a key element of this initiative, although it is not clear how effectively this will work in practice. The government may require one-for-one replacement, but in reality, the consequence of the high cost of land and the capacity of the house-building industry may be that this ambition is not possible. The government is also indicating that the Right to Buy extension will be funded via forcing local authorities to sell their high value council housing. It is also not clear at this time how this will operate in areas such as Aylesbury Vale where a Large-Scale Voluntary Transfer of council housing stock has taken place.

4 Supporting information

- 4.1 Since the Right to Buy (RtB) was introduced in the 1980s, nearly 2 million people have taken up the opportunity to purchase their home. The existing RtB legislation applies to tenants of Council-owned housing stock, or residents of ex-Council stock who moved to a Housing Association as part of a large-scale stock transfer. In Aylesbury Vale, this would only apply to tenants of the Vale of Aylesbury Housing Trust, who were tenants at the time of the transfer.
- 4.2 Eligibility for the RtB gives a tenant up to 70% discount on the Open Market Value (OMV) of their property. Exemptions to eligibility include tenants who are subject to bankruptcy proceedings or unfulfilled credit arrangements and those subject to anti-social behaviour orders. The eligible discount is capped at £77,900 outside of London, and a tenant must have held their secure/flexible tenancy for at least 3 years.
- 4.3 Another form of discounted purchase is available to residents of social housing via the Right to Acquire (RtA). The RtA exists for housing association tenants living in a property built or bought by a housing association after 31 March 1997 (when the legislation came into force). It equally applies for properties that were transferred from a local authority to a housing association post 31 March 1997. A tenant will hold the RtB if they held a tenancy during the stock transfer,

whereas if they signed up to a tenancy post 31 March 1997 and moved into a stock transfer property, they will hold the RtA.

- 4.4 There is a significant variance between the level of discount applicable for RtB and RtA. Under eligibility for the RtB, a tenant can receive up to £77,900 discount outside of London. However a tenant purchasing under RtA receives a flat rate of between £9,000 and £16,000 depending on the region the property is located.
- 4.5 The voluntary agreement between the Government and the National Housing Federation (NHF) are proposing to extend the RtB discount to **all** housing association tenants. The effect of this will be to give discounts of up to 70% to tenants who previously would have just received a flat rate of between £9,000 and £16,000 under RtA.
- 4.6 A pilot scheme has been introduced that is currently underway, using five Registered Providers in England. Some initial figures are available:

4.7 *Table 1: Figures for the RtB pilot (Source: Inside Housing)*

<u>Association</u>	<u>No. Expressions of Interest</u>	<u>No. Tenants Marketed to</u>	<u>% registering an interest</u>
Saffron	56	1,600	3.5
Riverside	820	20,000	4.1
Sovereign	313	6,800	4.6
Thames Valley	73	945	7.7
L&Q	1,600	19,000	8.4
Overall	2,862	48,345	5.7

- 4.8 In Aylesbury Vale, there are 11,613 tenants of Registered Providers/Housing Associations. Of these, 9,497 live in rented accommodation (i.e. tenants who could potentially have the RtB/RtA). This breakdown is detailed below.

4.9 *Table 2: Figures showing the Housing Stock breakdown in Aylesbury Vale (Source: LAHS Statistical Data Return 2014/15)*

Registered Provider	Stock (Total)	Stock (Rented)	5.7% of General Needs Stock
VAHT	7,376	6,695	_*
All other RPs	4,237	2,802	160
Total	11,613	9,497	_*

**N/A – many VAHT tenants have the preserved RtB so should be exempt from this comparison. Please see table below for the VAHT best estimate of impact.*

- 4.10 If the assumption is made that the rate of take up is the same as in the pilot exercise detailed in Table 1, this would suggest that 5.7% (or 160) Registered Provider tenants in Aylesbury Vale may be interested in taking up their entitlement to the Right to Buy discount.
- 4.11 An 'expression of interest' does not necessarily translate to a sale; tenants may be unable to secure a mortgage or have insufficient funds for a deposit for example. It is uncertain at this stage how many of these expressions of interest would result in a loss of stock, but some indication can be found in the figures provided by VAHT below:

4.12 Table 3: Figures showing VAHT RtB/RtA applications, completions and predictions 2012-2017 (Source: VAHT)

	Applications		Completions		
	RtB	RtA	RtB	RtA	
2012/13	89	10	19	1	
2013/14	97	8	47	4	
2014/15	94	11	40	1	
2015/16	81	10	22	1	
2016/17	80	12	24	1	Under Current rules
2016/17	80	139	24	35	Current best estimate under new Housing Bill (VAHT)

4.13 These figures indicate that VAHT are anticipating a rise in RtA applications once the discount is extended to the equivalent of that received under RtB. In 2016/17, they are anticipating 80 applications under RtB, which is unchanged from the expected figure under current rules. Under the new rules for RtA, in addition to the 80 applications under traditional RtB, they anticipate a further 139 applications.

4.14 This estimate is provided by VAHT and is based on 5.7% of their *assured* tenants expressing an interest in RtB/RtA (current figure stands at 2,442 tenancies).

4.15 VAHT have indicated that they are currently expecting a combined 25-35% completion rate, meaning they would experience a loss in the region of 55-77 units, purchased by VAHT tenants in 2016-17 when the Right to Buy changes are brought into effect. *This is a high level estimation based on the current information available, is dependent on several variables and subject to change.*

4.16 It is also interesting to note these a 'full-year' figures and if the extension of the Right to Buy was not brought in by April 2016, this figure would decrease proportionately.

4.17 The potential impact within the Vale can be seen summarised in the following table.

4.18 Table 4: Estimated stock losses to RtB/RtA sales in 2016/17 under Housing and Planning Bill

Registered Provider	E.o.I	Completions (30%)
VAHT	219	66
Other RPs	160	48
Total	379	114

4.19 The impact of the voluntary extension of the Right to Buy scheme will be heavily affected by the successful implementation of the governments commitment for 'one-for-one' replacement. There are several factors that may detract from this ability; namely the capacity

of the house-building industry, the availability of land, and the uncertainty on the point of income generated from local authority-owned home sales. It will be particularly interesting to note whether one-for-one replacement includes the tenure of the property; if not, the loss of social/affordable rented units could be offset by replacement by shared-ownership units or starter homes.

- 4.20 The proposal between the National Housing Federation and the government outlines plans to use sales receipts and the discount compensation from the government to drive replacement homes. Any grant funding has been received for sold units would be recycled through the 'Recycled Capital Grant Fund' or similar. A driver for one-for-one replacement would also be the staggered payment of compensation from the government; 70% of would be paid at the completion of the sale, and 30% would be paid where there was evidence of a start on site/site acquisition.
- 4.21 It is currently understood that the government will recompense Registered Providers for the discount element of the sale. The impact of this on the long-term business plans of Registered Providers is uncertain at this time and will be heavily dependent on the uptake of tenants. It is possible that higher numbers of sales are experienced than predicted in this report, as households/families may stretch themselves financially to benefit from the extensive discounting of social housing.
- 4.22 The government has indicated that the extension of the RtB will be funded by requiring local authorities to 'sell off' their most valuable housing assets. It is not clear how this will function in areas where local authorities have transferred their stock to a Housing Association in a 'Large-Scale Voluntary Transfer' (LSVT) as is the case in Aylesbury Vale. It has been suggested (but not confirmed) that the enforced sale of high-value council housing could be on a sub-regional basis, which would allow the government to spread the revenue generated across areas where an LSVT has taken place.
- 4.23 The proposed extension outlines that the government has believes there is merit in Housing Associations/Registered Providers having 'greater control over their assets'. This is outlined in three distinct ways; disposal consent, asset management and allocations policies. Of these, of most concern is the 'greater control' that may be exerted over the allocations of affordable housing and the possible impact on AVDC's ability to operate our housing register efficiently.

5 Resource implications

- 5.1 There may be an increase in demand of RPs wanting to access the Capital Funding Programme for affordable housing development; however this programme is designed to provide affordable housing. There are no expected resource implications on other Council budgets.

Where the preserved RtB exists, AVDC receives a portion of this sale. It is currently understood that the proposed extension of the RtA will have no impact on these receipts.

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Background Documents	None

