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Right to Buy Consultation Response
Ministry of Housing, Communities and Local Government
2 Marsham Street,
London SW1P 4DF
Sent via email to RTBconsultation@communities.gsi.gov.uk

8 October 2018

Dear MHCLG colleagues

**South East England Councils response to
Use of receipts from Right to Buy (RtB) sales consultation**

1. We respond on behalf of South East England Councils (SEEC). SEEC is the cross-tier voice of local authorities in the South East, representing 9.2 million residents. We are a voluntary membership body, bringing together county, unitary and district councils to promote the views and interests of all tiers of local government across the South East, an area comprising 74 local authorities.
2. The Government's renewed interest in social housing, as indicated through this consultation and current social housing green paper, is welcome. This reflects SEEC views on the importance of mixed tenures in the high-cost South East where buying is out of reach for many residents. We have seen the recent HRA announcement and welcome the flexibility (subject to detail). We now urge Government to take a similar approach to Right to Buy (RtB) and allow councils greater flexibility to deliver affordable homes that are much needed in the South East.
3. South East councils recognise the need for housing and have demonstrated their commitment, enabling a total of over 99,700 homes in the 3 years to March 2017 – the UK's highest delivery rate. However, although there has been a welcome increase in affordable homes built in the South East over recent years, up to 5,420 in the year to March 2017, affordability remains a key issue in the South East with average prices around 12 times average earnings. Renting is still an important option for many and SEEC members are keen to ensure that there is an appropriate mix of affordable housing to both buy and rent.
4. As the Government itself recognises in the consultation, the current restrictions around the use of RtB receipts are already a barrier to delivery, and this is set to worsen. Recent LGA research shows that nationally two thirds of councils will not be able to fund replacement of homes sold off under RtB on a one-for-one basis in five years' time unless a significant restructuring of the scheme takes place.
5. Your consultation sets out proposals to change the rules around how local authorities can use the money retained from RtB sales, with the aim of making it easier for them to build more homes. SEEC has previously made the case for even greater freedoms to help councils sustain stocks of affordable homes and ensure councils' RtB receipts are adequate to deliver 1-for-1 replacements. Whilst Government proposals for some RtB flexibilities are a move in the right direction, **further freedoms and flexibilities are needed to help councils deliver the homes needed and adapt to local circumstances. SEEC's response, below, focuses on key issues in questions 1, 2, 3, 6. Individual member councils may also respond reflecting their local experience and views.**

Response to consultation question 1: Time limits on spending RtB receipts

6. Local authorities must currently spend their RtB receipts within 3 years, or return them to MHCLG with interest of 4% above base rate.

7. Although SEEC welcomes the Government's proposal to allow local authorities to hold existing receipts for 5 years instead of 3, it does not go far enough. To enable longer-term housing delivery plans to be implemented, SEEC calls for Government to also allow a more flexible 5-year, rather than current 3-year, time limit for spending all RtB receipts ie. not only existing RtB receipts but also future ones.

Response to consultation question 2: Flexibility around the 30% cap

8. RtB receipts can currently fund no more than 30% of the cost of a replacement home and local authorities have to find additional funding for the remaining 70%. However, as Government acknowledges, this can provide a significant stumbling block eg. if an authority is in a high-demand area but up against its borrowing cap and therefore unable to borrow, or in a low-demand area where they are able to borrow but rents are too low to finance the required level of borrowing. It can also be problematic for authorities wanting to build homes for social rather than affordable rent, as these require a greater subsidy than 30%.
9. SEEC welcomes the direction of travel of proposals giving councils a new ability to combine RtB receipts and affordable housing grant to help deliver a package of homes, and some limited situations where an increased 50% RtB funding can be used for replacements. However greater flexibility is needed. SEEC calls for restrictions on the proportion of replacement costs that can be RtB funded to be lifted entirely. This will give councils the opportunity to avoid unnecessary borrowing where that is financially possible.
10. SEEC also reiterates its long-standing call for changes to allow councils to keep 100% of receipts to help them replace RtB sales with an equivalent number of properties. Government should also allow councils to set RtB discounts - some SEEC members argue they kick in too soon and that the discounts are too high to fund replacement homes.

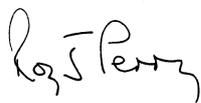
Response to consultation question 3: Flexibility on spending receipts

11. Local authorities can use RtB receipts for the acquisition of existing properties as well as for new build, and acquisitions currently account for around 40% of replacements. In some areas acquisition may be cheaper than new build and offer better value for money or better reflect local needs, and acquisition can also be effective in bringing empty properties back into use.
12. SEEC's calls for councils to be allowed full freedom to use RtB receipts to replace stock as appropriate locally eg. not only building new homes but also for conversions or purchases. SEEC does not support the Government's proposal to restrict use of RtB receipts for acquisition of property, as this would artificially constrain local flexibility to meet needs appropriately.

Response to consultation question 6: Using RtB receipts with housing companies/ALMOs

13. Local authorities are not currently allowed to transfer RtB receipts to a housing company or to an Arm's-Length Management Organisation.
14. SEEC welcomes Government recognition that there are situations where delivering affordable housing through housing companies might be appropriate. SEEC therefore supports proposals for councils to have the option to transfer RtB receipts into a housing company or Arms-Length Management Organisation, as it will allow different models of delivery that are needed appropriate.

Yours sincerely



Cllr Roy Perry
Chairman,
South East England Councils



Cllr Ralph Bagge
Deputy Chairman,
South East England Councils