

Report to the Board

16 January 2014



Title: Right to Buy Update

Report of: Director of Customers and Communities

Purpose of Report

1. To provide the Board with an update on the Government's announcement made on 3 January 2014 to further reinvigorate the Right to Buy during 2014.

Background

2. Board received an update in January 2013 regarding the Right to Buy and received details of a Government publicity campaign which took place in February 2013 that was designed to ensure that tenants are aware of their rights and that the Right to Buy offer was both accessible and easy to understand.
3. The Government confirmed that the 2013 Right to Buy publicity was developed in close co-operation with the Financial Services Authority and Council of Mortgage Lenders, to ensure that the emphasis is on responsible and affordable home ownership.
4. In early February 2013 a Right to Buy leaflet was delivered direct to households in Gateshead where there are high concentrations of social housing.
5. At the same time the Government established a dedicated Right to Buy website and a Right to Buy telephone helpline with call handlers briefed to answer basic queries about the scheme discuss eligibility rules and answer other commonly asked questions, as well as correcting any misinformation or myths. Once callers have been through the basics, those eligible and interested, are provided with further information, or are signposted to the next stages for example, to make contact with their landlord.
6. As part of the reinvigorated Right to Buy, in April 2012 the maximum discount was increased to £75,000. For London it was increased (in March 2013) to £100,000.
7. To be eligible for the Right to Buy you must have been a tenant for 5 years or more.

January 2014 Announcement

8. The Right to Buy discounts will be increased again during 2014.
9. The maximum discount for a house will increase from 60% to 70% of its value and the £75,000 cap on discount will start increasing in line with the consumer price index rate of inflation.
10. The announcement will see the maximum Right to Buy percentage discount for eligible social tenants in houses increase to 70%. This brings the discount for houses in line with the maximum discount available for eligible tenants living in flats
11. In addition the Government have identified a £100 million fund to improve access to mortgage finance and new Right to Buy agents will be established to guide people through the buying process.
12. Details of the announcement are contained within a Government press release issued on 3 January 2014 attached at Appendix 1.

Current position

13. The table below provides details of RTB applications and sales compared for the current year compared to previous years:

	2010/11	2011/12	2012/2013	2013/2014 (up to 27/12/13)
RTB Forms Requested	148	165	345	234
RTB Applications Received	63	71	261	193
RTB Completions	19	22	51	110

14. Appendix 2 provides details on the properties sold in 2013/14 by property type, by area office location. In addition the appendix provides details of the average valuation and sale price by property type in 2013/14.

Link to values

15. This report is aligned to the following company values:
 - Being a listening and learning organisation
 - Being honest, accountable and transparent
 - Being customer focused, innovative and professional

Impact on customers

16. Tenants who are eligible will benefit from the enhanced right to Buy discounts announced.
17. The housing register in Gateshead currently has 12095 applications.

Risk Management Implications

18. The risks and implications attached to any increase in sales will be identified within the HRA business plan which is currently in development.
19. In the event that the announcement results in an increase in the sale of flats we will need to keep under review the resources attached to leasehold management.
20. Prior to the January announcement which brings the discount for houses in line with those of flats Appendix 2 outlines that the properties most at risk of being sold are houses.
21. A briefing paper has been produced for employees providing details on the January announcement.

Financial Implications

22. For every completed sale the Council will continue to receive an allowance of £1,300 towards the costs of administering the Right to Buy process.
23. In the event that the January announcement results in additional sales above those forecast within self financing plans the Council have agreed with the government that they have the option of retaining those capital receipts for replacement homes for affordable rent.
24. The agreement states that a maximum of 30% of the costs of any new property can be met from the additional retained Right to Buy receipt, with the other 70% made up from borrowing or the landlord's own resources. However, the opportunity to supplement the Right to Buy receipts with borrowing is limited due to the fact that the Council is currently at the debt cap for the Housing Revenue Account (HRA).
25. Increased Right to Buy sales will have an impact on the HRA business plan and level of resources as a result of reductions to the Council's housing stock. Scenarios will be undertaken within the financial model to understand the potential resource implications for the HRA should the announcement result in significant changes to the number of Right to Buy disposals to ensure that the HRA continues to operate within the available resources.

Equality and Diversity Implications

26. There are no equality and diversity implications directly associated with this report.

Value for Money Implications

27. There are no values for money implications directly associated with this report.

Health Implications

28. There are no health implications directly associated with this report.

Environmental Implications

29. There are no environmental implications directly associated with this report.

Consultation carried out

30. The report outlines the Government's consultation and publicity on the Right to Buy scheme.

Recommendation

31. The Board is asked to note the contents of the report and receive future updates on the impact of Right to Buy.

Make Right to Buy your New Year's resolution

Discounts for tenants to be increased again in 2014.



The government will take further steps to reinvigorate the [Right to Buy](#) in 2014 so more hard-working tenants can aspire to buy their home, Communities Secretary Eric Pickles announced today (3 January 2014).

The maximum discount for a house will increase from 60% to 70% of its value, and the £75,000 cap will start increasing in line with the consumer price index rate of inflation. A £100 million fund will improve access to mortgage finance, and new Right to Buy agents will guide people through the buying process.

Revenue from additional sales will be ploughed back into delivering new affordable homes for rent, which will help drive up the rate of housebuilding across the country.

Mr Pickles said the changes showed the government's rock solid support for aspiration, and would ensure Right to Buy becomes a realistic New Year's resolution for thousands of social tenants across the country.

The Right to Buy gives something back to families who worked hard, paid their rent and played by the rules. It allows them to do up their home, change their front door, improve their garden - without getting permission from the council.

It gives people a sense of pride and ownership not just in their home, but in their street and neighbourhood, helping to build strong families and stable mixed communities.

Since 2011 the government has helped almost 50,000 households onto the housing ladder - over 13,400 social tenants through the Right to Buy and over 36,000 through [Help to Buy](#) and earlier schemes.

Mr Pickles said it was clear evidence that wherever people are in the housing market, there is help on hand for hard-working, aspiring homeowners.

Communities Secretary Eric Pickles said:

For years the Right to Buy was slowly strangled, with a miserly cap on discounts killing the prospect of home ownership for most social tenants.

We don't think governments should be in the business of vetoing aspiration. That's why we reinvigorated the Right to Buy. It's all part of our long-term economic plan to make Britain a country on the rise, where hard working people can be rewarded with the security and peace of mind that comes from owning their own home.

Eighteen months later and with over 13,400 hard-working tenants taking up the offer, it's clear the public shares our view. But we want to go further, that's why we will soon be increasing the maximum percentage discount for houses, and ensuring that the cash cap rises with inflation, so more social tenants can make Right to Buy their New Year's resolution for 2014.

We'll also continue to plough the cash from additional sales back into delivering new affordable homes for rent, which will help drive up the rate of housebuilding across the country.

Today's move will extend the government's commitment to help hard-working tenants and build more homes, which the Chancellor set out in the [Autumn Statement](#). This included:

- introducing a Right to Move for social tenants who need to relocate for a new job or training
- establishing new Right to Buy agents who will guide people through the buying process, and providing £100 million to establish a fund to improve access to mortgage finance
- a £1 billion 6-year investment programme to unlock new large housing sites that will deliver around 250,000 homes
- allowing councils to bid for up to £300 million of additional borrowing against their housing revenue accounts to provide new affordable housing for their local community

Further information

Today's announcement will increase the maximum Right to Buy percentage discount for eligible social tenants in houses to 70% - in line with the maximum discount for flats. The minimum percentage discount and the rate of increase year on year remain the same.

The maximum cash cap was increased in April 2012 to £75,000 as part of the reinvigoration of the Right to Buy. For London, it was increased in March 2013 to £100,000. These maximum cash caps will be increased annually in line with the consumer price index rate of inflation.

The government has already delivered over 170,000 affordable homes over the past 3 and a half years, with around £23 billion public and private investment planned between 2015 and 2018.

Media enquiries

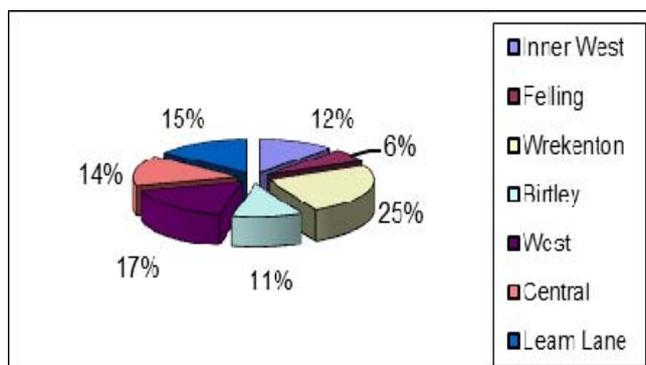
Email press.office@communities.gsi.gov.uk

3 January 2014

Sales in 2013/14 to date

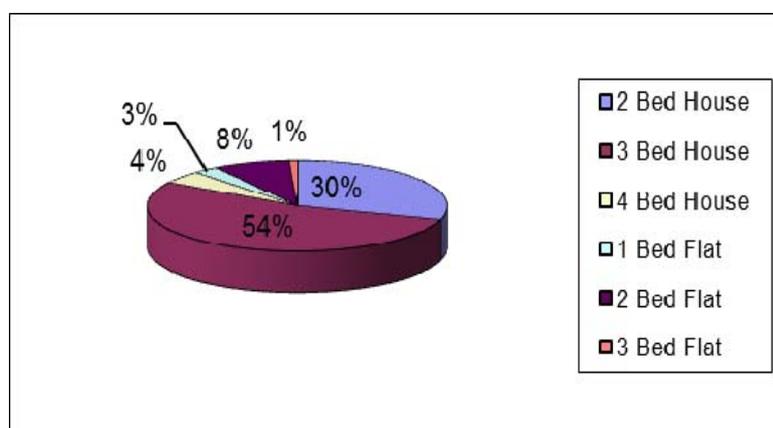
Office Area	Total
Inner West	13
Felling	7
Wrekenton	27
Birtley	12
West	19
Central	16
Leam Lane	16

110



Type & Bedrooms	No
2 Bed House	33
3 Bed House	59
4 Bed House	5
1 Bed Flat	3
2 Bed Flat	9
3 Bed Flat	1

110



Property Type	Average Valuation 13/14 £'s	Average Sale Price 13/14 £'s
2 Bed House	82,712	41,799
3 Bed House	90,547	44,134
4 Bed House	95,800	46,762
3 Bed Flat	68,000	29,920
2 Bed Flat	63,655	22,890
1 Bed Flat	52,500	24,890