

Report to the Board**21 May 2015**

Title: Right to Buy Update

Report of: Director of Customers and Communities

Purpose of Report

1. The purpose of the report is to provide an update on the Government's changes to Right to Buy (RTB) following the Deregulation Bill in March 2015 and details of Right to Buy sales during 2014/15.
2. In addition the report outlines the proposals set out in the Governments manifesto regarding the introduction of RTB for housing association tenants and the implications for council landlords.

Background

3. On Thursday 26 March 2015 the Deregulation Bill received Royal Assent. The Act reduces the qualifying period for the RTB from 5 to 3 years. The change will come in to effect on 26 May 2015 and tenants will only need a minimum of 3 years public sector tenancy to qualify for RTB.
4. Although already confirmed in a previous report the maximum discount across England was increased to £77,900 (£103,900 in London boroughs) from 6 April 2015 and will increase each year in line with the Consumer Price Index (CPI).
5. Although the qualifying years will reduce from 5 to 3 years from 26 May 2015, other aspects of the eligibility criteria remain unchanged. The current discount levels will still apply, ie if a tenant has 3, 4 or 5 years tenancy their discount will still start at 35% for a house and 50% for a flat. Discount will increase by 1% for each additional tenancy year for a house and 2% for a flat (up to a maximum of 70% or £77,900, whichever is the lower).

Proposed action

6. In the last few years there have been numerous changes to RTB including, the annual increase in maximum discount, the introduction of the government website to assist applicants and the most recent change being the reduction in qualifying years. The council is required to inform tenants of the new eligibility criteria and enquiries are being made to include an article in the Council News.

7. In the last year only 4 applications have been rejected due to tenants not meeting the required 5 year minimum qualifying period, however most tenants enquiring about the Right to Buy scheme are advised at the initial stage what the eligibility criteria is. Following the reduction in qualifying years from 5 to 3 years and the discount levels being the same for 3, 4 and 5 years (35%), RTB applications could increase.

RTB Sales in 2014/2015 compared to previous years

8. Appendix 1 below outlines (2014/15) compared to previous years. Appendix 2 provides a further analysis of sales during 2014/15 by property type and shows average valuation and sale price per property type. Appendix 3 shows sales by area.

Government Proposals - Update

9. The new Government have outlined plans to pass legislation within the first 100 days of office to force local authorities to sell off properties that fall within the most expensive third of all properties in their area as they become vacant. At today's values, it is expected that this would include (for example) one-bedroom homes worth £80,000 in the north east of England and 5-bedroom properties worth £1.2m in London (see Appendix 4).
10. The Government estimate there are 210,000 'expensive' council properties in England, and that around 15,000 become vacant a year. The Government estimate that this could raise £4.5bn a year with the money then used to extend the RTB to housing associations, including replacing homes on a 'one-for-one' basis. The money raised would also be used to pay off debt attached to the sold properties.
11. The Board will note that based on the sale values set out in appendix 4 it is unlikely that many council homes in Gateshead will reach the values where a forced sale will be required. At this stage there is the potential that for new build properties and some acquired properties in the HRA that are eligible for the Right to Buy; there is a risk that the values would be achieved.
12. In addition the Government have proposed a change relating to the minimum RTB eligibility period for tenants. The proposal is to reduce the qualifying period as a public sector tenant from five years to three years. This requires a change to the law and is subject to parliamentary approval. The latest advice we have is that the effective date of the change is due to take place on 26 May 2015.

Link to values

13. This report links to the Company value to be: -
 - Accountable

Impact on tenants

14. Tenants who are eligible will benefit from the discounts under the Right to Buy scheme.

Risk Management and Financial Implications

15. The HRA business plan includes an assumption for RTB sales. For 2014/15 the HRA plan forecast sales of 130 with 125 homes actually sold. The HRA business plan risks and assumptions continue to be monitored with the Council to assess impact on the overall plan.
16. Under Government proposals there is a future risk that properties in the HRA which are eligible for the RTB may be subject to forced sale if they considered to be of high value.
17. Estimates of sales during this financial year (2015/16) included in the HRA business plan are 100 however there is a risk that sales could increase following the reduction in qualifying period from five years to three years from 26 May 2015. Currently approximately 66% of tenants would be eligible for RTB as they have at least 5 years tenancy; however this would increase by a further 10% when eligibility changes to 3 years.

Equality and Diversity Implications

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

Value for Money Implications

19. There are no value for money implications directly associated with this report.

Health Implications

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

Environmental Implications

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

Recommendation

22. The Board is asked to note the information in the report.

	2014/15	2013/14	2013/12	2012/11	2011/10
Applications Requested	244	336	364	165	148
Applications Received	192	247	271	71	63
Completions	125	156	51	22	19
Cancellations	102	130	58	35	42

Out of the 125 completions for (2014/15):

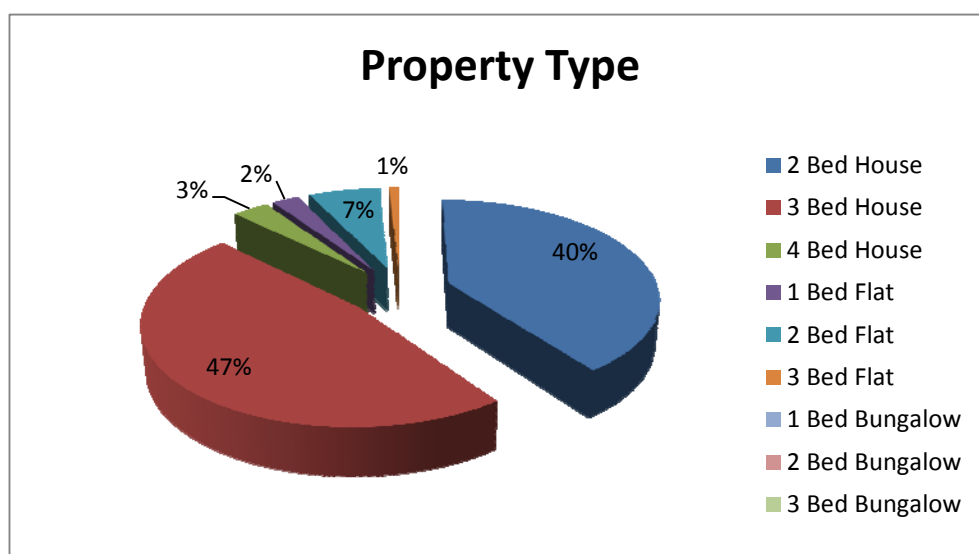
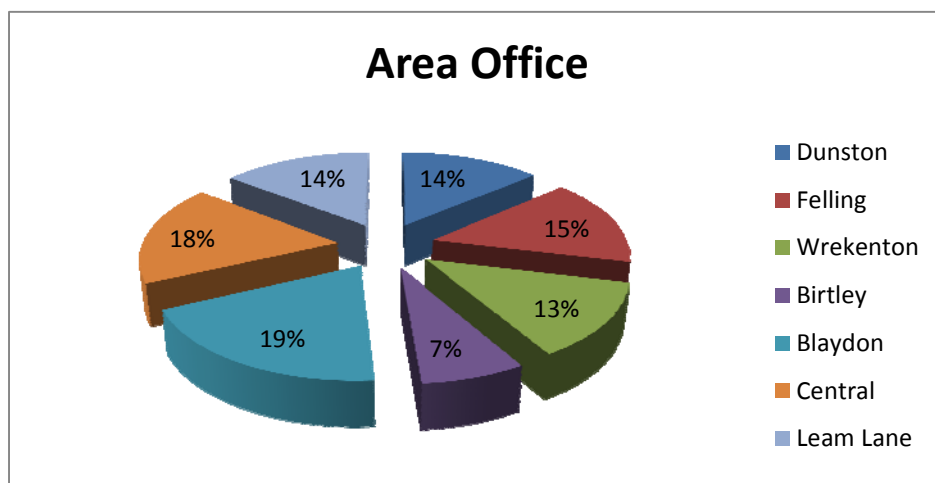
- 29 of these were bought by tenants aged over 60
- 15 completions were bought by tenants claiming housing benefit and
- 3 of these tenants claiming housing benefit would have been affected by welfare reform (bedroom tax).

RTB Sales by Property Type 2014/15

Property Type & Bedrooms	Total	% of sales	Average Valuation (£'s)	Average Discount (£'s)	Average Sale Price (£'s)
2 Bed House	50	40	84,080.00	40,862.00	43,218.00
3 Bed House	59	47	90,839.00	47,495.00	43,344.00
4 Bed House	4	3	95,563.00	55,316.00	40,246.00
1 Bed Flat	3	2	66,833.00	37,057.00	29,777.00
2 Bed Flat	8	7	59,906.00	38,018.00	21,889.00
3 Bed Flat	1	1	73,000.00	43,800.00	29,200.00
1 Bed Bungalow	0	0	0	0	0
2 Bed Bungalow	0	0	0	0	0
3 Bed Bungalow	0	0	0	0	0
TOTAL SALES	125				

RTB Sales by Area 2014/15

Area Office	Total	% of sales
Dunston	17	14
Felling	19	15
Wrekenton	16	13
Birtley	9	7
Blaydon	24	19
Central	22	18
Leam Lane	18	14
TOTAL SALES	125	



Values over which homes would be sold:

	1 bedroom	2 bedroom	3 bedroom	4 bedrooms	5 or more bedrooms
North East	£80,000	£125,000	£155,000	£250,000	£310,000
North West	£90,000	£130,000	£160,000	£270,000	£430,000
Yorkshire and the Humber	£85,000	£130,000	£165,000	£265,000	£375,000
East Midlands	£105,000	£145,000	£175,000	£320,000	£430,000
West Midlands	£100,000	£145,000	£180,000	£305,000	£415,000
East	£155,000	£220,000	£265,000	£440,000	£635,000
London	£340,000	£400,000	£490,000	£790,000	£1,205,000
South East	£165,000	£250,000	£320,000	£495,000	£755,000
South West	£135,000	£200,000	£260,000	£375,000	£535,000