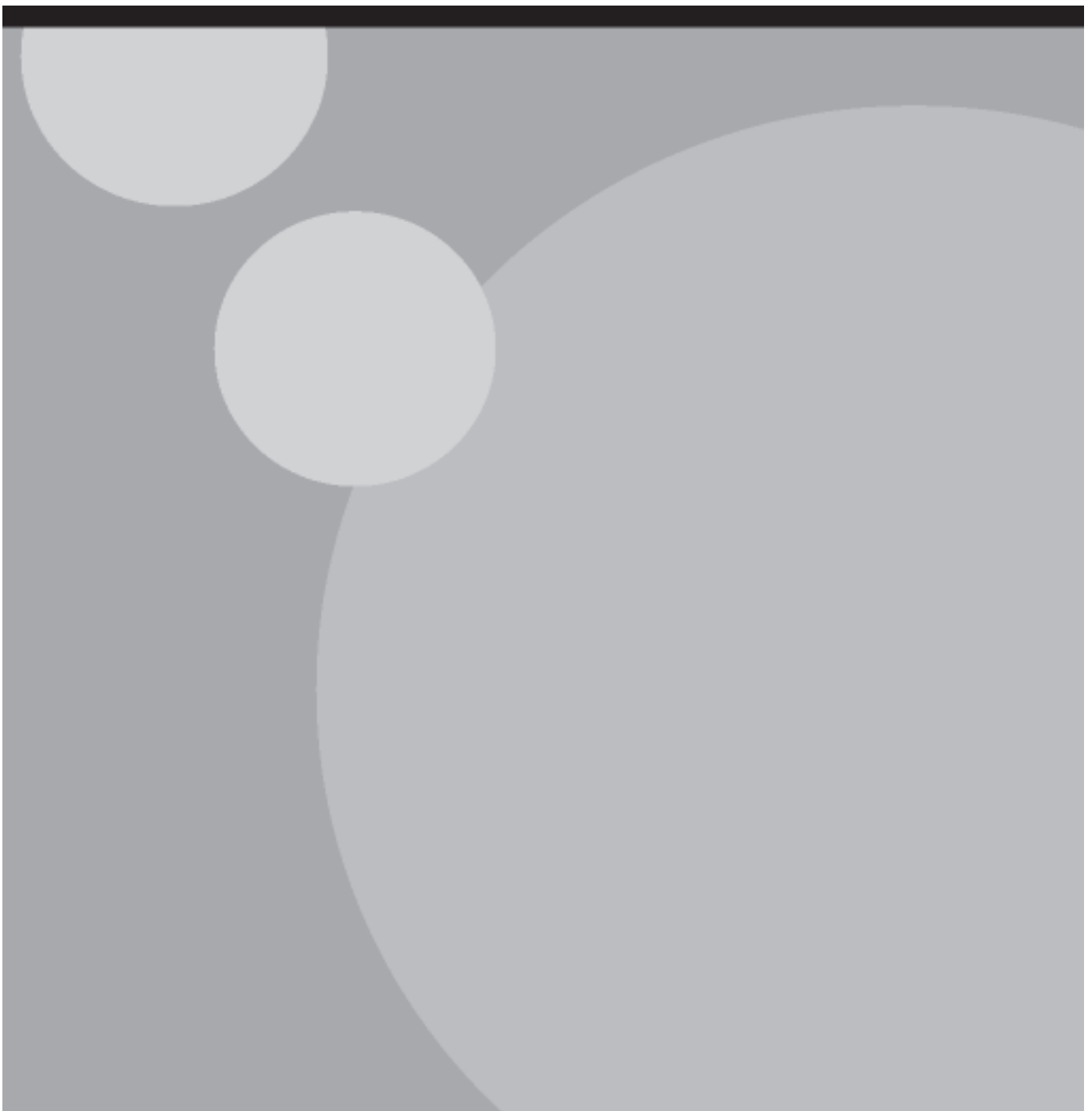




Reinvigorating Right to Buy and One for One Replacement: Consultation

Summary of Responses, and Government response to consultation





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Department for Communities and Local Government

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Section 1: Background

Policy background

The Right to Buy scheme was introduced in 1980 and gives qualifying social tenants the opportunity to buy their rented home at a discount. The scheme is open to secure tenants of local authorities and non-charitable housing associations, and to those assured tenants of housing associations who have transferred with their homes from a local authority as part of a stock transfer. To date, more than 1.9 million homes have been sold under the Right to Buy.

To qualify for the Right to Buy, tenants must have spent at least 5 years as public sector tenants. Once eligible, the discount rates for houses are 35 per cent of the property's value plus 1 per cent for each year beyond the qualifying period up to a maximum of 60 per cent. On flats, the discount rises from 50 per cent by 2 per cent for each year beyond the qualifying period up to a maximum of 70 per cent.

However, the maximum discount which a tenant can receive ("the discount cap") is limited by secondary legislation. The 1998 and 2003 Discount Orders reduced Right to Buy discounts across England to maximums ranging from £16,000 in most parts of London to £38,000 in parts of the South East. Prior to that, the discount cap had been £50,000 across England. The effect of the current caps is that the average discount received by buyers in England is around 25 per cent – ranging from 13 per cent in London to 32 per cent in the North West.

The reduction in the discounts is a major factor in the significant fall in the number of Right to Buy sales, from 84,000 in 2003/04 to under 4,000 in 2010/11.

The Government was concerned that the low level of the discounts meant that social tenants were unable to achieve their aspiration for home ownership. In response, the Government announced its intention to increase discounts across England in its Housing Strategy (*Laying the Foundations: A Housing Strategy for England*) published in November 2011. The increased discount will allow a greater number of social tenants to exercise their Right to Buy and meet their home ownership aspirations, support social mobility and will help create and sustain mixed communities.

The Government also announced in the Housing Strategy that it would use the receipts from additional Right to Buy sales to replace every additional home sold under the Right to Buy with a new home for Affordable Rent.

The Reinvigorating Right to Buy and One for One Replacement consultation document, issued on 22 December 2011, set out the Government's detailed

proposals to change the caps on discounts that will apply to Right to Buy sales, and how the resulting sales receipts would be applied.

The consultation document asked the following 16 questions:

Question 1 – We would welcome views on the proposals for caps, discount rates and eligibility.

Question 2 – Do you agree that information currently provided to prospective Right to Buy purchasers is sufficient? If not, what else should be included?

Question 3 – Are there further steps which could be taken to ensure that tenants who purchase under Right to Buy know about and understand the implications of homeownership, including their obligations on becoming a leaseholder?

Question 4 – We would welcome evidenced assessments of the impact on rural affordable housing of the proposed changes to Right to Buy discount.

Question 5 – We would welcome your views on the proposals that a part of the Right to Buy receipts should be used to pay down the housing debt supportable from the lost income from these additional sales.

Question 6 – How many applications were subsequently withdrawn in your area?

Question 7 – What costs are incurred in managing aborted applications?

Question 8 – What sources of funding have you used for improvement works in your area?

Question 9 – We would welcome views on the proposed approach to projected receipts.

Question 10 – We would welcome any information councils can provide on the use of Buy Back properties. We would also welcome views on this proposal.

Question 11 – Do you have any comments on the proposal not to amend Section 131 of the Housing Act 1985?

Question 12 – We would welcome views on the calculation of allowable deductions.

Question 13 – Which model for delivery of replacement housing do you consider the most appropriate, and why?

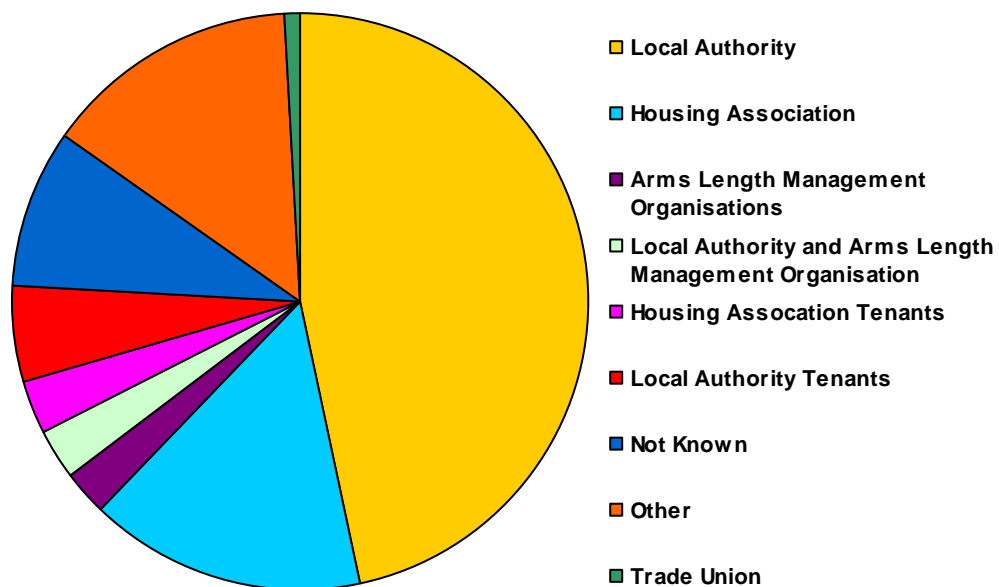
Question 14 – How can housing associations and councils be further encouraged to use receipts from Preserved Right to Buy sales to support provision of replacement homes?

Question 15 – If there are any exceptions where administration and debt costs cannot be covered, please provide details.

Question 16 – Based on your experience, are you able to provide evidence on the likely percentage of Right to Buy purchasers on Housing Benefit?

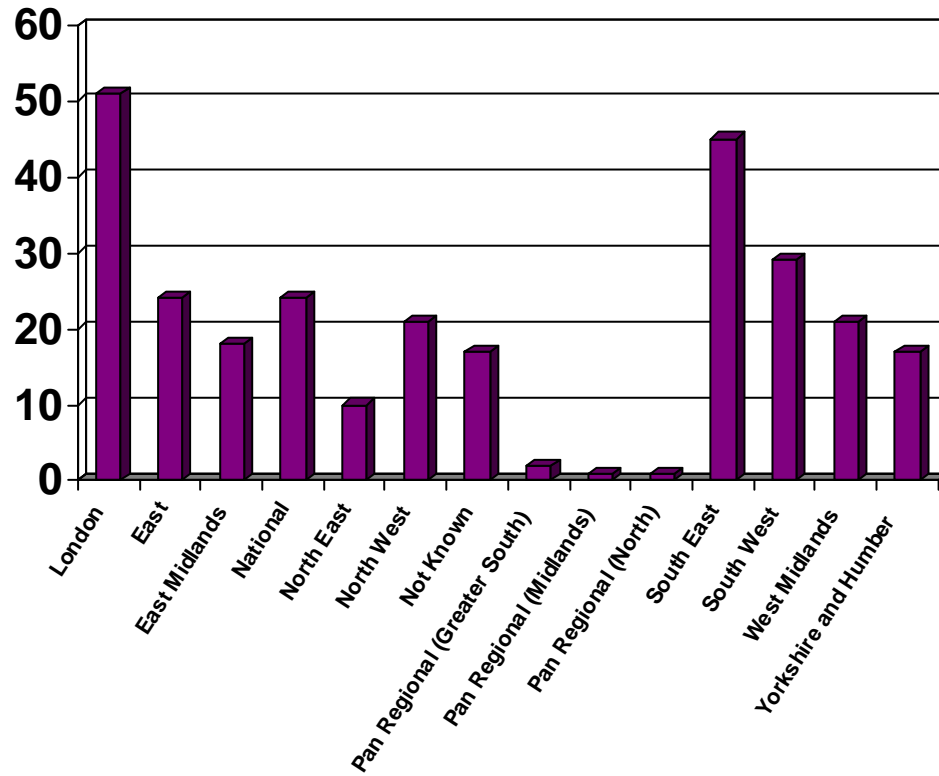
Who responded?

The consultation ran from 22 December 2011 to 2 February 2012. 281 responses were received¹. Of those responses 131 were from Local Authorities, 44 were from Housing Associations, 7 were from Arms Length Management Organisations and the remaining responses were from a mix of other organisations (including the Local Government Association, Greater London Authority), Trade Unions and housing association/local authority housing tenants.



¹ We received a total of 287 responses. 6 of those responses were received after the consultation closing date. Those responses were considered but not counted in either the Government response or the summary of responses.

Demographically, the majority of respondents were from London and the South East.



Section 2: Government Response to the Consultation findings

We welcomed the helpful comments received from respondents, particularly those that provided detailed information to support their answers.

Q1 (Caps, discounts and eligibility)

The Government has carefully considered the range of views expressed on the level of discount caps and rates. It has decided to increase the cap to £75,000 across the country with effect from 2 April 2012. It has decided not to change discount rates or the qualifying period for eligibility. We will take comments on discount rates and eligibility into account when we next review Right to Buy.

The Right to Buy scheme was originally designed so that the discount was for a set percentage of the value of the property. The percentage depended on the length of time for which someone had been a public sector tenant. The discount cap was introduced to provide a ceiling, to avoid excessive discounts in high value areas. In recent years, the previous Government's reduction of discount caps has resulted in the cap becoming the main constraint on the size of discounts, rather than – as initially intended – the percentage rate. The decision to introduce a £75,000 cap across the country reverses this. It will mean that, in many more cases, in more parts of the country, the cap will no longer limit the discount to which a tenant is otherwise entitled.

Q2 and Q3 (Information for purchasers and further steps helping tenants understand obligations when purchasing a property)

The Government will refresh its booklet *Your Right to Buy your home* and expand and highlight the areas identified by respondents as requiring greater prominence. We encourage landlords to continue to supplement this information in relation to local issues and circumstances - for example, in relation to forecasting major repair costs for leaseholders based on their stock condition surveys. We will continue to work with landlords and their representative bodies, the Local Government Association and the National Housing Federation to identify and share best practice. In addition, in the light of comments received, the Government plans to publish a shorter 'user friendly' summary guide for prospective Right to Buy purchasers.

The Government is working closely with the Money Advice Service to ensure that the service provided is tailored to meet the needs of potential Right to Buy purchasers. We are also in dialogue with lenders and the Financial Services Authority to ensure that appropriate advice and information on mortgage products is available for prospective purchasers. The Government

welcomes the positive input and collaborative engagement of all these key partners.

We expect all parties to the Right to Buy process, including landlords, lenders, solicitors and financial advisers to adopt best practice and to assist tenants so that potential purchasers are in a position to make informed and appropriate choices based on their individual circumstances.

The Government does not intend to make any legislative changes to the Right to Buy to require financial checks or limit purchase with family members at this time but, as set out in the consultation document, plans to keep the potential for any abuses under continual review.

Q4 (Rural impacts)

The Government proposes to retain the current restrictions on the resale of homes sold under the Right to Buy in rural areas. Respondents were concerned the ability to replace homes sold under the Right to Buy in rural areas. The Government's decision to allow receipts to fund up to 30% of replacement costs will reflect any increased costs in the development of new affordable homes in rural areas.

The Government is not minded to add National Parks to the list of exemptions of Right to Buy, which would require changes to primary legislation. However, we welcome additional evidence of any impacts that the changes to Right to Buy have on affordable housing levels in National Parks.

Q5 (Paying down housing debt)

The Government proposes to apply the approach proposed in the consultation for estimating the loss to the Housing Revenue Account from Right to Buy sales and for compensating it for this loss. We believe this provides the best balance between accuracy and minimising administrative complexity.

The Government does not propose to require councils to use this part of the receipt to repay loans. We instead plan to use mechanisms related to the Housing Revenue Account ring-fence to ensure that the Housing Revenue Account receives the benefit of this compensation. We intend to achieve this through a change to the definition of the Housing Revenue Account Capital Financing Requirement (now set out in the Limits on Indebtedness Determination 2012). This will require a local authority to reduce the Housing Revenue Account Capital Financing Requirement by this amount, but would leave the local authority free to make treasury management decisions about how the receipt is used. The Government will consult local housing authorities and relevant professional bodies on the changes to the Limits on Indebtedness Determination.

Q6 and Q7 (Administration: withdrawn applications and costs of aborted applications)

The Government has decided to adopt a flat rate system for dealing with transaction and administration costs based on the number of successful sales. This avoids the need for additional returns and encourages efficient

administration. In consultation, we proposed that - for the first time - allowance should be made for the cost of handling withdrawn applications as well as those which proceeded. On the basis of the evidence supplied, the Government proposes to allow authorities to retain a higher amount than proposed in consultation, to recognise the administrative cost of withdrawn applications. We will increase the uplift to 50% (compared with the 25% figure proposed in the consultation document).

Authorities will therefore be able to retain the following amount for each completed Right to Buy sale to cover the costs of administration:

	London	Rest of England
40 th percentile admin costs per successful sale (3 year average, based on audited costs for 2008-09, 2009-10, 2010-11)	£1,890	£852
50% allowance to cover admin costs for withdrawn applications	£945	£426
Total	£2,835	£1,278
Administrative Allowance (rounded)	£2,850	£1,300

Local authorities are encouraged to engage closely with tenants who are considering purchasing their property, so that they are less likely to make applications which have little chance of completing successfully.

Q8 (Sources of funding for improvement works)

The Government intends to pursue the proposal in the consultation paper. Many of these improvements have been funded by central Government and in these cases there is no loss to local authorities when a home is sold under the Right to Buy.

Q9 (Proposed approach to use of receipts)

The Government intends to adopt the approach to the use of projected receipts set out in the consultation paper, in order to protect the share of Right to Buy receipts which councils and Government were already expecting before the new scheme was announced.

Q10 (Buyback)

The Government recognises that, although relatively few councils have taken advantage of the Buy Back provision, it can provide an important safeguard in a small number of cases. It has therefore decided to retain Buy Back, but in an amended form. Local authorities will be allowed to fund up to 50% of the cost of re-purchasing a former council home, up to a maximum of 6.5%² of any additional net receipts (i.e. receipts available to support one-for-one replacement).

² 6.5% is around the average level of Right to Buy receipts retained by local authorities for Buy Back over the last three years

Q11 (Cost floor)

The Government proposes to retain Section 131 of the Housing Act 1985 as indicated.

We have considered the request to extend the cost floor time period. Modelling based on long run extrapolation of the Office of Budget Responsibility's house price inflation forecasts indicates that 10-12 years will normally be sufficient to ensure that properties are not sold at less than it cost to build them, even at maximum discount. However, we recognise the need to ensure that landlords have confidence that new properties built will not be sold at a loss, protecting the HRA business plan. We will therefore extend the time period for the cost floor from 10 years to 15 years for new properties built by local authorities from 1 April 2012. This synchronises the Right to Buy and Preserved Right to Buy cost floor time period, and gives landlords a greater degree of comfort that the receipt from the property sale will cover their costs in providing new homes, while also ensuring that tenant discounts are maintained in the future.

We do not propose to amend what is included in the cost floor determination, which already includes build costs, land acquisition and major works on the property, which will be funded by landlords borrowing against the rental stream and cross-subsidy in the future, including from Right to Buy receipts.

Q12 (Calculation of allowable deductions)

The Government has decided to proceed with the proposal set out in the consultation paper. It is important that the ability to pay off of HRA debt and local and central Government 'assumed income' are protected. The Department for Communities and Local Government will continue to work with local government to ensure that the methodology behind the calculations is well understood.

Q13 (Delivery models)

The Government has considered the case made by respondents for each of the possible models for delivering the replacement homes. As the consultation paper made clear, it is seeking a solution that supports the localist agenda while achieving one-for-one replacement (for England as a whole) and ensuring value for money.

Against these criteria, Ministers have concluded that the best option is a version of the 'Local Model with Agreement'. Of the other models:

- the 'Local' and 'Local with Direction' models do not give sufficient assurance of one-for-one replacement for England as a whole; and
- The 'National' model does not support the localist agenda.

The Government expects that, if it were to retain the net receipts, it would be able to provide one-for-one replacement homes while restricting the **contribution made from the net Right to Buy receipts to 30% of the cost of the replacement homes**. Where a local authority is satisfied that it can

match this (in other words, that it could apply the remaining receipt – after deducting the cost of covering the debt, administration costs etc – to new affordable rented housing, while restricting the contribution made from the net Right to Buy receipts to 30% of the cost of the replacement homes) , the Government will be willing to enter into an Agreement that the authority may retain the remaining receipts. We will publish further details of the way in which this will operate shortly. Where authorities do not wish to enter into such an Agreement, the remaining receipt will be returned to the Department for Communities and Local Government, and re-distributed for new affordable rented housing by the Homes and Communities Agency (or, in London, the Greater London Authority).

Q14 (Preserved Right to Buy)

As Housing Associations are independent organisations, the Government do not wish or intend to mandate what associations do with any receipts from Preserved Right to Buy sales. However, we do propose a number of measures to incentivise Housing Associations to reinvest receipts:

- For providers who are not developing under the main Affordable Homes Programme, the Homes and Communities Agency will offer to broker working with an investment partnership.
- All other things being equal, associations who are recycling their own receipts into new affordable housing will be prioritised when we consider any bids for Right to Buy receipts which have been returned to the centre.
- Government will also consider bids for additional freedoms and flexibilities for Housing Associations, where this would help ensure funds were recycled into new affordable housing.

Q15 (Housing Associations: any exceptions where they are able to cover costs?)

The Government accepts that abortive applications may rise, but so will overall receipts from increased applications leading to successful completion. The Government has therefore decided to proceed with the proposals set out in the consultation paper.

Q16 (Housing benefit)

Having considered the evidence helpfully provided by respondents, and in discussion with the Department for Work and Pensions, we have reduced the assumption in our Impact Assessment about likely Right to Buy sales to individuals in receipt of Housing Benefit from 15% to 10%.

Section 3: Summary of Responses

Question 1 – We would welcome views on the proposals for caps, discount rates and eligibility

We received 256 responses to this question. The majority gave views on the proposals to raise the cap to £50,000 throughout England. We also received views on discount rates and eligibility.

Responses were broadly supportive of Government proposals to reinvigorate Right to Buy and increase the opportunity of homeownership for tenants – though there were a wide range of views expressed. There was support for a uniform cap across England, but also support for continuing with regional variations to reflect the housing market across England and fairness in terms of percentage discounts with concerns that tenants in low value areas would get a higher discount.

While a number of responses agreed with increasing the cap to £50,000 others (mainly tenants in high value areas) felt the cap was too low to help meet their aspirations of home ownership. There was also support for increasing the discount in percentage terms. Conversely some responses felt that the increase to £50,000 was too high, particularly in areas outside London and the South and that this would impact on delivery of one for one replacement. Some local authorities also supported local determination of caps.

A small proportion of authorities did not feel that the increase would make much difference as the maximum discount in their areas was already at or near the level of the proposed cap.

Discount Rates

66% of respondents did not comment on the current discount rates. Of those that did the majority agreed with the current discount rates. A small number of respondents supported a single discount or an increase in discounts.

Eligibility

69% of respondents did not comment on eligibility. Of those that did, the majority felt that the qualifying period should remain at 5 years while a few thought it should be extended or reduced (to 2 years).

There was support for extending the Right to Buy to all Housing Association tenants. Some concerns were expressed regarding changes to tenancies and

eligibility for Right to Buy of tenants on fixed tenancies. A few responses thought eligibility should be linked to tenancy record and behaviour.

Question 2 – Do you agree that information currently provided to prospective Right to Buy purchasers is sufficient? If not, what else should be included?

Question 3 – Are there further steps which could be taken to ensure that tenants who purchase under Right to Buy know about and understand the implications of homeownership, including their obligations on becoming a leaseholder?

We received 181 responses to question 2 and 170 responses to question 3. There was considerable overlap in the responses to both questions with many respondents replying to both questions together or providing more detail in question 3 on their suggestions for the improvements outlined in their response to question 2.

65% of respondents to question 2 considered that the information currently provided to prospective Right to Buy purchasers was sufficient. The remaining respondents (and some of the 65%) identified three key areas which would benefit from enhancement. These areas covered:-

- more detail on the costs of repair and maintenance and the responsibilities of leaseholders;
- greater emphasis on the risks of maintaining home ownership, for example, if employment prospects were uncertain, if income levels fell or fluctuated or mortgage interests rates increased; and
- better highlighting of the risks to the former tenant of joint purchase with family members, as if the arrangement subsequently breaks down this might result in the loss of the home.

Concern was expressed that tenants may suffer detriment by selecting inappropriate mortgage products or may fall prey to “unscrupulous” lenders, particularly in the short term before the introduction of more robust rules as part of the Financial Services Authority’s Mortgage Market Review.

Many felt that further steps could be taken to ensure that tenants exercising the Right to Buy understood the implications of home ownership.

Some respondents suggested that a shorter ‘easier to read’ guide for tenants might be helpful and better use could be made of other communication channels, such as websites.

Many respondents stressed that the difficulty was not the quality and quantity of the information provided to tenants - which was considered sound and

comprehensive - but more about ensuring that tenants fully *understood* the responsibilities and risks of home ownership.

Many local authorities considered that *face to face* interviews or telephone discussions with a dedicated officer of the landlord would be one of the better ways to ensure understanding. Sixteen of the landlords who responded to question 3 already offered a face to face interview but this was rarely taken up by tenants.

There was a consensus in the responses to both questions that written information was not a substitute for independent professional advice before purchase and a number of respondents stressed the role and responsibilities of lenders, solicitors and financial advisors with regard to this. 26% of the respondents to question 3 suggested that tenants should be required to undergo a financial health check and/or *face to face* interview or telephone discussion with independent advice services such as the Money Advice Service or Citizens Advice Bureau before purchasing.

Question 4 – We would welcome evidenced assessments of the impact on rural affordable housing of the proposed changes to Right to Buy discount.

We received 97 responses to this question. Whilst little evidence was provided on the impact the proposed changes would have on rural affordable housing, there were some examples of how the original Right to Buy had initially resulted in higher levels of sales in rural areas compared with urban ones. Notwithstanding the lack of evidence, 63% of respondents commented that the changes could have a negative impact on rural affordable housing, with particular concerns expressed about the ability to ensure that replacement took place in the same area, because receipts would not be sufficient to cover the cost of replacement on a one for one basis, and the lack of appropriate land in rural communities to site the new homes. However, this concern was tempered in some responses by the expectation that even with the bigger discount, the higher property values, coupled with the lower incomes in these areas would mean that take-up would be low.

A few commented that they welcomed the retention of current protections for rural housing, though a few raised the possibility of extending these protections, either at the discretion of the local authority, or by extending the qualifying period.

Specific concern was raised about the impact of the loss of stock in the National Parks and the difficulties faced in replacing stock, namely that it would prevent them fulfilling their statutory duty to seek to foster the economic and social well-being of local communities, and that land for development, as a finite resource, would not provide a net benefit to the local community. They asked that the National Parks be added to the list of Right to Buy exemptions.

Question 5 – We would welcome your views on the proposals that a part of the Right to Buy receipts should be used to pay down the

housing debt supportable from the lost income from these additional sales.

We received 138 responses to this question. Those who responded overwhelmingly agreed that a part of the receipt would need to be retained within the Housing Revenue Account in order to avoid detriment to the council landlord business. A small majority of respondents to this question supported our proposals for calculating the amount that would need to be retained within the Housing Revenue Account, which is based on the 30 year social rented value of the homes sold.

Most objections to this proposal were based on the principle that the local authority should keep the whole receipt, rather than a challenge to the way we proposed to calculate the loss to the Housing Revenue Account. Many councils expressed more general concerns about the viability of the Housing Revenue Account if stock was significantly reduced.

Several councils said that the valuation assumed that fixed overheads would reduce in proportion to the number of homes sold, but that in practice there would be a loss of efficiencies of scale. A minority of councils said that the methodology risked being overly complex and administratively burdensome, but a number of those also thought the methodology was necessary to ensure that the Housing Revenue Account was fairly compensated. Five councils supported an alternative model, based on the average value of all their stock, which they said would be simpler and would provide a reasonable estimate of the loss to the Housing Revenue Account. A few councils said it should be based on the actual income and costs of the properties which are sold. One council suggested it should be based on housing debt per dwelling at the point of sale.

A large number of respondents said that there should be no obligation on the local authority to use this part of the receipt to repay loans. Many said this requirement would not fit with efficient local treasury management and could give rise to early loan repayment charges. Councils said if this was required, these charges should be added to the amount retained. A few said that, even if councils were not obliged to repay debt, councils choosing to use the receipt for this purpose should retain this extra amount.

Several councils wanted clarification as to whether the valuation methodology would be based on the average of all homes sold in a year or whether it would be linked to specific sales identified as 'additional'.

Question 6 – How many applications were subsequently withdrawn in your area?

Question 7 – What costs are incurred in managing aborted applications?

We received 129 responses to question 6 and 128 responses to question 7.

In our consultation we proposed a flat rate of £1,900 for London and £850 for Rest of England, per property, with a 25% uplift to cover withdrawn application costs.

There were few substantive comments on the proposed flat rate approach - some welcomed it and a few thought it was set too low.

Respondents provided strong evidence that a high percentage of applications were withdrawn:

- The median for London was 80-90% of applications withdrawn
- The median for Rest of England was 60-70% of applications withdrawn

This suggests that for every successful sale in London there are four withdrawals and for every successful sale in the Rest of England there are two applications withdrawn. Authorities welcomed recognition of the costs of withdrawn applications, and 49 authorities provided a range of useful evidence on the costs of withdrawn applications – this suggested that costs per withdrawn application were higher than provided for in the 25% uplift, with higher costs concentrated in London.

Question 8 – What sources of funding have you used for improvement works in your area?

The consultation paper proposed no longer allowing local authorities to hold back the cost of improvements to a property from a Right to Buy receipt. We received 112 responses to this question – the vast majority from local authorities but also several from ALMOs and bodies representing groups of local authorities.

The vast majority said that over the years they had used a combination of their own resources and central Government support to deliver improvements to their stock. Those who expressed an opinion maintained that we should not do away with improvement costs not least on the grounds that – contrary to the assertion in the consultation paper – improvements generally did not increase the market value of the home in a commensurate way.

Question 9 – We would welcome views on the proposed approach to projected receipts

Both HM Treasury and local authorities have budgeted on receiving a certain level of receipts from Right to Buy sales over the current Spending Review period (2011 to 2015). The consultation paper proposed amending the Regulations governing Right to Buy receipts so that this “assumed income” would be protected. We received 134 responses to this question, the vast majority from local authorities.

Responses varied on the approach proposed, with some arguing that the proposal would not leave sufficient receipts to enable one for one replacement

in a given area. Many responses called for all receipts to be left with the local authority. Some responses questioned the data behind the methodology.

Question 10 – We would welcome any information councils can provide on the use of Buy Back properties. We would also welcome views on this proposal.

The consultation paper raised the possibility of ending the arrangement whereby local authorities are allowed to retain a proportion of Right to Buy receipts to cover part of the cost of re-purchasing former council homes. The paper acknowledged that re-purchased homes could count towards one for one replacement.

115 responded, of which the vast majority were local authorities. Very few local authorities have used the Buy Back provisions to date and this was reflected in the responses. Only 45 declared how they had used the provision and this was fairly evenly split between regeneration and continued use as social housing stock. All supported its retention, even those who suggested that they themselves would never use it.

Question 11 – Do you have any comments on the proposal to not amend section 131 of the Housing Act 1985?

We received 144 responses to this question. Those who responded overwhelmingly agreed that Sections 131 of the Housing Act 1985 – the Cost Floor – should be retained in order to avoid detriment to the council landlord business. Only a small percentage of responses did not agree explicitly that the cost floor should be retained, some arguing that it no longer had an effect, given high house prices, or that they no longer collected data. No-one said that it should be abolished.

Of the majority who did support the changes, a significant minority (26%) wanted to see it kept and extended. 16% of respondents argued that the time frame should be extended from 10 years, to either 20, 25 or 30 years, given HRA reform, in order to protect landlords' investment in the property in cash terms, particularly in light of low house price inflation. Several stated that if this did not happen investment plans would have to be revisited.

A smaller number (9%) also supported the extension of the cost floor, to include a variety of other costs, including land and debt on the property.

Question 12 – We would welcome views on the calculation of allowable deductions.

The consultation paper set out what deductions might be made from Right to Buy receipts before provision is made for new supply. We received 122 responses to this question, the majority from local authorities.

Many felt that the level of deductions would not allow one for one replacement in their areas and some of these made the case for retaining all receipts or making one for one replacement a priority above other matters. Many argued that fixed administrative costs were unfair and that improvement costs should be an allowable deduction.

Question 13 – Which model for delivery of replacement housing do you consider the most appropriate, and why?

The consultation paper set out four possible methods of delivering new homes:

- local model (where all receipts stay with the local authority),
- local model with direction (where all receipts stay with the local authority but there is some restriction on their use),
- local model with agreement (where local authorities enter into formal agreements with the Secretary of State about how the receipts will be used) and
- a National Model (where surplus receipts are surrendered to central Government and re-distributed through the Homes and Communities Agency or the Greater London Authority (as appropriate)).

We received 167 responses to this question, the majority from local authorities. 80% favoured the local model or the local model with direction (64% favoured the local model exclusively). However many who favoured the local model recognised that this would not deliver one for one replacement in their area, whilst others wanted compensation from those areas with high Right to Buy receipts.

Less than 10% of respondents favoured the National Model. Of those local authorities that did, some favoured it precisely because one for one replacement would not be possible in their areas and they felt they would benefit more from being able to bid to the Homes and Communities Agency.

Question 14 – How can housing associations and councils be further encouraged to use receipts from Preserved Right to Buy sales to support provision of replacement homes?

We received 138 responses to the question, of which 80 were received from Local Authorities and 37 from Housing Associations.

A number of Councils and Housing Associations proposed that they should be able to retain and ring fence Right to Buy receipts locally as an incentive to deliver replacement affordable housing. A number of respondents proposed that under self financing, councils could retain receipts for replacement

housing and deliver affordable housing. This would ensure that local authorities are able to make investment plans, bring together local partnerships and deliver replacement affordable housing, where required, according to local demand. They suggested that receipts needed to be big enough to enable replacement – or that any shortfall from Right to Buy receipts to fund replacement housing could be made up from slippage in funds from the Affordable Homes Programme.

A number considered that the Right to Buy receipts would be inadequate to secure one to one replacement. They proposed that any shortfall of funds could be filled from the Affordable Homes Programme budget, the New Homes Bonus or from the Homes and Community Agency prioritising funds to make up the shortfall.

A small number of respondents proposed that there should be collaboration between local authorities and Large Scale Voluntary Transfer (LSVT) organisations to deliver new affordable housing from right to buy receipts. Several respondents proposed that contract agreements between councils and LSVT Housing Associations should direct and/or retain receipts, for instance on a grant basis, for the provision of replacement properties.

Several respondents expressed concern that Right to Buy receipts would be too modest above existing business plan assumptions to secure additional replacement homes under LSVT arrangements. Their views were that the assumptions about Right to Buy receipts and retained income under LSVT were incorrect, and together with the clawback of receipts by Local Authorities would result in the weakening of balance sheets, and that significant Right to Buy sales would impact on LSVT's loan covenants because of the ratio of debt to value of stock, and consequently there would be insufficient resources for replacement housing.

Several respondents proposed that LSVT agreements should be used between Local authorities and Housing Associations to secure the use of Right to Buy receipts for replacement homes for affordable housing by making clawback funds available directly to Housing Associations, and by the retention and ring-fencing of receipts. The receipts should be used locally to fund replacement housing through the local replacement delivery model.

A small number of respondents proposed that providers without a development programme could be required to join development consortia to use Right to Buy receipts for replacement homes, either indirectly or through partnership with other Registered Providers.

Question 15 – If there are any exceptions where administration and debt costs cannot be covered, please provide details.

The consultation paper suggested that receipts arising from increased sales under the Preserved Right to Buy would nonetheless be sufficient to cover administration costs and attributable debt even where the receipt is shared with the local authority.

We received only 14 responses to this question. Slightly over half felt that there would be exceptions and these in the main related to the cost of handling abortive applications, which were expected to rise dramatically. One respondent also felt that the receipts were at risk from dramatic fluctuations in the housing market.

Question 16 – Based on your experience, are you able to provide an evidence on the likely percentage of Right to Buy purchasers on Housing Benefit?

Over 100 responses provided comments in relation to question 16. There were a wide range of comments from local authorities, housing associations and individuals from across the country. Responses ranged from providing information about the numbers of Right to Buy purchasers on housing benefit, to expressing concern that individuals who had been receiving benefit were being allowed to purchase their homes.

Of those who provided information about the number of tenants on housing benefit exercising the Right to Buy, there were a range of answers – from those local authorities and housing associations who had seen few, or no, purchases of this type to those who provided figures as high as 50 or 60%. On balance, the bulk of respondents providing figures (50%) suggested levels of between 1 and 10%. A number of other responses suggested the figure was 'low'. Counter to this, at least one response suggested changes to benefits and to rents might make it more attractive for individuals to buy in the future, particularly coupled with the increased discount cap proposed.

While some responses suggested a split between full and partial recipients of housing benefits, generally the distinction was not drawn. Based on those answers where a breakdown was provided, those on partial housing benefit are likely to be predominant.

A number of responses also noted that those purchasing their homes on housing benefit were often supported to do so by family members; some responses expressed concern about the sustainability of such purchases.

Other Issues/Wider Issues

In addition to comments on the questions in the consultation document a number of respondents raised other issues.

The long term maintenance of Right to Buy properties was highlighted as an issue – with a suggestion that the exercise of the Right to Buy made it harder for landlords to maintain estates as a whole. Linked to this, there was a concern about the sustainability of ownership amongst those who purchased with the support of family members (raised in relation to question 16, but also more widely). One suggestion was to put in place independent affordability tests for those seeking to purchase; while another respondent suggested that future claims on housing benefit should be restricted for those who have

exercised their Right to Buy. There were also calls for controls on the letting of former Right to Buy properties and for the discount repayment period to be extended to 10 years.

Some responses noted that high levels of Right to Buy sales on particular estates could impede regeneration; and that a high level of sales more generally might impact on authorities' HRA business plans. There was also a concern that one-for-one replacement might not lead to homes in the same neighbourhood – and that some landowners would be dissuaded from providing free land for the development of affordable homes if they could be sold to the tenants.

There were suggestions for broadening the principles of Right to Buy to Housing Association tenants, to part-ownership schemes and beyond social housing. Other proposals included saving a proportion of tenants' rent and releasing it as a deposit for a new home and ensuring that the discount from Right to Buy sales is passed on to buyers of ex-Right to Buy properties, provided they meet certain criteria (such as living locally).

A number of responses made suggestions for improving the Right to Buy process: including reducing the RTB1 form, simplifying the legal processes, facilitating better information sharing between landlords and lenders and creating transitional provisions. One response highlighted a concern about the implementation date for the new policy, given the need for local authorities and housing associations to prepare for the changes (and suggested reimbursement of authorities for the cost of advising tenants of the changes). Some respondents also noted they had found it difficult to respond fully within the consultation period.