



AGENDA ITEM: 15

CABINET: 17th January 2012

**EXECUTIVE OVERVIEW &
SCRUTINY COMMITTEE: 2nd
February 2012**

Report of: Assistant Director Housing and Regeneration

Relevant Managing Director: Transformation

**Relevant Portfolio Holder: Councillor V Hopley
Councillor A Owens**

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**SUBJECT: CONSULTATION – REINVIGORATING THE RIGHT TO BUY AND ONE
FOR ONE REPLACEMENT**

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To seek views on the proposed response to this consultation paper which has been issued by the Government.

2.0 RECOMMENDATIONS TO CABINET

2.1 That Cabinet approve the response at Appendix A to the consultation concerning Reinvigorating the Right to Buy and One for One Replacement.

2.2 That the Assistant Director of Housing and Regeneration in consultation with the relevant Portfolio Holders be authorised to amend the response at Appendix A in the light of any agreed comments made by the Executive Overview and Scrutiny Committee at their meeting on 2nd February 2012.

2.3 That Call In is not appropriate for this item as the report is being submitted to the next meeting of the Executive Overview and Scrutiny Committee on 2nd February 2012.

**3.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW & SCRUTINY
COMMITTEE**

- 3.1 That the Committee notes the proposed response to the consultation paper approved by Cabinet on 17th January 2012.
 - 3.2 That any agreed comments made by the Committee be considered by the Assistant Director of Housing and Regeneration, after consultation with the relevant Portfolio Holders, for inclusion in the response to Government on this consultation paper.
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4.0 BACKGROUND

- 4.1 The Government wish to make amendments to the provisions of the Right to Buy legislation which would effectively give tenants a greater level of discount than currently exists.
- 4.2 The Government are therefore consulting on these changes and are seeking the views of this Council. The Government wish to protect the level of receipts which it estimates that it will receive from Right to Buy sales and where the level of receipts exceeds the estimated level of capital receipt for the Government and the Local Authority, the Government will make arrangements for replacement homes to be provided on a one to one basis.
- 4.3 The consultation paper which is entitled 'Reinvigorating Right to Buy and One for One Replacement' was issued by the Government on 22nd December 2011 and the consultation finishes on 2nd February 2012.
- 4.4 The consultation paper runs to 48 pages and I have therefore not included this as part of this report. However, if Members wish to have a hard copy of the consultation paper one can be provided upon request. Alternatively the consultation paper is available at the following link: <http://www.communities.gov.uk/documents/housing/pdf/2053578.pdf>.

5.0 PROPOSED RESPONSE

- 5.1 The Government have asked 16 questions as part of the consultation paper and a proposed response is attached at Appendix A to this report.
- 5.2 One of the most significant aspects of the proposal is that the existing cap on the maximum discount will change. Currently the cap is set at £26,000 which is the maximum discount an existing Council tenant can receive. The proposals will increase this cap to £50,000 which will effectively give tenants a bigger discount. In order that Members can understand these changes I have produced a table (table 1) which shows the properties which have been sold this year. The table highlights the gross value of the property, the discount and the cash received. As Members will note, the average discount received by tenants is 38.3%. The total amount of cash which is received is in the order of £42,000. Currently administrative costs are removed from this figure and the remainder is then split between the Council and the Government. The Council retains 25% of the

receipt and the Government is given 75% (subject to the deduction of any improvement work carried out in the last three years).

Table 1: SALE OF COUNCIL DWELLINGS 2011-2012

ADDRESS		TYPE		GROSS VALUE (£)	DISCOUNT (%)	DISCOUNT (£)	CASH RECEIVED (£)
Sumner Avenue	Haskayne	3	H	120,000.00	21.6	26,000.00	94,000.00
Manor Drive	Burscough	3	H	124,750.00	20.8	26,000.00	98,750.00
Edgley Drive	Ormskirk	3	H	121,750.00	21.3	26,000.00	95,750.00
Irwell	Birch Green	2	F	57,000.00	45.6	26,000.00	31,000.00
Whitburn	Old Skelm	2	F	49,000.00	53.0	26,000.00	23,000.00
Colinton	Holland Moor	2	F	47,500.00	54.7	26,000.00	21,500.00
Hartland	Birch Green	3	H	54,000.00	48.1	26,000.00	28,000.00
Belfield	Digmoor	3	H	51,500.00	42.0	21,630.00	29,870.00
						TOTAL	421,870.00

- 5.3 As part of the proposals issued by Government the cap will be increased from £26,000 to £50,000. This will effectively give a greater level of discount to tenants. The Government see this as a way of reinvigorating the number of Right to Buy sales and they estimate that this process will result in greater sales. In the table below (Table 2) I demonstrate the same properties with their valuation based on the same principle but the higher discount level being applied. In this scenario, tenants that purchase their property would have an increased discount from Table 1 of 38.3% to 52%. The gross income would reduce from £421k to £336k. The reduction is in the order of £85k which approximately relates to about 20%.

Table 2: SALE OF COUNCIL DWELLINGS 2011-2012

ADDRESS		TYPE		GROSS VALUE (£)	DISCOUNT (%)	DISCOUNT (£)	CASH RECEIVED (£)
Sumner Avenue	Haskayne	3	H	120,000.00	39	46,800	73,200.00
Manor Drive	Burscough	3	H	124,750.00	51	50,000	74,750.00
Edgley Drive	Ormskirk	3	H	121,750.00	53	50,000	71,750.00
Irwell	Birch Green	2	F	57,000.00	68	38,760	18,240.00
Whitburn	Old Skelm	2	F	49,000.00	56	27,440	21,560.00
Colinton	Holland Moor	2	F	47,500.00	56	26,600	20,900.00
Hartland	Birch Green	3	H	54,000.00	51	27,540	26,460.00
Belfield	Digmoor	3	H	51,500.00	42	21,630	29,870.00
						TOTAL	336,730.00

- 5.4 The Government when allocating debt to Local Authorities who have for various reasons retained their Housing Stock have assumed that there would be Right to Buy sales. Each Local Authority has an individual number of sales allocated to it and in West Lancashire's case next year the target sales within the debt settlement has been set at 20. For financial year 2013/14 this is 24 and in financial year 2014/15, 28.
- 5.5 The Government have indicated that they have set their spending review figures based on this income and have estimated nationally that they should with increased sales even at discount rates achieve this level of income. Within the consultation document the Government have set out some formula for this. If the Council achieves the level of income that the Government is expecting any

surplus would be used to support one for one replacement of Council homes. If the settlement is less than the target estimated by Government, an alternative formula is used which apportions the debt between the Government and the Council. In the case of West Lancashire based on current sales we do not feel that given the value of properties in this area and the relevant proportion of £50,000 cap on discount that we will achieve the Government's estimate. I have referred to this in the response.

6.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 6.1 There is no significant impact on crime and disorder as a result of this report.
- 6.2 The sustainability of new housing provision referred to in this report is unlikely to apply in West Lancashire although there is the possibility that monies raised nationally could be diverted to provide social housing in this area.
- 6.3 There are links to the Community Strategy which are to provide more appropriate and affordable housing to meet the needs of local people.

7.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 7.1 The proposals will provide greater discount to Tenants who wish to exercise their Right to Buy.
- 7.2 If the increased discounts, achieved through increasing the current cap from £26,000 to £50,000 are introduced without a corresponding increase in sales, there is a likelihood that the income to the Council will reduce based on the Government's estimates.
- 7.3 The Council will need to review its capital resources in the light of future sales. At this stage it is difficult to estimate whether the increased discounts will lead to the levels of sales which the Government are forecasting. Initial consideration by officers feel that it is unlikely that there will be additional resources available as a result of this initiative to the Council. Indeed, if we meet the Government's target for capital receipts any resources raised over and above that will need to be set aside to protect the Housing Revenue Account as it would have an adverse effect on its business plan.

8.0 RISK ASSESSMENT

- 8.1 There are clear risks to the Council's future Capital Programme and early monitoring of the impact of the proposals will need to take place and regular reports brought to Members to ensure that the expenditure that we plan to make on capital schemes is prudently incurred where there is likelihood that capital will be available for these investments.
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Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

There is a significant direct impact on members of the public, employees, elected members and / or stakeholders. Therefore an Equality Impact Assessment is required. A formal equality impact assessment is attached as an Appendix to this report, the results of which have been taken into account in the Recommendations contained within this report.

Appendices

1. Appendix A: Response to Consultation
2. Appendix B: Equality Impact Assessment
3. Appendix C: Minute of Cabinet – 17 January 2012 (Executive Overview & Scrutiny Committee only)