

Directorate of Transformation

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Right to Buy Consultation
 Affordable Housing Regulation and
 Investment Division
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 Eland House
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Dear Sir/Madam

CONSULTATION: REINVIGORATING THE RIGHT TO BUY AND ONE FOR ONE REPLACEMENT

The Council is generally supportive of the Government initiative to reinvigorate the Right to Buy scheme and create growth by building replacement houses which will help the construction industry and assist those who need to rent accommodation. The Council, whilst being generally supportive, has concerns that the general thrust of this initiative will not be achievable within West Lancashire and therefore the Council asks that the Government revise the target and realign in a more realistic way for the North West.

There are a number of questions that are posed as part of the consultation process and West Lancashire Borough Council would wish you to consider our response.

Question 1: We would welcome views on the proposals outlined above.

The proposal to have a flat rate upper limit (cap) is welcome and will allow tenants in West Lancashire to receive the benefit of an average discount rate, we estimate, of around 52%. The Council sells more houses than flats and would see an advantage in giving a bigger discount to flat dwellers to encourage them to participate in this initiative. The Council is of the view that the current qualifying periods and discounts are still appropriate. The Council will shortly be looking at flexible tenure and the 5 year qualifying period sits very comfortably with this and would not wish to see this period reduce.

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

The Council is of the opinion that the information and advice available to perspective Right to Buy purchasers is satisfactory and that the current arrangements are appropriate and adequate.

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 home ownership, including their obligations on becoming a leaseholder?

The Council operates a practice where any potential family members need to have lived in the home for at least 12 months immediately prior to the Right to Buy application being made. It is believed this helps to safeguard against family members trying to persuade tenants to buy for profit. The Council would support this being used nationally.

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

The Council have introduced local letting policies to assist local residents who wish to remain in rural settlements and would be concerned if this initiative prevented rural communities from being sustainable. In Table 1 below we highlight the existing position with the upper limit (cap) being set at £26,000.

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

In the table below, we demonstrate the same data but use the proposals in the consultation paper for the upper limit (cap) to be set at £50,000.

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

The only rural property in the table is in Haskayne. Whilst discount rates have increased across all properties because rural valuations will normally be higher than urban valuations the upper limit set at £50,000 will protect rural properties to a degree. However, the Council would wish to see a national programme which targets replacement homes in rural communities to ensure that local people are not forced to live elsewhere and possibly making some rural areas unsustainable.

Question 5: We would welcome your views on these proposals.

The Council has some concern regarding the methodology used by Government. The average debt as part of the HRA self financing settlement will be per property for West Lancashire Borough Council £14,749. However, as can be seen in Table 2 the average income from Right to Buy receipts is £42,091. If this is apportioned on the 75%-25% split the Council's share is only £10,522 which is less than the debt we are forced to take out. The Council would like Government to review this..

Question 6: What proportion of Right to Buy applications are subsequently withdrawn in your area?

From January 2011 to January 2012 there have been 40% of applications withdrawn. 26% have been sold and 34% remain active.

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

The cost of abortive applications for last financial year is estimated at £27,000.

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

The Council has limited resources available to it to support improvements to its housing stock. The majority of improvements to Council property is funded through the Major Repair Allowance. The Council did have some resources at its disposal due to Transitional Capital Receipts and the last of this funding is being invested in improving sheltered housing schemes and that work will be finalised in 2012.

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

The Council has some concerns regarding the projections that have been made. The Council has sold eight homes in the first three quarters of this year and feels that the target of selling 20 homes in a financial year based on current discount rates is optimistic. In attempting to forecast sales at the revised discount rates, it is difficult to project these accurately. However, we do not feel that West Lancashire Council will meet the Government's target for capital receipts (example 1). Therefore the Council will not directly benefit from one for one replacement homes in our area. If these forecasts are indeed correct the Council would wish the Government to have a sympathetic approach to providing funding for new homes in this area, particularly to regenerate Skelmersdale as an area of destination where people wish to live. The Council have ambitious regeneration plans and would want to ensure that there was an adequate mix of accommodation. Also, the Council has some concerns that the income projections for us have been over-estimated and would wish these to be reviewed and amended so that there is link between the sales in the HRA Business Plan and the forecast income by the Treasury.

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

The Council have not participated in the Buyback arrangements. The Council would look at Buyback where this was appropriate in rural locations and for larger homes that

were not within its existing stock e.g. five bed or larger properties. However, the Council would wish to see Buyback count as a cost floor within the Right to Buy arrangements e.g. if we bought a property for £75,000 it could not be sold below this for at least a ten year period or where that valuation was retained as part of the capital receipt.

Question 11: Do you have any comments on this proposal?

The Council supports the cost floor principle and would go further and suggest that the cost floor should apply throughout the life of a property. The Council would be concerned in building new properties at current values where house price inflation is in some cases static or indeed negative and find that in ten years' time they could be losing a substantial investment and this could cause difficulties to the Housing Revenue Account Business Plan.

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

At the time of drafting this letter, we are in discussions with Government Office regarding the formula as we do not believe that this is correct and this paragraph will be amended in the light of those discussions.

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

The relatively low property values for most of the housing stock in West Lancashire means that it is unlikely that sufficient capital receipts will be raised locally to trigger the one for one replacement model. Therefore the Council must support the national model to ensure that replacement homes are constructed locally and that local construction industry receives some support for the local economy.

The Council does not feel it appropriate to comment on questions 14-15 which are for Housing Associations, nor question 16 which appears to be targeted at lenders.

I hope the comments of the Council are helpful and we await the Government's clarification on moving forward on reinvigorating the Right to Buy.

Yours sincerely



**R V LIVERMORE
ASSISTANT DIRECTOR
HOUSING AND REGENERATION**