

Informal Consultation on Right To Buy And One- For-One Replacement

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General

CIPFA was only recently made aware of this informal consultation and has had insufficient time to think through the detail – we are still looking at the regulations.

Nevertheless, we welcome the opportunity to comment overall on the informal consultation on Right To Buy And One-For-One Replacement.

Although this short, informal consultation is focused on local authorities, CIPFA does have some comments on the information and draft technical agreement within the consultation - in the context of the wider objectives of the Right to Buy policy we consider it important that the detail of the technical agreement does not encourage any perverse incentives. To that end we would suggest the following changes.

Paragraphs 5 and 17 of the draft agreement

This section includes a two year period during which spending must be undertaken or the receipts returned to the HCA or GLA. We suggest that a three year period – in line with HCA grant periods - would be more appropriate and less likely to involve issues of volatility and the unpredictability in authorities' spending.

Affordable rents

In Paragraph 14, reference is made to the use of charging Affordable Rents in order to maximise borrowing. What this does not take account of in the case of local authority new build is that a significant number of councils will be at the debt cap. As a result they would be unable to incur any additional borrowing. One solution would be for DCLG to issue a determination for councils in this position to enable the debt cap to be increased to cover the additional borrowing that might be required.

Interest charges

We note that the rate of interest has been deliberately set high. However, in our view, the proposed interest rate on receipts of 4% above base rate on receipts seems unduly high, and inconsistent with the more usual figure of 1 or 2 percentage points above base rate.

Abortive costs

CIPFA would welcome clarity and detail lack of clarity on how authorities may recover abortive costs – these could potentially become burdensome.

Treatment of land

In CIPFA's view, it would be desirable for land moving from an authority's General Fund to its Housing Revenue Account to be able to do so at market value and that sum then be allowed to be part of the cost of the scheme. In our view this would enable authorities to make the best use of their resources to provide replacement housing and deliver Value for Money. We feel that the agreement, as it currently stands, might prove a perverse incentive for some areas to sell land - and then buy it back.

Receipts and ALMOs

The agreement, as drafted, precludes an authority from giving RTB receipts to organisation partly or wholly owned by the authority. This likely effect of this would appear to be to restrict councils from providing through their ALMOs – and thus reduce their scope for investing in housing.

Pooling

CIPFA would welcome clarification within the agreement that the re-provision of homes will be excluded from pooling arrangements, as set out in the 'Reinvigorated Right to Buy' policy.

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