



## **UNISON's response to the consultation on the use of receipts from right to buy sales (England)**

**October 2018**

### About UNISON

UNISON is the largest UK trade union with over 1.3 million members working in health, education, local government, the police and probation services, and for thousands of private companies and voluntary sector organisations that are involved in the delivery of public services including water, energy and transport.

UNISON appreciates the opportunity to respond to this consultation, on the Government's proposals for the future use of receipts from Right to Buy sales in England.

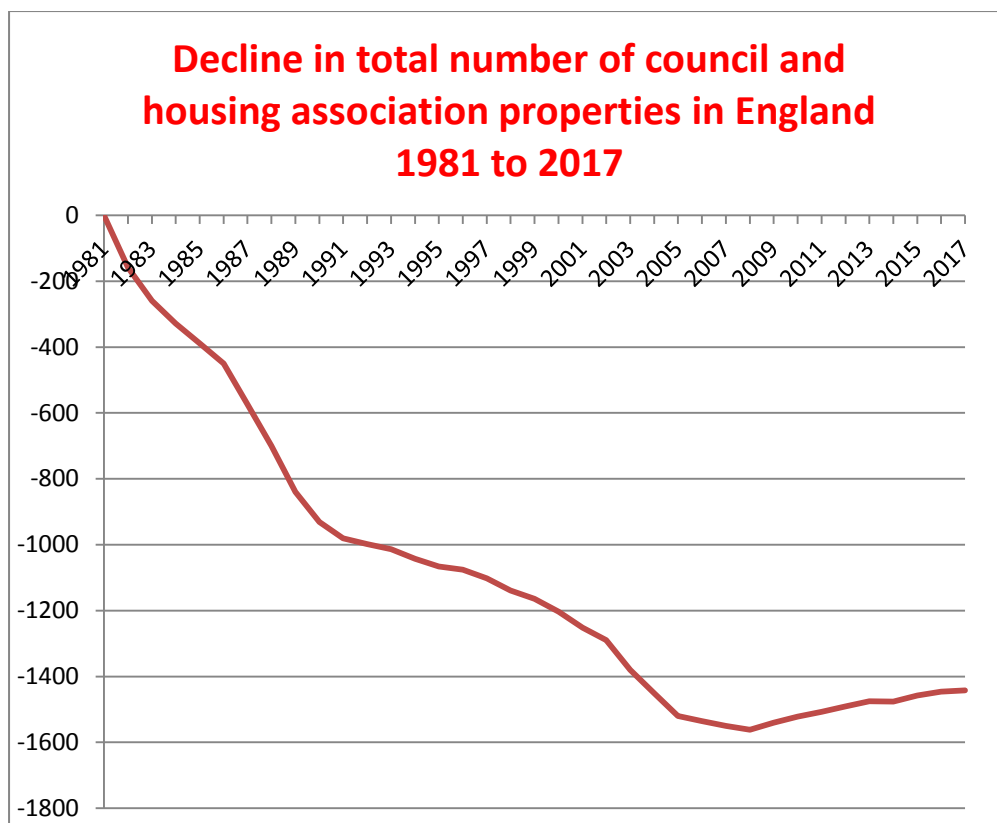
### Background

This consultation needs to be seen in the context of the huge (and growing) shortage of social rented housing.

UNISON was surprised that the government is claiming that statistics published in March 2018 showed that *'the overall number of homes available for social rent has increased'*.

As can be seen in the following graph, based on statistics published by MHCLG, the overall size of the social rented housing stock has been in decline since the 1980s as a consequence of various government policies including:

- the right to buy
- the demolition of council properties as part of regeneration programmes
- the sale of vacant properties
- the conversion of previously social rent properties to so-called 'affordable rent' properties when re-let



This dramatic decline in the number of social housing properties has occurred while the population in England<sup>1</sup> has grown. It increased by 8.8 million between 1981 and 2017 (from 46.82 million to 55.62 million).

In 1981 30% (5.488 million out of 18.018 million) of homes were in the social rented sector. In 2017 that figure was less than 17% (4.046 million out of 23.950) of homes<sup>23</sup>. Another way of illustrating the scale of the problem is that there would be 7.185 million homes in the social rented sector if the proportion of the overall housing stock devoted to social housing had been maintained at 30%.

In 2012 the government raised the maximum discounts that could be obtained under the right to buy.

It said, at the time, *'we are matching this with a commitment that, for every additional home bought under Right to Buy, a new affordable home will be built'*<sup>4</sup>.

The government allowed a three year period (gap) between the right to buy sale and the date that the 'new affordable home' would be built.

Local authorities were not free to use the additional capital receipts that would flow from the sales generated by the increased discounts. Various constraints introduced by the government, including the requirement that receipts could fund no more than 30% of the cost of the replacement

<sup>1</sup> ONS mid year population estimates

<sup>2</sup> MHCLG live table 104

<sup>3</sup> 4.046 million council and private registered provider properties so will include properties let on 'affordable' instead of social rents

<sup>4</sup> Laying the Foundations, A Housing Strategy for England, November 2011

It was disappointing that the media reported that ‘*Housing minister Dominic Raab has blamed councils for the government missing its target of replacing every council house sold through the right-to-buy.*’<sup>5</sup>

This consultation paper appears to do the same.

As Table 1 below shows, with the exception of Q1 2012/13 there is not a single quarter where the level of starts and acquisitions is more than the level of ‘additional’ homes sold following the increase in discounts. It was inevitable that the commitment could not be met in those circumstances.

Table 1 Actual and estimated RTB sales, starts and acquisitions, with a without the three year period (gap) between sale and replacement.

		Actual RTB sales	Estimated without RTB enhancement	Additional	Additional cumulative	Starts and acquisitions	Starts and acquisitions cumulative	Starts and acquisitions vs additional cumulative with no gap	Starts and acquisitions vs additional cumulative with 3 year gap
2012/13	Q1	442	722	-280	-280	24	24	304	
	Q2	1041	722	319	39	136	160	121	
	Q3	2011	722	1289	1328	80	240	-1088	
	Q4	2450	722	1728	3056	341	581	-2475	
2013/14	Q1	2181	845	1336	4392	122	703	-3689	
	Q2	2846	845	2001	6393	303	1006	-5387	
	Q3	2853	845	2008	8401	505	1511	-6890	
	Q4	3381	845	2536	10937	821	2332	-8605	
2014/15	Q1	2849	948	1901	12838	801	3133	-9705	
	Q2	2847	948	1899	14737	723	3856	-10881	
	Q3	3288	948	2340	17077	625	4481	-12596	
	Q4	3321	948	2373	19450	1311	5792	-13658	
2015/16	Q1	2779	987	1792	21242	353	6145	-15097	6425
	Q2	2941	987	1954	23196	630	6775	-16421	6736
	Q3	3250	987	2263	25459	428	7203	-18256	5875
	Q4	3276	987	2289	27748	994	8197	-19551	5141
2016/17	Q1	3389	997	2392	30140	714	8911	-21229	4519
	Q2	3255	997	2258	32398	1417	10328	-22070	3935
	Q3	3470	997	2473	34871	1087	11415	-23456	3014
	Q4	3313	997	2316	37187	1552	12967	-24220	2030
2017/18	Q1	2814	1007	1807	38994	980	13947	-25047	1109
	Q2	2869	1007	1862	40856	977	14924	-25932	187
	Q3	3060	1007	2053	42909	1453	16377	-26532	-700
	Q4	2722	1007	1715	44624	1534	17911	-26713	-1539

<sup>5</sup> Local Government Chronicle, 29 March 2018

## General

### Replacing the social rent housing stock

There is an urgent need to increase the housing stock that is let on social rents. The stock that has been lost is more likely to have been larger properties, houses with gardens, bungalows, and lower level flats and maisonettes, and the new social housing stock that has been developed is more likely to have been smaller in space standards and in the number of bedrooms and more likely to be flats rather than houses.

One of the consequences is that local authorities are less able to meet the needs of households accepted as homeless, resulting in an increase in the use of temporary accommodation and less able to meet the needs of people with a disability, those with specific medical needs, those fleeing domestic violence and others who urgently need to move for reasons such as the threat of serious harassment.

It is noteworthy that the 2012 proposal only sought to replace the additional homes lost as a result of increasing discounts rather than ensuring all homes lost as a result of the right to buy were replaced. Implicit in that approach was an acceptance that the number of socially rented homes would continue to decline.

### Right to Buy receipts

SI 2003/3146 requires local authorities to pay 75% of the right to buy capital receipts (from the disposal of a dwelling) to the Secretary of State, retaining the remaining 25% to support their capital programmes.

The government could consider amending that requirement so that local authorities pay a much smaller proportion of the capital receipt to the Secretary of State (e.g. reducing the percentage to 50% would add an additional £1bn/annum to resources available) and it is disappointing that that option is not being considered.

### **Quarterly Right To Buy receipts, England, Q1 2012-13 to Q4 2017-18,£ millions.<sup>6</sup>**

	Q1	Q2	Q3	Q4	Total
2012-13	24	61.2	125	157.6	367.9
2013-14	130.8	180.2	196.8	243	750.7
2014-15	212.4	210.5	247.5	260.6	930.9
2015-16	223.2	230	259	273.2	985.4
2016-17	285	279.4	292.3	271.9	1,128.7
2017-18	242.2	243.4	258	224.9	<b>968.5</b>

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<sup>6</sup> MHCLG, Right to Buy Sales, Housing Statistical Release, June 2018

Local authority housing capital programmes require capital expenditure on planned maintenance, major repairs and improvements, the refurbishment of existing stock, the conversion of existing properties and the acquisition and or development of new accommodation.

Delivering capital programmes will often require the combined use of resources from different sources and at a time when capital resources have been restrained delivering the replacement of housing stock sold under the right to buy has become more difficult and complex, especially when those homes are often developed through a third party and not directly by the local authority.

Since the consultation was published the government has announced its intention to lift the cap on HRA borrowing.

### The localism contradiction

Alongside the publication of the Localism Bill in December 2010, DCLG published *Decentralisation and the Localism Bill: an essential guide*. Amongst the six actions for every department and every level of government, it lists:

- *To lift the burden of bureaucracy—by removing the cost and control of unnecessary red tape and regulation, whose effect is to restrict local action;*
- *To empower communities to do things their way—by creating rights for people to get involved with, and direct the development of, their communities;*
- *To increase local control of public finance—so that more of the decisions over how public money is spent and raised can be taken within communities;*

The current regulations are in stark contrast to that approach as they increase they restrict local action and reduce local control of public finances.

### Responses to specific questions posed in the consultation paper

1. The consultation paper asks for views on extending the time limit for spending Right to Buy receipts from three years to five years for existing receipts but keeping the three-year deadline for future receipts.

### Response

UNISON argues that the time limits should be removed and that local authorities are best placed to decide how and when that expenditure is incurred. Given that, the proposal to extend the time limit is supported to ensure that local authorities retain existing receipts.

2. The consultation paper asks for views on allowing flexibility around the 30% cap in the circumstances set out below, and whether there are any additional circumstances where flexibility should be considered.

At paragraph 16 it says the Government is therefore considering allowing greater flexibility in the following circumstances:

a) Increase the cap to 50% of build costs for homes for social rent in areas where authorities meet the eligibility criteria of the Affordable Homes Programme and can demonstrate a clear need for social rent over affordable rent; and

b) Allow local authorities to “top-up” insufficient Right to Buy receipts with funding from the Affordable Homes Programme up to 30% of build cost for affordable rent, or 50% of build costs for social rent where authorities can demonstrate a need for social rent, with bids for top-up to be submitted to the Affordable Homes Programme.

#### Response

UNISON argues that the current framework amounts to *unnecessary red tape and regulation, whose effect is to restrict local action*. Local authorities are already working with scarce resources and should be relied on to make prudent and responsible decisions in the interests of their local communities. Local authorities should have full flexibility. The requirement to ‘*demonstrate a clear need for social rent over affordable rent*’ is unnecessary

3. The consultation paper asks for views on restricting the use of Right to Buy receipts on the acquisition of property and whether this should be implemented through a price cap per unit based on average build costs.

#### Response

UNISON argues that this is another example of how the current framework amounts to *unnecessary red tape and regulation, whose effect is to restrict local action*. The most effective course of action for a local authority faced with significant levels of homelessness may be to acquire properties as part of their strategy, alternatively it may form part of strategy that is also designed to address the re-generation of areas with low or no homelessness. Acquisition may not be a cost effective option. It should be for local authorities to determine the most effective strategy given their own local circumstances. Local authorities should have full flexibility. The requirement to comply with a ‘*price cap per unit based on average build costs*’ is unnecessary

4. The consultation paper asks for views on allowing local authorities to use Right to Buy receipts for shared ownership units as well as units for affordable and social rent.

#### Response

This proposal would further undermine the need to increase the number of social rented homes and is not supported.

5. A) The consultation paper seeks views on allowing the transfer of land from a local authority’s General Fund to their Housing Revenue Account at zero cost.

#### Response

Local authorities have fiduciary responsibilities to council taxpayers and such a proposal would appear to be in conflict with that statutory duty.

5. B) The consultation paper then seeks views on how many years land should have been held by the local authority before it can be transferred at zero cost, and whether this should apply to land with derelict buildings as well as vacant land.

Response

As above

6. The consultation paper seeks views on whether there are any circumstances where housing companies or Arm's-Length Management Organisations should be allowed to use Right to Buy receipts.

Response

Right to buy receipts are generated through the sale of council homes and they need to be reinvested in the existing stock or in the creation of additional stock to let at social rents.

7. The consultation paper seeks views on allowing a short period of time (three months) during which local authorities could return receipts without added interest

Response

UNISON argues that the current framework of charging interest at 4% above base rate is another example of the *unnecessary red tape and regulation, whose effect is to restrict local action* and that it is not consistent *increasing local control of public finance*. UNISON argues that this penalty exists because the government has failed to ensure that there are adequate resources for the new social rent housing that is needed.

8. Do you have any other comments to make on the use of Right to Buy receipts and ways to make it easier for local authorities to deliver replacement housing

Response

UNISON argues that the need for social rent housing is such that the government needs to take a range of steps that will a) protect the existing social rent housing stock and prevent a further reduction; b) support the decision to remove the HRA borrowing cap with grants that will ensure that the scale of additional provision that is needed – estimated at 90,000 new social rent homes per year, can be delivered. As such the proposals in this consultation paper are contrary to the governments stated localism agenda and insufficient to address the issue the consultation paper says they are designed to address.

9. Should the Government focus be on a wider measurement of the net increase in the supply of all social and affordable housing instead of the current measurement of additional homes sold and replaced under the Right to Buy? If the target were to change, we would welcome your views on what is the best alternative way to measure the effects of Government policies on the stock of affordable housing.

Response

UNISON argues that the government should focus on increasing the supply of socially rented housing. It is not just the number of homes that are available for social rent but their size, the space standards that they offer, the type and range of home, the extent to which they meet the needs of specific groups such as the disabled and elderly, young families etc.

There are numerous ways in which the effects of government policies could be measured such as falls in the numbers in temporary accommodation, an increase in the number of social rent homes both numerically and as a proportion of the overall housing stock.

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