

Right to Buy and one-for-one replacement: draft agreement

Comments of the Association of Retained Council Housing

- 1 ARCH (the Association of Retained Council Housing) represents councils which own and manage housing. These are the Association's comments on the draft agreement on the retention and use of additional capital receipts arising from the Right to Buy.
- 2 We are concerned that the draft agreement, as proposed, is unnecessarily restrictive and will inhibit the ability of councils to plan and develop schemes which contribute to the creation or continuation of sustainable communities and represent good value for money over the lifetime of the dwellings provided. In addition, it is likely to distort their choices between investing through housing associations and providing directly. To the extent that it does so, it will also constrain the ability of councils to ensure an appropriate mix of social and affordable rent housing in their areas.
- 3 Our principal objection is to the requirement that receipts should be used within two years of arising, particularly at the start of the agreement. For most ARCH councils, self-financing and receipt retention provide the first opportunity to develop new council housing for many years. They need time to put arrangements in place. In a typical example, the council will need time to identify sites, evaluate their development potential, and obtain planning permission. Appointment of a development agent and procurement of works will also normally be subject to EU procurement processes. These steps must all be taken before any work can start on site.
- 4 The agreement will only apply to receipts additional to those already assumed in the self-financing agreement, and it is at this point in time impossible to predict with any certainty what volume of additional receipts, if any, is likely to arise during the year ahead. It would be imprudent of councils to commit substantial resources to these preparatory activities before it is clearer what volume of receipts is likely to be available for reinvestment.
- 5 Unnecessary complexity is introduced into the arrangements by the requirement of a quarterly calculation when "additional" receipts will arise only in the latter part of each year. An agreement based on an annual calculation would be simpler and fairer.
- 6 Given the level of uncertainty surrounding the volume of future receipts for reuse, and other parameters of the arrangements, the choice of a penal interest rate to discourage councils from holding receipts is inappropriate. Councils may in all good faith hold receipts with the intention of reinvesting them in new developments, in the expectation of a further contribution to scheme costs from future receipts which do not arise.

7 We are happy to clarify or expand these comments as necessary. Please contact

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