



**PRESS RELEASE**

**10th October 2011**

### **Self-financing jeopardised by Right to Buy changes, says ARCH**

The Association of Retained Council Housing (ARCH) has expressed concern about what latest announcements on Right to Buy (RTB) could mean for housing finance reform.

As yet there is no detail on either discount rates or pooling arrangements which will determine the impact of this change. ARCH is concerned that the Government's new RTB proposals may jeopardise plans for councils to take local control of housing resources and make long term business plans.

ARCH has campaigned for the Housing Revenue Account subsidy system to be replaced with a fairer funding system and its members are preparing to implement the new self-financing model in April 2012. While pleased that members will be able to retain income from rents under the new system in exchange for taking on high levels of debt, ARCH has previously argued against the pooling of RTB receipts. This is now a much greater concern following Prime Minister David Cameron's announcement that his Government will be raising discounts available to tenants who want to buy their homes and promoting up to 100,000 sales nationally.

ARCH secretary John Bibby, director of housing and community services at Lincoln City Council, commented: 'Stock retaining authorities agreed to take on billions of pounds of debt collectively in exchange for local control of local resources. We have spent months consulting our communities, putting Business Plans in place and balancing the books based on debt and RTB levels. With just five months to go, that is now thrown up in the air.'

ARCH is delighted that the Prime Minister has given a commitment to replace any social rented stock sold under the RTB on a one for one basis and looks forward to further announcements on how this is to be funded.

At present councils can only keep 25% of receipts from the sale of council houses. Drawing upon figures from his own authority, Mr Bibby said: 'After allowing for current discounts and pooling of capital receipts the City Council received only £16,800 from the recent sale of a three bed roomed council

house. I would question how my council could build a new three bedroom house for £16,800 to replace the one sold under the RTB. The only way this might have a chance to work would be if councils are allowed to keep 100% of RTB receipts and even then it might not be possible.' He added: 'There may well still be debt outstanding on the RTB properties sold and if government increases discounts then the capital receipts available to the council will fall even further. The debt settlement under self-financing already assumes that the 25% RTB receipt will be used for re-investment in the existing stock to deliver Decent Homes.'

Brian Reilly, deputy director of housing at the London Borough of Wandsworth, said: 'At my own authority we are aware of the benefits of RTB in delivering mixed and sustainable communities . However, there is a real risk to self-financing if receipts are pooled centrally. To enable self-financing to operate in the spirit of local control in which it was conceived, it is clearly beneficial for 100% RTB receipts to be retained by councils. . This is a key element of any effective asset management strategy and is even more significant should increasing numbers of RTB sales take place at higher discount rates.'

**For further information**

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**Editors' Notes**

The Association of Retained Council Housing (ARCH) was set up by councils whose tenants have chosen their local authority as their landlords. It provides a collective voice for stock retained authorities and their tenants and residents across England.