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Document Title	Scottish Govt Consultation on Right to Buy

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Additional information:

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Designation	Ex Dir - Services for Communities
Date	03/09/12

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REPORT TO: Members' Library Service

MEETING DATE:

BY: Executive Director of Communities

SUBJECT: Scottish Government Consultation on the Future of Right to Buy

1. PURPOSE

- 1.1. To advise Cabinet of the proposals being consulted on by the Scottish Government to make further restrictions to Right to Buy (RTB).

2. RECOMMENDATIONS

- 2.1. Cabinet is asked to note the contents of this report and the Council's response to the proposals set out in the Consultation Paper, as detailed in the attached Appendix 1.

3. BACKGROUND

- 3.1. RTB legislation contains a complex range of entitlements broadly as follows:

RTB entitlements over current home from before 30 Sept 2002

- Preserved RTB
- Two year qualifying period
- Houses - discount starts at 32% of MV, rising 1% per year up to 60%. Flats - discount starts at 44% of the MV rising at 2% per year up to 70%.

RTB gained after 30 Sept 2002

- Modernised RTB
- Five year qualifying period
- Discount starts at 20% of MV, rises by 1% per year up to 35% or £15,000.

- Pressured area status designation suspends modernised RTB. East Lothian (excluding Haddington Town and Tranent Town) was designated a pressured area in March 2011, with modernised RTB suspended for five-year period.

Tenant entering sector after March 2011 and new supply

- RTB ended for new tenants entering sector after 1 March 2011
- RTB ended for new supply built or acquired after 25 June 2008 where the tenancy was created after 1 March 2011

3.2. The Scottish Government consultation proposes making further restrictions to RTB. The main proposals are to:

1. Reduce preserved RTB discounts to modernised RTB levels (max discount of £15k); or
2. Abolish RTB altogether.

The consultation seeks views on the preferred option and a range of other issues including the treatment of amenity housing and extending current suspensions for RSL stock.

- 3.3. Over the years changes to RTB have resulted in a complex range of entitlements which are difficult for tenants to understand and complicated to administer. The range of existing entitlements is also inherently unfair as the availability and level of discount depends purely on when the tenant entered the sector. There is a desire for harmonisation, clarity and simplification.
- 3.4. The consultation does not propose making changes to the existing Right to Sell which local authorities can use to dispose of stock as part of its strategic planning. The Right to Sell can be used to sell properties at market value to sitting tenants or on the open market when void. Currently Ministerial consent.
- 3.5. East Lothian Council's response states that any decision on further changes to RTB should be considered in terms of the other options being proposed to enable people to enter in to the housing market and the investment being proposed by the Scottish Government in new house building.

4. POLICY IMPLICATIONS

- 4.1. There are no policy implications arising from this report.
- 4.2. If further restrictions to RTB are introduced there would be financial implications resulting from the loss of receipts, particularly in the short term. This could result in restrictions in future investment or contribute to rent increases. The Scottish Government analysis suggests that the long term impact is likely to be at worst neutral.

5. EQUALITIES IMPACT ASSESSMENT

- 5.1. This Report is not applicable to the wellbeing of equalities groups and an Equalities Impact Assessment is not required.

6. RESOURCE IMPLICATIONS

- 6.1. Financial – None.
6.2. Personnel – None.
6.3. Other – None.

7. BACKGROUND PAPERS

- 7.1. Consultation Paper on the Future of Right to Buy in Scotland can be accessed at <http://www.scotland.gov.uk/Publications/2012/06/7065>.
7.2. Appendix 1 Attached - East Lothian Council response.

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DESIGNATION	Head of Housing and Environment
CONTACT INFO	Catherine Johnson – Ext 7390
DATE	5 September 2012

The Future of Right to Buy in Scotland



RESPONDENT INFORMATION FORM

Please Note this form **must** be returned with your response to ensure that we handle your response appropriately

1. Name/Organisation

Organisation Name

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Title Mr Ms Mrs Miss Dr Please tick as appropriate

Surname

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Forename

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3. Permissions - I am responding as...

Individual

Group/Organisation

Please tick as appropriate

(a) Do you agree to your response being made available to the public (in Scottish Government library and/or on the Scottish Government web site)?

Please tick as appropriate Yes No

(b) Where confidentiality is not requested, we will make your responses available to the public on the following basis

Please tick ONE of the following boxes

Yes, make my response, name and address all available

or

Yes, make my response available, but not my name and address

or

Yes, make my response and name available, but not my address

(c) The name and address of your organisation **will be** made available to the public (in the Scottish Government library and/or on the Scottish Government web site).

Are you content for your **response** to be made available?

Please tick as appropriate Yes No

(d) We will share your response internally with other Scottish Government policy teams who may be addressing the issues you discuss. They may wish to contact you again in the future, but we require your permission to do so. Are you content for Scottish Government to contact you again in relation to this consultation exercise?

Please tick as appropriate Yes No

CONSULTATION QUESTIONS

1. Do you agree that further restrictions to the right to buy are needed?

Yes No

East Lothian Council currently has Pressured Area Status (PAS) which covers the majority of stock where tenants have modernised RTB. While consulting on proposals to apply for PAS designation there was recognition of the housing pressure in East Lothian among tenants and broad support for moves to restrict RTB as a means of protecting social housing stock.

East Lothian Council also recognise that RTB receipts have enabled the council to invest in the current housing stock and progress towards meeting the Scottish Housing Quality Standard while restricting rent increases. Any further restrictions on RTB would have the effect of limiting asset sales, either restricting future investment or contributing to rent increases particularly in the short term.

2. Do you agree with the proposal to end the right to buy altogether?

Yes No

East Lothian Council is supportive of initiatives which assist aspiring homeowners to purchase a home. One of the issues relating to RTB is that it provides discounts (or financial incentive) based on when the tenancy commenced but no other household circumstances are taken into account, such as household income. Consideration should be given to alternative schemes which can better target resources to support households to purchase either on the open market or through shared equity.

3. If so, what notice period should we give?

Two Years Three Years Five Years Other

4. Do you agree with the proposal to move all those with a preserved entitlement onto modernised terms?

Yes No

Those tenants with preserved RTB entitlements have had a considerable amount of time to consider purchasing their property and while a small number of preserved RTB sales continue it is likely that the majority of those who wish to purchase, and are able to, have already done so.

The notice period for moving tenants with preserved RTB entitlements to modernised terms would not require to be as long as if RTB were ended altogether.

5. If so, what notice period should we give?

Two Years Three Years Five Years Other

6. Which option do you prefer?

Ending right to buy moving from preserved to modernised

This decision would need to be considered in terms of the other options being proposed to enable people to enter in to the housing market and the investment being proposed by the Scottish Government in new house building.

7. Do you think there would be any unexpected issues with either option?

Yes No

There are clearly a number of issues which must be taken into consideration with both options, particularly in relation to the financial implications and potential surge of applications (which would be likely to have resource implications). However, these issues would not be entirely unexpected.

East Lothian Council does have some concern around future PAS designations should the option to end preserved RTB and move all tenants to modernised terms be pursued. East Lothian's current PAS designation is due to end in March 2016. If the Bill were to be enacted in 2015 it is entirely likely that the council could be consulting with tenants on the possibility of redesignating PAS during the notice period for moving all tenants to modernised terms. This would be extremely confusing for tenants and could have severe implications on the validity of any such consultation exercise.

The differing position in relation to RTB in Scotland and England could create further confusion for tenants if further restrictions are placed on RTB in Scotland. RTB in England is being further expanded and it is possible that the media reporting of Westminster policy as the position across the UK could be confusing for tenants in Scotland. It is important that there is a clear media strategy employed to ensure the differences between RTB in Scotland and England are fully understood by the media, politicians and housing professionals north and south of the border.

8. What financial effect would our proposed changes have on social landlords, particularly over the longer term?

East Lothian Council would see a significant reduction in asset sales as a result of further restrictions on RTB. Current RTB sales generate around £1m per annum in receipts which is reinvested in the housing stock (in the

year prior to PAS designation receipts were around £2m). Any further restrictions on RTB would have the effect of limiting asset sales, either restricting future investment or contributing to rent increases particularly in the short term.

9. What steps could landlords take to reduce any negative effects?

No comment

10. Do you support the proposal to repeal section 69 and delegate decision-making to landlords?

Yes No

East Lothian Council considers that the current definition of 'amenity' is no longer fit for purpose and should be reviewed.

In line with other policies such as PAS designation, the council is supportive of moves to provide landlords with the flexibility to decide which properties (or property attributes) should be exempt from RTB if it is not abolished. Guidance should be provided to ensure decisions are made consistently.

11. Do you have any views on the 10-year suspension and possible future changes ?

12. Are there any other right-to-buy issues which you think should be tackled?

Yes No

East Lothian Council also proposes that in line with PAS and other moves to provide local authorities with greater flexibility and control, a requirement for ministerial consent should be removed from arrangements regarding voluntary sales. New guidance should be issued which enables local authorities to pursue voluntary sales where it demonstrates a strategic fit and is supported by the council's Local Housing Strategy.

13. What groups do you think would be affected – positively or negatively – by the proposed reforms?

Individual older tenants are particularly likely to be negatively affected by the proposed reforms as they are more likely to have preserved RTB entitlements and therefore will lose an existing right. Individual older and disabled tenants could also be negatively affected if RTB is not abolished but local authorities restrict the sale of properties which are suitable for particular needs as they would lose an existing right.

14. What could we do to avoid any negative effects?

No comment

15. Do you have any comments on the partial Equalities Impact Assessment?

No comment

16. Do you have any views on the effect these proposals may have on your business?

No comment

17. Do you have any comments on the partial Business and Regulatory Impact Assessment?

No comment