

## Appendix 2 Right to Buy receipts – 1 for 1 replacements

New Right to Buy (RtB) discounts and proposals for re-investing the capital receipts came into effect from April 2012. The new regulations gave tenants an additional incentive to execute their RtB, as the maximum allowable discount increased from £34,000 to £75,000 (now £77,000). From July 2014 the maximum discount available increased to 70% on all property types.

The decision to re-invigorate Right to Buy came too late to be captured in the calculations for the self financing settlement. Central government had assumed a certain level of RtB sales when calculating the settlement figure, based on the actual sales from previous years. The model assumed sales of between 6 and 9 units per year for Central Bedfordshire Council for the years 2012/13 to 2016/17, but in reality the following picture has emerged:

Year	RtB Sales assumed in Settlement	Actual RtB Sales
2012/13	6.64	19
2013/14	7.77	30
2014/15	8.72	28

For calculation purposes the Department for Communities and Local Government (DCLG) have used this differential to determine how much extra in capital receipts has been received as a result of the changes to RtB discounts.

The Council had the option of either entering into an Agreement with the Secretary of State to use these extra receipts to increase the stock of social housing for rent, or transferring these sums on a quarterly basis to DCLG for them to redistribute. The Council took the first option, and entered into such an Agreement on 31 August 2012. Under this agreement, receipts arising from additional RTB sales can be retained provided the authority spends a sufficient level of resources on replacement social housing within certain timeframes.

Replacement social housing can be new build council homes, newly acquired council homes (ie existing homes bought on the open market) or social housing provided through local authority grant to housing associations. While it is the Government's intention to encourage an increase in the supply of new housing (new build should always be the favoured option), this does not exclude these receipts being used to buy existing properties for conversion into affordable or social rent.

The Agreement is 'light touch'; there are no conditions on the number of new homes that must be built or acquired, their type, size, location or the rent that must be charged on them.

The level of such receipts must constitute no more than 30% of "the total amount spent on the provision of social housing".

Every quarter in which it receives 1-4-1 receipts, the authority is given three years to spend those receipts on replacement social housing and lever in the

required amount of additional funding for new build or acquisition. The reason for the three-year limit is that the Government wishes to see replacement homes provided as quickly as possible.

For the first three years of the agreement, there is no requirement to return any of the 1-4-1 receipts at all. If the level of spending falls below that required to match the retained amount (i.e. £100 for every £30 retained RTB), after three years the Council will be compelled to return some or all of the RTB receipts, together with interest.

Calculations concerning repayment are complex. Interest is also incurred calculated at four percent above base rate on a day to day basis and compounded.

The table below shows the 1-4-1 receipts retained to date by Central Bedfordshire Council, together with the amounts of spend required to match these receipts to, and the dates at which that spend must be incurred:

#### Central Bedfordshire Council 1-4-1 retained amounts

Required spend dates	141 retained amount	Cumulative Amount Retained	Cumulative Spend required
	£'000	£'000	£'000
31/12/2015	116	116	386
31/03/2016	174	290	968
30/06/2016	50	340	1,135
30/09/2016	390	731	2,435
31/12/2016	136	866	2,887
31/03/2017	212	1,078	3,593
30/06/2017	175	1,253	4,178
30/09/2017	0	1,253	4,178
31/12/2017	152	1,406	4,685
31/03/2018	376	1,781	5,937

The use of these receipts is restricted to schemes that do not receive Homes and Communities Agency (HCA) funding. The Priory View project has been awarded £1.703m from the HCA, therefore the retained receipts from RtB sales reserved for new build cannot be used on this scheme.