

RIGHT TO BUY CHANGES

1. Background

- 1.1 The Right to Buy (RTB) scheme was introduced in 1980 and gives qualifying social tenants the right to buy their home at a discount. As a stock transfer authority the Council does not have any secure tenants, however tenants who transferred to Aspire Housing retain their right to buy.
- 1.2 At the end of March 2012 the Government announced its planned changes to the Right to Buy scheme taking effect on 2 April 2012.

2. Issues

- 2.1 Tenants must still have been public sector tenants for 5 years before they qualify for the Right to Buy, as our tenants transferred in 2000 they will all continue to qualify.

Current unchanged discount rates are:

- for houses: 35% of the property's value plus 1% for each year beyond the qualifying period up to a maximum of 60%;
- for flats: 50% plus 2% for each year beyond the qualifying period up to a maximum of 70%.

- 2.2 The changes to the RTB scheme primarily increases the discount cap to £75,000, allowing an even greater number of people to realise their aspiration of home ownership. Importantly this really only affects higher value areas where the discounts take the value of the discount up to £75,000.

3. Examples of RTB Receipts

- 3.1 The table below illustrates the financial aspect of a RTB before the changes were made with the 2011/12 maximum discount.

<u>RIGHT TO BUY 2011/12 example, where the property was valued at £90,000 And a Maximum Discount Of £26,000 Was Given</u>		
	£	£
Sale Receipt		64,000
Less Aspire share -		
Rent Foregone (fixed sum as per schedule)	9,007	
Allowance conveyancing/valuation costs (as per agreement)	1,000	
Increase in RPI from Jan 1998 to date	3,664	
		13,671
NBC share of RTB receipt		50,329
In addition Aspire Housing is invoiced separately for legal costs of each sale (currently £160 + VAT) and £7 bank charge is deducted from every separate sale transfer.		
The Maximum discount last year before the changes was £26,000.		

APPENDIX B

- 3.2 The table below illustrates how the same property would result in less receipts in 2012.

<u>Hypothetical example of RIGHT TO BUY where the house is valued at £90,000 and if the proposed maximum discount* of £54,000 Was Given</u>		
	£	£
Sale Receipt		36,000
Less Aspire share -		
Rent Foregone (fixed sum as per schedule)	9,007	
Allowance conveyancing/valuation costs (as per agreement)	1,000	
Increase in RPI from Jan 1998 to date	3,664	
		13,671
NBC share of RTB receipt		22,329
In addition Aspire Housing is invoiced separately for legal costs of each sale (currently £160 + VAT) and £7 bank charge is deducted from every separate sale transfer.		
* The maximum discount is 60% for a house which will be activated when the tenant has lived their for 30 years		

The table below shows how a flat with the same value would be discounted if the tenant was eligible for the maximum discount.

<u>Hypothetical example of RIGHT TO BUY where the flat is valued at £90,000 and if the proposed maximum discount* of £63,000 Was Given</u>		
	£	£
Sale Receipt		27,000
Less Aspire share -		
Rent Foregone (fixed sum as per schedule)	9,007	
Allowance conveyancing/valuation costs (as per agreement)	1,000	
Increase in RPI from Jan 1998 to date	3,664	
		13,671
NBC share of RTB receipt		13329
In addition Aspire Housing is invoiced separately for legal costs of each sale (currently £160 + VAT) and £7 bank charge is deducted from every separate sale transfer.		
* The maximum discount is 70% for a flat which will be activated when the tenant has lived their for 15 years		

4. **Conclusion**

- 4.1 It is still too early to estimate how these changes will impact on RTB. The changes may encourage more people to buy their home, however the current economic climate may mean that in the next few years this will be minimised.