

## Key Changes to Right to Buy

Policy	Previous Policy	New Policy from 2 April 2012
<b>Discount Rates &amp; Cap</b>	<p>Current discount rates are:</p> <ul style="list-style-type: none"> <li>• for houses: 35% of the property's value plus 1% for each year beyond the qualifying period up to a maximum of 60%;</li> <li>• for flats: 50% plus 2% for each year beyond the qualifying period up to a maximum of 70%.</li> </ul> <p>Tenants must have been public sector tenants for 5 years before they qualify for the Right to Buy</p> <p>In practice, most Right to Buy discounts were limited by caps, for Tamworth this cap was £26,000.</p>	<p>The discount cap has been increased to £75,000.</p> <p>Discount rates have not changed and tenants will still need to have been public sector tenants for 5 years.</p>
<b>Use of Right to Buy Receipts</b>	<p>Subject to the deductions mentioned below, 75% of the receipts were paid to HM Treasury ("the poolable amount") and the remaining 25% were retained by local authorities.</p>	<p>After calculating transaction costs and compensating authorities for loss of income above what has been covered in the self-financing settlement, HM Treasury and local authorities will receive the amounts they would have expected to receive, had the policy on Right to Buy remained unchanged.</p> <p>Authorities can enter into an agreement to retain any receipts remaining after all allowable deductions have been made, provided that these receipts are spent on the provision of replacement affordable rented homes. The retained receipts cannot constitute more than 30% of the total investment in such homes and if after 3 years any of the receipts have not been used for this purpose the authority will be required to repay the unused sums to the Secretary of State together with interest. Authorities will have the option to repay retained receipts early (and therefore incur less interest) if they decide they would not be able to incur sufficient investment within the time period. Any receipts returned to the Secretary of State will be given to the HCA for investment by them.</p>

<b>Administration Costs</b>	For the purposes of calculating the poolable amount, local authorities were able to deduct the actual transaction costs of successful sales from Right to Buy receipts, but there was no allowance for costs relating to Right to Buy applications which did not result in a sale.	A flat rate allowance has been set with regard to the 40th percentile of costs achieved by councils over the last 3 years, and includes a 50% uplift for withdrawn applications.  For Tamworth this allowance is £1,300.
<b>Buy Back</b>	Councils could Buy Back former council properties and claim around 50% of the costs from their total Right to Buy receipts.	The Buy Back facility has been retained, allowing councils to claim up to 50% of the value of each property bought - up to a total of 6.5% of the value of net Right to Buy receipts (after administration costs, debt and assumed income). 6.5% is around the average level of Right to Buy receipts retained by local authorities for Buy Back over the last three years
<b>Cost Floor</b>	Section 131 of the Housing Act 1985 (the cost floor) limits the Right to Buy discount to ensure that the purchase price of the property does not fall below what has been spent on building, buying, repairing or maintaining it over a certain period of time (relevant expenditure).	The period of time the cost floor covers is increased from 10 to 15 years for new homes subject to Right to Buy, bringing rules for councils into line with those for Housing Associations and protecting initial investment in the housing. The option for councils to apply for an exemption from pooling receipts for new homes built in future is also retained.