

# **MHCLG: Use of receipts from Right to Buy sales consultation**

**A Submission by:**

**The Chartered Institute of Public  
Finance and Accountancy**

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**CIPFA, the Chartered Institute of Public Finance and Accountancy**, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

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## 1. Executive Summary

1.1 In this submission, CIPFA has made comments and recommendations across three areas;

- Time limits on the spending of receipts
- Freedoms and flexibilities at a local level
- Accounting implications

These recommendations are made against a background of increasing austerity within the public sector. They focus on achieving greater effectiveness and value for money by encouraging longer-term planning, and greater financial stability.

1.2 CIPFA believes the local authority housing sector has struggled to compete with other housing providers for funding and we welcome change that improves capacity to deliver. Our research "Investing in Council Housing"<sup>1</sup> made a series of recommendations aimed at restoring the potential that was created by the 2012 settlement to allow local authorities to build and we still support this policy.

1.3 CIPFA backs the delivery of local solutions for public services and argues that Local Authorities are best placed to decide and deliver on solutions at that level.<sup>2</sup> This may be through a combination of approaches including partnership with both housing associations and/or the private sector but the funding framework should not disadvantage local authorities.

1.4 We have welcomed the Government's comments within the Green paper<sup>3</sup> regarding the new borrowing flexibilities and the decision not to implement the sales of high value assets to supplement right to buy discounts for housing associations.

1.5 CIPFA has commented on this consultation within the context of the current right to buy framework. However, CIPFA would encourage Government to review this policy and consider letting councils retain all of the money from sales and consult on giving councils flexibility around levels of discount and exclusion where this is the right local choice. Housing challenges are not the same throughout the country and national policy solutions may not always offer a solution.

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<sup>1</sup> CIPFA and CIH investing in Council Housing 2016

<sup>2</sup> CIPFA Thinks Report: [Aligning Local Public Services](#), 2016

<sup>3</sup> A new Deal for Social Housing Cm 9671 2018

## **2. Time limits on the spending of Receipts**

2.1 The extension to the time limit for spending Right to Buy receipts from three years to five years for existing receipts is welcomed. The time scales for building properties can vary and this additional flexibility is a recommendation that recognises this.

2.2 CIPFA notes that the Government is not minded to extend the three year deadline for all the receipts. However, we would consider that a five year deadline for all receipts would provide greater consistency and would not adversely affect the Government's ambition to deliver replacement properties quickly.

## **3. Freedoms and flexibilities at a local level**

3.1 The consultation seeks views on a number of areas that we have grouped under this response heading. Those areas are:

- Cap on expenditure per replacement unit
- Use of receipts for acquisition
- Tenure of replacement
- Changing the way the cost of land is treated

3.2 These proposed changes are welcome as they provide an increase in flexibility for councils. However, the question must be whether the degree of flexibility within this consultation paper (even if all the recommendations are agreed) will be sufficient to provide the homes needed.

3.3 CIPFA considers that local authorities should be afforded greater freedoms and flexibilities to provide local homes. They should have freedoms around the use of receipts and be allowed to make local decisions around investment in housing. For many years investments in other areas of local government have been successfully made within the CIPFA Prudential Code.<sup>4</sup> We continue to argue that the housing crisis will not be solved unless local government is allowed to play a leading role in the supply of housing.<sup>5</sup>

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<sup>4</sup> CIPFA Prudential Code 2017

<sup>5</sup> Financing English Devolution Independent Commission on Local government Finance 2015

#### **4. Accounting Implications**

- 4.1 CIPFA encourages strong financial management and supports a finance system where financial resources are planned, directed and controlled to enable and influence the efficient and effective achievement of public service outcomes. It supports transparency and accountability to the public who have an interest in knowing how their taxes are spent.
- 4.2 CIPFA does not consider that these recommendation will have substantial accounting implications but have made three observations. We are happy to discuss these in more detail with the Department if that is required.
- 4.3 Government is considering relaxing the restrictions to allow local authorities to gift land from the general fund to their housing revenue account at zero cost. We would agree that this will make it easier for Local Authorities and as such welcome this approach.
- 4.4 The transferring of right to buy receipts to arm's length management organisation may require additional consideration as there is a different financial reporting framework to consider. Although not significant it should be noted.
- 4.5 Although not specifically an accounting issue if the proposals in paragraph 25 were to be introduced there may be an increase in the complexity around the management and monitoring of these receipts to ensure transparency.