Appendix 1

National Policy Right to Buy Receipts

1. Retaining RTB Receipts

1.2 In April 2012, the Government raised the maximum cap on RTB discounts to £75,000 and confirmed that receipts generated by additional sales resulting from the discount increases would be used to fund replacement stock on a one-for-one basis nationally.

1.3 Local authorities are able to enter into an agreement with the Government so that they can reinvest funds arising from RTB sales in new affordable housing themselves.

1.4 If an authority cannot spend the required amount within 5 years, it must send the receipts to the Department for Levelling Up, Housing and Communities (DLUHC) through a process known as Local Authority Housing Capital Receipts Pooling.

1.5 The level of an authority's additional retainable receipts in any year is the total amount of its receipts arising from RTB sales, net of the following 5 elements:

- **Transaction costs** a set amount per RTB;
- **Allowable debt** calculated to cover that part of the authority's housing debt it is obliged to pay off that is in excess of the debt its 2012 Self-Financing Payment has allowed for;
- **Local authority share** calculated to approximate to what authorities would have retained had the pre-2012 pooling system continued when they retained 25% of all net RTB receipts;
- **Treasury share** calculated to approximate to what authorities would have paid the Secretary of State had the pre-2012 pooling system continued when authorities pay over 75% of all RTB receipts; and
- **Buy-back costs** calculated to cover incrementally half the costs of buying back former council homes. Retaining additional receipts.

1.6 Any additional receipts returned by a local authority, will be passed to Homes England for them to reinvest in replacement stock. Local authorities can bid for these returned receipts by applying to Homes England.

2 Changes on spending retained receipts

2.1 From April 2021 the rules on spending retained additional receipts changed:

- Pooling of RTB receipts will take place annually, replacing the former quarterly system;
- The timeframe local authorities have to spend new and existing RTB receipts is extended from 3 years to 5 years;
- The percentage cost of a new home that local authorities can fund using RTB receipts increases from 30% to 40%;
- Authorities can use receipts to supply shared ownership and First Homes, as well as housing at affordable and social rent;
- A cap is introduced on the use of RTB receipts for acquisitions to help drive new supply with effect from 1st April 2022 and phased in over 2022-23 to 2024-25

3 How retained additional receipts can be spent

3.1 The authority may choose not to build or acquire itself but instead to grant fund another body, such as a housing association.

3.2 An authority can contract with a subsidiary (for example, its arm's length management organisation (ALMO)) to deliver homes.

4. Acquisition Cap

4.1 The cap on acquisitions will be set as a percentage of the number of homes that a local authority starts or acquires using RTB receipts each year.

4.2 The cap came into effect from 1st April 2022. From that point it will prohibit more than 50% of RTB replacements being delivered as acquisitions in financial year 2022-2023. That threshold will reduce progressively over the following 2 years from 50% to 30%, as set out below:

Year	Cap
2021-2022	None
2022-2023	50%
2023-2024	40%
2024-2025 onwards	30%

4.3 Local authorities that receive low levels of receipts from RTB sales, may find it more difficult to deliver replacement properties through new build. The first 20 units of delivery in each year will therefore be excluded from the cap for all local authorities.

5 Returning unspent retained receipts

5.1 In the fifth year DLUHC will

- determine the level of retained receipts that the authority chose to retain in the first year;
- subtract from that amount any of those receipts which it has subsequently chosen to return to the Secretary of State;
- divide the net result by 0.4; and
- the result of this calculation is added to the cumulative required expenditure for the previous year.

5.2 To avoid the calculation of a mandatory return of unused receipts, the cumulative eligible expenditure at the target date must be equal to, or greater than the cumulative required expenditure at the target date (the net retained receipts from year 1 must constitute no more that 40% of the total amount spent by year 5).

5.3 Interest is incurred from the due date of the reckonable financial year until the day the returnable amount is actually paid back. It is calculated at 4% above base rate on a day-to-day basis. Any interest paid to the Department will be used to support the provision of new affordable homes.

6 Reporting and Monitoring

6.1 A local authority that enters into an agreement will be expected to supply light-touch management information on a quarterly basis in July, October and January, and to complete an Annual Pooling Form following the end of the financial year.

5.4 All annual statistical data except the forward look on planned supply will be published as official statistics and will need to be audited and signed off by a senior official such as the s151 Officer.