

## **Governments' RTB Consultation - Curo Response**

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Curo is a Registered Provider (RP) which operates in the West of England and manages approximately 14,000 homes. Many of our homes were transferred from Bath & North East Somerset (B&NES) in 1999 with the preserved right to buy. As a result, we process a number of RTB's each year with all of the net proceeds passed to the Local Authority.

We established a housebuilding division in 2012 to address local housing needs. We are also a Homes England Strategic Partner so have direct experience of the challenges of building new homes for sale, affordable home ownership, affordable rent and social rent. As we are an RP, not a Local Authority, we are not able to answer all of the questions in the consultation but have offered our perspective, as a key stakeholder, wherever possible.

The West of England faces a significant housing crisis, with average house prices in Bath, for example, reaching 14 times the average income. In Bristol this multiple is 10 times, which is above the national average. In B&NES, where we received the stock transfer, 5,500 individuals are currently on the Council waiting list.

Since our stock transfer, in 1999, Curo has sold 1,382 properties – about 10% of our homes. These sales have resulted in a loss of £136 million in rental income. We have also generated £72 million in capital receipts, which was all transferred to the council. The total a shortfall of £208 million over the past 25 years would have, at today's rates, funded approximately 4,156 new affordable homes if the money were allowed to be reinvested.

We asked our residents for their views in relation to this consultation. Residents' views were measured and balanced. While they support the government's goal of promoting homeownership among social housing residents, they recognise the implications of selling social housing, particularly for those awaiting homes and also on the reinvestment capacity for existing homes.

There is a consensus that a sustainable model is needed and that the current model requires an overhaul, enabling those who can afford to buy to do so while also ensuring that the replacement of lost social housing and reinvestment of existing homes is effectively achieved.

As Curo Chair the B&NES Council's Housing Mission Delivery Board, we would like to offer the Local Authority as a Government trailblazer for a range of housing policy changes, including a new style RTB policy which we hope will arise following this consultation.

### **1. How long do you think someone should be required to be a secure tenant before qualifying for the Right to Buy?**

- 5 years
- 10 years
- More than 10 years

More than 10 years - Social rented housing is a scarce public resource. Over the past 50 years, the number of homes has reduced from around 32% of all homes to 17%. At the same time demand has continued unabated and homelessness numbers have soared. The RTB policy has, without doubt, played a significant role in the housing crisis.

As a result, personal aspirations need to be balanced against the growing societal and financial costs of the loss of essential social housing. Qualifying periods should reflect this and recognise the very significant benefit being offered to individuals must be set against the wider public good. This means setting a high qualifying bar, managing demand with clear qualifying rules and setting long enough qualifying periods to ensure we have time to replace lost homes on a 'like for like' basis.

It is also worth considering resetting the 'clock' when a tenancy is succeeded so the successor is not able to rely on the qualifying period of the original occupant.

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### **2. Should someone be prevented from exercising the Right to Buy if they have already benefitted from the Right to Buy or if they own another property?**

- Yes
- No
- Don't know

Yes - RTB should be a once in a lifetime opportunity and should not be accessible to someone who has previously benefited or owns another property.

The aim of RTB is to offer an opportunity of home ownership to those who might not otherwise be able to afford to do so. That aim should not be lost or diluted given the pressing need for social housing and the difficulties in securing new additional homes.

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### **3. Do you have any other views on criteria to determine eligibility for the Right to Buy?**

Yes - Any home which has, in the previous 10 years, received substantial investment, such as Fire Safety, Decarbonisation, or indeed the future Decent Homes (2) should be exempt from the RTB to protect public funding and keep

stock in the sector longer post investment. Otherwise, there could be double subsidy being invested in the RTB.

The purchaser must be able to demonstrate the source of the fund, and that the property is not being purchased for another family member or agent in exchange for some form of inducement/rent holiday.

The purchaser should be able to demonstrate they will be able to meet ongoing costs of repairs and reinvestment of the home and, if in a flat, the longer-term service charge costs, via a third-party financial review.

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#### **4. What level should the percentage discount for an eligible tenant start at and what level should the maximum percentage discount be?**

##### **Minimum percentage:**

- 0%
- 1%
- 3%
- 5%

5% - The discount needs to be large enough to ensure that fees are no greater than the cost of the percentage being acquired.

##### **Maximum percentage:**

- 5%
- 10%
- 15%
- 20%

20% seems a reasonable maximum discount from the market.

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#### **5. Do you agree that the same rules governing percentage discounts should apply to flats and houses, and that the discount should increase by 1% for every extra year that an individual has been a public sector tenant, up to the maximum?**

- Yes
- No [please explain]
- Don't know

No – houses should receive a lower discount as they are more complex and time consuming to replace. Rents from larger homes provide greater levels of revenue funding in the long term. Historically, larger family homes have been the properties which have been sold first. The lack of larger homes means that the average wait in B&NES, for a 4 bed plus home, is more than 100 years.

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**6. Do you agree that cash caps should be retained alongside discounts capped at a percentage of the market value of the home?**

- Yes
- No
- Don't know

Yes, we do.

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**7. Do you agree that the current exemptions to the Right to Buy scheme should be retained? If yes, please outline any changes that should be made to the exemptions.**

- Yes [please outline if you also think there should be changes or additions]
- No
- Don't know

Yes – also there should be a broader range of exemptions with discretion being delegated to Local Authorities to decide based on the local housing market and need.

Moreover, Local Authorities should be given discretion to suspend the RTB for a set period where, in their opinion, the benefits of operating the scheme locally are outweighed by wider housing and financial pressures created.

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**8. Should newly built social housing be exempt from the Right to Buy? If yes, please explain why the existing cost-floor provisions are sufficient.**

- Yes [please explain]
- No

Yes – new homes should be exempt from the RTB. The costs floor is set using the total costs of construction, planning and land etc but not on the opportunity costs. Our experience suggest that it can take more than 4 years to get to the construction phase of a new home once land is secured. The opportunity costs of the loss and replacement timescales should also be factored.

In addition, the loss of a social home means it will never be relet to another person on the waiting list, increasing the costs to the state, via Temporary Accommodation and other state subsidies.

If new build social and affordable rented homes are not exempt from the RTB, this may act as a clear disincentive for Local Authorities to build new homes at scale once again.

The Government has much better routes into affordable home ownership via dedicated new build schemes. This could include via a larger reformed shared-ownership product, or recreating previously successful products aimed at those eligible for the RTB, such as the portable right to buy or DIYSO which were built specifically for that purpose and protected the core rented national stock.

Schemes such as DIYSO was also very popular amongst certain BME groups as it allowed people to choose where to live anywhere nationally.

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**9. If yes, how long after construction should newly built social housing be exempt from the Right to Buy?**

- 10 years
- 15 years
- 20 years
- 25 years
- 30 years
- Permanently
- Other

Permanently – for the reasons set out in 8. In our view, there should be specific funding for low cost home ownership aimed at eligible tenants with the RTB (and with modifications on discounts to those with RTA).

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**10. How can council investment in retrofitting or improving homes to a high standard be protected under the Right to Buy scheme?**

- Amendments to the cost floor [please explain]
- Exemption for homes that have been retrofitted or improved to a high standard [please explain including length of any exemption]
- Other

Exemptions - We believe that, as it stands, the RTB model works directly to reduce funding for reinvestment in existing homes as well as diluting capacity for new supply. Every home lost erodes income streams for Local Authorities and to Stock Transfer organisations, such as Curo, where the proceeds are returned in full.

Whilst the RTB exists in its current form, reductions in income will affect long term finances and impact on available investment. Reductions in the numbers of homes directly affects the standards of others retained, a vicious circle.

Homes that have received substantial investment, including improvements to thermal performance (EPC improvements) should be exempt, as a minimum, for 10 years from the point of the investment is made.

**11. If answering on behalf of a council, would exemptions to market rent homes have a significant impact in allowing more cross-subsidy for the building of affordable housing?**

- Yes
- No

Not known.

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**12. Should the time period in which the council has the right to ask on the sale of the property for repayment of all or part of the discount received be increased from 5 years to 10 years?**

- Yes
- No [please explain]
- Don't know

Yes – the discount should be protected for a much longer period.

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**13. Do you have any other views on restrictions that might apply to a property following its sale under the Right to Buy?**

Yes - Homes purchased under RTB should be the sole and principal home of the those exercising the RTB. Government discounts should not be passported to those not intended to be the direct beneficiaries. Therefore, there should be strict controls on who can buy the home as well as how the property is used post sale in terms of commercial use.

There should be clear expectations set that the property cannot be sold into the private sector for a 'restricted' period – as in question 12. Where these conditions are not met, the discount should be returned upon sale using appropriate contractual clauses.

The scheme should also recognise that things may change. So, if at any time during this restricted period, the purchaser needs to sell the property due to a change in their circumstance or as a result of financial hardship, the Government may wish to consider introducing a 'buy back clause' which allows the Council or its nominated ALMO/Local Housing Association to purchase it and return the tenant to a social tenancy.

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**14. Should there be a target for all council homes sold under the Right to Buy to be replaced, as far as possible, with a home of the same size, tenure and/or location as the home sold? Please provide detail to support your answer and indicate which consideration is the most important (tenure, size or location).**

- Yes [please explain]
- No [please explain]
- Don't know

Yes – Indicative targets for the next five years based on historic sales should be set and published. Recognising the complexities of land, planning and funding will make meeting these targets challenging, they should nonetheless set out clearly the Local Authorities expectations on the mix and quantum and should be used to frame planning decisions.

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**15. If answering on behalf of a council, do you have any evidence to demonstrate the impact of increased flexibilities around spending of Right to Buy receipts in accelerating and boosting replacement homes?**

N/A

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**16. Do you have any evidence to demonstrate that combining receipts with grant would accelerate and boost delivery of affordable housing and how the risk of double subsidy would be mitigated?**

No – However, our housebuilding and affordable housing programme experience suggests that sales receipts alone would not be enough to construct a new build home in the South West.

A typical example, up until the end of last financial year, would be:

**Cash basis (£ in thousands)**

Property value (net expenses)	217
Discount	102
Receipt received before repayment to BaNES	115
Paid BaNES	108
Net Receipt	7

So typically, there would only be £7k to support a new purchase and on an accounting basis Curo make a loss due to the book value exceeding the net receipt.

On this basis, grant is needed to replace homes lost.

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**17. How long should councils have to spend their one-for-one receipts?**

- 3 years
- 5 years (current rules)
- 8 years
- 10 years
- More than 10 years
- Indefinitely

5 years - It takes on average 4 years from the point at which land is purchased to complete the first home on a site according to our experience of housebuilding. So, the minimum period will need to be 5 years, taking account of land purchase timescales.

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**18. Should unspent replacement receipts be returned to the relevant Mayoral Combined Authority as happens currently with London Boroughs and the GLA?**

- Yes [please explain]
- No [please explain]
- Don't know

Yes - RPs are already required to return unallocated Recycled Capital Grant Funding (RCGF) to Homes England after 3 years. We suggest Government consider the same model for RTB receipts. This would mean that funds would be returned to the governments' appointed agent, including Combined Authority, where they hold the role. Otherwise, Homes England could take up that role nationally.

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**19. Should the local authority share and buy-back allowance be incorporated within replacement receipts?**

- Yes
- No
- Don't know

Don't Know.

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**20. Do you agree that the total attributable debt should be calculated by multiplying the average attributable debt of each authority's housing stock?**

- Yes
- No
- Don't know

Don't Know.

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**21. Should the requirement to return 75% of mortgage repayments that relate to pre-2012 sales be ended?**

- Yes
- No
- Don't know

Don't Know.

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**22. Should the Secretary of State be provided with a power to set the rules governing the use of Right to Buy receipts by general determination?**

- Yes
- No
- Don't know

Yes.

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**23. Should Arm's Length Management Organisations (ALMOs) be permitted to use Right to Buy receipts to deliver new affordable housing?**

- Yes
- No
- Don't know

Yes – if an ALMO has the capability to do so. Where there is no ALMO and no directly managed stock or capacity to develop within the Local Authority, it would also be useful for the former LSVT (such as Curo) to be allowed to retain the receipt for the sole purpose of replacing the property lost from its portfolio (within the required period).

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**24. Do you have any other views on the rules governing Right to Buy receipts that have not been covered by the questions above?**

All receipts should be ringfenced for the sole purpose of re-providing social housing.

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**25. Do you believe any of the proposals set out in this consultation document could negatively or positively impact individuals who have a protected characteristic. Please explain your rationale, and evidence your thinking where possible.**

Possibly – there is evidence to suggest that some individuals with protected characteristics may find it harder to access suitable RTB accommodation. This could include those with physical disabilities because not enough fully adapted homes are built each year or become available.

This is why specialist home ownership products aimed at those who are eligible for RTB but might otherwise not ever be able to exercise their right, would be a far better alternative than targeting existing homes.