



Ministry of Housing,
Communities &
Local Government

Evaluation of Midlands Voluntary Right to Buy Pilot

Final Report

February 2021

RSM Economic Consulting



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Ministry of Housing, Communities and Local Government
Fry Building
2 Marsham Street
London
SW1P 4DF
Telephone: 030 3444 0000

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February 2021



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Glossary

BCR	Benefit-Cost Ratio
CBL	Choice Based Lettings
DWP	Department for Work and Pensions
IMS	Investment Management System. This is the Homes England system used by housing associations to submit information on VRTB applications and sales
LSVT	Large-Scale Voluntary Transfer
MHCLG	Ministry of Housing, Communities and Local Government
NHF	National Housing Federation
NPSV	Net Present Social Value
PRTB	Preserved Right to Buy
RTB	Right to Buy
S106	Section 106 agreement – Planning legislation that allows local authorities to require a contribution of affordable housing on a new development
SDR	Statistical Data Returns
URN	Unique Reference Number (issued to successful ballot applicants)
VRTB	Voluntary Right to Buy

Executive Summary

In August 2018, the Voluntary Right to Buy (VRTB) Midlands pilot was launched across the East and West Midlands – giving housing association tenants the opportunity to apply to buy their home at a discount. There were 44 housing associations involved in the pilot, resulting in a total of 1,892 homes being sold or sales in the final stages of completion by 30 April 2020.

RSM Economic Consulting was commissioned by the Ministry of Housing, Communities and Local Government (MHCLG) to evaluate the pilot in order to assess deliverability; measure demand; and inform the design of a national scheme. The research involved analysis of monitoring data, a survey of housing associations, a review of housing associations' operational policies, 10 housing association case studies, customer interviews and estimates of future demand and value for money.

Key findings

Delivering the VRTB

- All large housing associations with stock in the Midlands (over 1,000 dwellings) took part in the VRTB pilot. Smaller associations were invited to take part, but none did.
- Associations publicised the scheme by a variety of means including newsletters, websites, mailouts and maintaining registers of tenants who had expressed an interest.
- The ballot process was successful in limiting the scale of the Midlands pilot, and in helping to manage the budget, though unsuccessful applicants felt the random nature of it to be unfair. Associations faced complaints from tenants frustrated by the process, especially when it became apparent that the total number of sales would be below the number initially stated by government, because the dropout rate between applications and sales was higher than forecasted. The process also led to a large number of applications over a small period of time, which some associations struggled to cope with.
- The first sales took place around March 2019, so by the time of completing this evaluation no data had yet been collected on replacement homes built. Associations generally considered the 3-year time limit on building replacements to be challenging.
- Around half the housing associations involved in the pilot had plans by April 2020 for the type, tenure and/or rent level of the homes they would build using the receipts from the sales. The number of replacement homes planned was not, as yet, as many as the expected number of sales, though this may be in part because not all sales had completed at the time when these figures were requested. Extrapolating from the data provided on the profile of replacement homes suggests:
 - The large majority of replacement homes will be rented, with 13% being for shared ownership.

- Around 6 in 10 of the rented homes will be Affordable Rent and 4 in 10 Social Rent.
- An early indication is that replacement homes will on average be smaller than those they replace.
- There are many challenges faced by housing associations in building replacement homes, including land availability and funding. Housing associations indicated that they will find meeting the collective commitment to one for one challenging, particularly without putting their own resources in to part-fund replacements.
- Pilot housing associations were thinking carefully about replacements and what their priorities will be. While there is no requirement under the voluntary agreement for them to replace on a like for like basis, most would like to do so as far as possible, and this will make achieving one for one more challenging overall.

Operating the Portable Discount

- Many housing associations own homes that they are not legally permitted to sell, or that they do not want to sell. The VRTB scheme therefore allows associations to exclude these properties and instead offer eligible tenants a portable discount to use on another housing association property, known as **portability**.
- Stock excluded for legal reasons includes housing in rural areas built with planning conditions that require it to remain as affordable housing. Housing associations also chose to exclude some housing that was in high demand/low supply, legally more complex to sell (such as leaseholds), or in conflict with business objectives (such as in an area designated for regeneration).
- Data was not comprehensively recorded on the proportion of stock excluded but the data there is suggests that, overall, 20% of eligible applicants were applying from homes that were excluded by their housing association.
- Most applicants wanted to buy the homes they were living in, and many dropped out when offered a portable discount. Others were willing to port but failed to find a suitable property. Overall, 12% of eligible applicants offered portability purchased (or were in the process of doing so by 30 April 2020), compared with 69% of those offered the opportunity to purchase the home they were living in.
- Portability was most successful when housing associations identified suitable properties when they became vacant and made direct offers to eligible VRTB applicants. Very few applicants found suitable properties via bidding on Choice-Based Lettings (CBL) schemes.
- The main challenge in portability was that most housing associations did not have many, or even any, suitable homes becoming available for letting of the right size and location during the time period that the VRTB applicants were looking for them. There were efforts to help tenants port to property owned by another housing association, but these were tricky to implement and resulted in only 5 sales (including 2 between

different entities within the same housing association group). Housing associations also reported that applicants were more selective than they had perhaps expected, not willing to take any offer of a suitable property made to them.

The applicant experience

- 60 interviews were undertaken with VRTB applicants, including 31 who had purchased a home and 29 who had applied and then terminated their application. Data was also recorded by housing associations on reasons for terminations.
- Applicants found out about the VRTB through a wide range of methods including emails or letters from their housing association, word of mouth and government announcements.
- The main motivation for applying was a desire to own their own homes. Other motivations included not wanting to pay rent, having something to pass on to children and because of the large discount available.
- The application process was generally considered straightforward, but some applicants struggled with the supporting documentation required and would have appreciated more help with this aspect. Applicants appreciated having a nominated member of staff dealing with their application, whom they could contact easily.
- Successful purchasers generally thought that the £250 application fee was reasonable. Those who failed to purchase felt it was less reasonable, particularly those who were being offered a portable discount but not offered any suitable properties to port to.
- Most purchasers said that they had been able to obtain mortgages without difficulties, though a small number found there to be a limited choice of lenders who would lend on their purchases. Most said that their lender accepted the VRTB discount in lieu of their usual requirements for a deposit.
- Buyers were very happy to be homeowners. Mortgages were generally lower than rent levels had been, and they appreciated having a home they could pass on to children and would one day own outright.
- Around one in eight applicants was found to be ineligible – a quarter of all terminated applications. Reasons related to portability were responsible for around 4 in 10 of eligible applications who dropped out. Other reasons for dropping out included not being able to secure funding for the purchase or having applied without fully understanding the costs or responsibilities of homeownership.

Demand for the VRTB

- A total of 9,146 tenants registered for the VRTB ballot, which closed in September 2018, and 6,000 of these were successful and issued a unique reference number (URN) – allowing them to proceed with an application. Of these 6,000 a total of 3,767 completed an application (63% of those issued a URN). As of 30 April 2020, 1,681 sales had completed, and 211 applications were still in progress. For the purposes of

analysis, these 'in progress' applications have been included with the sales, **giving a total of 1,892 sales.**

- **Larger properties were much more likely to be sold than smaller ones** – with the rate of 5 bedroom homes sold being 10 times that of one bedroom homes (though 5 bedroom homes represented relatively few sales in total). Houses were sold at a faster rate than flats, despite the higher percentage discount on flats. This may be in part because many housing associations excluded some of their flats from the scheme and offered portability to applicants from selected blocks of flats.
- **Rates of sales were higher in urban areas.** The rate of sales was highest (as a proportion of housing association stock) in Leicester, Derby and Nottingham. It was lowest in Rushcliffe, West Lindsey and North West Leicestershire – all largely rural areas, possibly reflecting the restrictions on selling homes subject to planning restrictions and increased difficulties in finding suitable homes to port to in sparsely populated areas.
- The average purchaser received a 46% discount on a property valued £137,271, leaving them £74,568 to finance via savings and/or a mortgage.
- The most likely age group to purchase were those aged 35-44. The **average household income of those who bought was £34,666**, though a wide range of incomes mostly between £10,000 and £70,000 were reported. Households with two or more adults were more likely to purchase than single-adult households. Asian households were considerably more likely to purchase than White and Black households.
- The large majority of buyers purchased with the use of a mortgage. These buyers had an average deposit to add to their discount of £4,858 and borrowed on average £72,812.
- Demand was restricted in the pilot VRTB by the use of the URNs. If all tenants who registered for the ballot had been allowed to apply, it is estimated **that 2,884 sales would have been completed.**
- The number of tenants who would have purchased nationally under a time limited VRTB scheme running along the same lines as the Midlands pilot was estimated. This used an affordability-based approach where the proportion of tenants who appear eligible *and* able to afford to purchase in each region was assessed. The *propensity to buy* was then calculated by looking at the proportion of these Midlands-based tenants who did purchase. This was calculated at 6.1% for the Midlands.
- Tenants in the middle age groups, and those in larger properties were much more likely to purchase. After adjusting for the different tenant age and stock profiles in other regions, the **propensity to buy nationally was calculated at 6.3%.** Applying this figure to estimated number of tenants who were eligible and able to afford across the rest of England suggests that had the VRTB scheme been operating across the whole of England on a similar basis to the pilot that took place in the Midlands – but without a

ballot process to constrain demand – around **15,870 tenants would have bought their homes**.

- Demand for an open-ended VRTB scheme running along the same lines as the statutory Right to Buy (RTB) for local authority tenants is hard to predict, largely because it is hard to know the extent to which interest shown in the pilot would be sustained over a longer timescale. After drawing on a range of sources, it was estimated that a VRTB scheme where demand is not constrained would see around 32,000 sales in the first year, falling to around 17,000 sales per year 10 years on. Over the first 10 years of operation it is estimated that 223,843 homes would be sold, if no limits were placed on demand.

Value for Money

- The main costs of the VRTB are borne by government in the form of reimbursements of the discounts paid to housing associations. In total, the VRTB pilot cost £124m to MHCLG.
- Buyers are the main beneficiary, though they benefit financially by only a modest amount in the short to medium term. The main gain made by buyers comprises the asset value of the home they acquire. This gain is unlikely to be fully realisable during their lifetime, though may provide access to cheaper borrowing for other purposes.
- The large majority of purchasers (over 80%) do not appear able to have afforded to buy a suitable home in the absence of the VRTB.
- Net Present Social Value (NPSV) of the pilot is calculated at £50.2m and the Benefit Cost Ratio (BCR) at 1.42 over a 10 year period. Calculated over 30 years the NPSV increases to £113m and the BCR to 1.94.
- Land value uplift is a significant component of the estimated economic benefit of the VRTB. The economic value of the VRTB is therefore very dependent on the replacement homes being built (rather than bought), and on the housing association sector achieving a good rate of replacements, without significant injections of cash from other sources. There is a lot of uncertainty here, but the potential for economic gains if this can be achieved.

Introduction

The 2015 Conservative manifesto included a commitment to ‘extend the Right to Buy to tenants in Housing Associations to enable more people to buy a home of their own.’¹ In September 2015, the National Housing Federation (NHF), on behalf of its members, put forward a proposal for the Government to extend Right to Buy to eligible housing association tenants on a voluntary rather than statutory basis.² This proposal was accepted by the Government in October 2015.³ Following this, an initial pilot of the Voluntary Right to Buy (VRTB) ran from 2016 to 2017 with 5 housing associations in England. A further larger regional pilot was confirmed in the Government’s 2017 Autumn Budget, which would be open to participating housing association tenants in the East and West Midlands, and would run over two years.⁴

There were 44 housing associations involved in the pilot.⁵ It was launched on 16 August 2018 with tenants able to register their interest until 16 September 2018. A total of 9,146 tenants registered, of which 6,000 were successful in the ballot and so invited to submit an application for the VRTB.

RSM Economic Consulting was commissioned by MHCLG to evaluate the pilot in order to:

- Assess deliverability for Government, housing associations, and tenants including value for money with a view to informing the design of any future national VRTB scheme
- Inform eligibility criteria in order to effectively manage demand for the national scheme by providing a better understanding of the characteristics of tenants who apply, as well as those who apply but do not complete a purchase
- Measure demand under the pilot and estimate the likely demand for a national VRTB
- Assess the operational implementation of the ‘portable discount’ policy which allows tenants the opportunity to ‘port’ their discount to an alternative housing association property if their housing association uses their discretion not to sell them the property they are living in, and recommend the preferred approach

¹ [House of Commons Library Briefing Paper 07224 \(25 October 2018\) ‘Introducing a voluntary Right to Buy for housing association tenants in England’](#)

² [National Housing Federation \(2015\) ‘An offer to extend Right to Buy discounts to housing association tenants’](#)

³ [MHCLG \(2018\) ‘Voluntary Right to Buy – Midlands Pilot: guidance for housing associations’](#)

⁴ [Commons Briefing Paper \(2018\) ‘Introducing the Voluntary Right to Buy’](#)

⁵ Formally, there were 49 associations involved, but 4 of these were subsidiaries of other organisations also in the pilot so operated the VRTB process as one unit. Two associations (Fortis and Platform) merged early on during the pilot, so for most of the duration of the pilot there were effectively 44 housing associations. A later merger occurred between Stafford and Rural and Housing Plus. However, for most of the duration of the pilot these were operating as two separate housing associations, so they have been treated as such throughout this report.

- Undertake an interim assessment of the operation of the one for one replacement policy, which requires the housing association sector to deliver at least one replacement home for each one sold under the VRTB on a national basis⁶
- Assess how the process works for potential purchasers and how this could be improved, including the applicant experience

This final report presents the findings across each of these objectives.

Research methods

Scoping phase

Interviews were undertaken with key individuals within MHCLG, the National Housing Federation (NHF) and Homes England who have administered the data collection from the participating housing associations. These interviews allowed us to understand the operational challenges and to gain insight into emerging findings and how they relate to the running of the scheme. Policy literature relevant to the study was also reviewed. This included the [Action Learning Study](#) already undertaken for the small-scale pilot by Sheffield Hallam University and the joint MHCLG/NHF [guidance already issued](#) to housing associations involved in the pilot.

Review of housing association policies

In order to assess operational implementation, all the pilot housing associations were contacted in May 2019 to request copies of their policies on:

- How they determined which properties were to be excluded from the VRTB
- Portability of discounts

In total, 44 policies were received (including one from a small association which later merged with another who also participated in the pilot).

Policies on replacement homes were often written later, so were requested from participating housing associations in March/April 2020. By this point in time, 17 associations had a written policy on replacement homes. (Of the others, 15 said they did not have one yet; 4 said they had no plans to produce one; 6 did not know whether they had one and the other 2 failed to answer this question in the survey).

Case studies

The operation of the VRTB pilot was explored in more detail via 10 in-depth case studies with housing associations. These included a visit and face-to-face meeting with staff responsible for implementing the VRTB (such as the Head of Home Ownership, Housing,

⁶ Given that the time allowed for the replacement of properties is up to 3 years, it was acknowledged that a final assessment was not be possible within the scope of this study. The study has, however considered what interim measures could be developed, and how the assessment could be taken forward in further commissioned or in-house studies.

or Sales) to explore the strategic aims of the VRTB within their organisation, and interviews with operational staff who handle enquires from potential applicants. Further interviews were conducted by phone in December 2019 and March/April 2020.

CASE STUDY SELECTION

To select case studies, we used information from MHCLG combined with information from the Statistical Data Return (SDR). To ensure a range of different housing associations as case studies, we considered:

- Size (a mix of small associations with fewer than 5,000 properties; medium associations with between 5,000 and 9,999 properties and large associations with more than 10,000 properties)
- The level of interest shown by their tenants in the VRTB
- House prices
- The development focus of the housing association
- The origin of the housing association - whether it was formed as the result of a large-scale voluntary transfer of local authority stock (LSVT)
- The proportion of stock on rural sites

At the request of MHCLG, the 3 housing associations with the largest number of ballot applications were all included as case studies. The remaining 7 were selected in order to give a mixture of the factors listed above, after consultation with MHCLG and NHF. The profile of the 10 selected case study associations is summarised below:

Table 1: Profile of the 10 case studies

Housing association	Stock in Midlands	Number of VRTB applications received	Applications per 1,000 eligible tenants ⁷	House prices ⁸	Development focus ⁹	Stock on rural sites	Main region (East or West Midlands)
Aspire Housing	8,412	32	3.8	£105,000	1.6%	0	West
Bromsgrove District Housing Trust	3,833	3	0.5	£199,950	1.5%	0	West
Bournville Village Trust	3,419	13	3.8	£128,500	0.1%	0	West
Guinness Partnership	3,919	84	21.4	£112,500	5.8%	155	East
Midland Heart	32,402	436	13.4	£128,500	0.6%	Small	West
Nottingham Community Housing Association	8,140	59	7.2	£101,500	2.1%	100	East
Orbit Group	19,710	379	9.3	£154,000	0.0%	0	East
Pioneer Group	2,365	49	20.7	£128,500	0.0%	0	West
Stonewater Homes	7,442	294	11.8	£165,000	5.7%	250	East and West Midlands
Wrekin Housing Trust	12,339	37	3.0	£122,000	4.3%	0	West

Source: MHCLG data

Analysis of monitoring data and data collected from housing associations

Most of the information collected in application forms, together with information on the sales process, was collected by Homes England throughout the pilot. This information was supplemented for evaluation purpose by collecting applicant-level data from housing associations in spreadsheet format. This was done during March and April 2020. Of the 44 participating housing associations:

- 37 completed the data on their buyers, covering 82% of the 1,892 buyers who had completed or were in the process of buying their home by 30 April 2020.
- 30 supplied data on applicants whose applications were terminated, covering 69% of the 1,292 terminated applications that had occurred by 30 April 2020.

This information was analysed to examine the profile and circumstances of buyers, and the reasons behind those who dropped out (known as 'terminations').

Survey of housing associations

A survey of the 44 housing associations was undertaken in March to April 2020. All but one of the 44 participating housing associations responded.

Customer interviews

We undertook a total of 60 telephone interviews with people who had applied to purchase under the VRTB. These comprised:

- 31 people who had bought their home under the VRTB, including 6 who had purchased via portability
- 29 people who had applied to purchase their home but had dropped out of the process at some point, including 14 who had been offered portability.

The interviews took place in two batches between July and August 2019 and January to March 2020, in order to include a mixture of those who purchased more quickly and more slowly. The sample was drawn from a full list of the most recent purchasers or applicants to have dropped out at each point in time, in order that the interviewees would be able to freshly recall the process. The sample was also stratified to include the quota of applicants offered portability, in order to learn more about how this process worked (or why it didn't work for some).

The sample of applicants who dropped out was filtered to exclude people who had had their applications terminated because they were ineligible.

⁷ Level of interest was based on the number of applications compared with the number of eligible tenants, as estimated by the NHF. There were 13 associations who did not provide information about the amount of stock included in the scheme, which meant it was not possible to calculate the level of interest.

⁸ House prices given are the lower quartile house price in the local authority where the housing association has the most stock.

⁹ Data about the development focus was based on the Statistical Data Returns 2017/18 and is the number of general need homes built in the year 2017/18 as percentage of total stock.

Chapter 1: Delivering the VRTB

This chapter assesses the deliverability of the VRTB for Government, housing associations and applicants.

Principles of the VRTB

Key principles of the VRTB were set out by Government and comprise:

- Right to Buy level discounts for eligible housing association tenants
- Housing association board control over which homes to sell, with tenants to be offered a portable discount to use on another property where the association decides not to sell the property
- Full compensation paid by MHCLG to housing associations to cover the value of the discount
- Flexible one for one replacement through new supply nationally

Discounts for VRTB match those for the statutory Right to Buy, as shown below:

Table 2: Right to Buy discounts

Time in social sector	House	Flat
3-5 years	35%	50%
More than 5 years	+1%/yr	+2%/yr
Maximum %	70%	70%
Maximum (2018) ¹⁰ £	£80,900	£80,900

Source: MHCLG

The VRTB was jointly developed by the government and housing association sector. Key responsibilities are as follows:

- Housing associations operate the scheme and work with eligible tenants who wanted to purchase their home. In circumstances where housing associations exercise discretion to not sell the tenant their existing home, they work with them to port their discount to an alternative property within the housing association sector – a process known as **portability**.

¹⁰ The maximum discounts for the RTB were £118,000 in London in 2018, though these were not relevant to the pilot, which took place in the Midlands. RTB discounts increase annually in line with CPI, the maximum discount for the pilot was in line with the maximum for 2018/19. The current maximums (from April 2020) are £112,300 in London and £84,200 in the rest of England.

- Housing associations use the receipts from the sale of homes under the VRTB to invest in new affordable housing supply and collectively deliver the commitment of replacing every home sold through new supply nationally.
- MHCLG set the terms on which it would pay compensation to housing associations for the value of the discount, and manage the available budget, including halting transactions for a period, if necessary.
- Homes England operate the data systems and administer payments to housing associations to cover the cost of the discount (including the calculation of the discount) and have been responsible for compliance audit. This has been done through the Homes England VRTB monitoring data, which associations taking part in the pilot are obliged to complete with information on all applications received.
- The NHF works with its members to support housing associations to implement the VRTB and work with the Government to ensure that the system remains fit for purpose.
- The Housing Ombudsman deal with tenant complaints, where these had not been resolved between the tenant and the housing association.

Setting up the VRTB pilot

Becoming part of the pilot

All large housing associations in the Midlands (with over 1,000 dwellings) who were NHF members participated in the pilot. Smaller associations (with under 1,000 dwellings) were invited to take part, but none did.

The 10 case study associations were asked about their motivation for taking part in the pilot. Some indicated that they shared the government's objectives of **helping people into home ownership**. They felt that this was within their existing objectives as a housing association, particularly in the light of the growing diversity of tenure options they were offering. A few also identified that the VRTB could make sense from a business point of view, as they would be able to **sell some of their older housing stock and replace it with newer stock**. The expenditure on maintenance tends to be higher on older stock, and rental income is lower (as most rents are at social rent levels, whereas the replacement stock may be at Affordable Rent).

The case study associations varied in their overall enthusiasm for being part of the pilot – some were keen to **build their relationship with the NHF**, and to **help shape governmental policy** in an important area. Others were less keen, and had some concerns about losing social housing stock, but recognised that being part of the pilot was **expected of them**, and that it was important to honour commitments that had been made and be fair to their tenants. They felt that the voluntary nature of the VRTB was preferable to having a mandatory scheme imposed.

The Voluntary Right to Buy Guidance

The case study associations were overall very positive about the guidance published by the NHF/MHCLG.¹¹ This was felt to be comprehensive and detailed, and invaluable in helping them formulate their policies. They appreciated where the guidance was clear on what they *must* do and what they *may choose* to do. Overall, it was clear that although the associations did value some flexibility, they also very much valued there being a consistent approach across all participating housing associations and felt that this provided them with a clear message to share with boards and tenants, particularly over aspects such as eligibility.

Case study housing associations did also offer suggestions of areas where they thought the guidance could be improved:

- Several said they would have liked more details on portability, including how to identify excluded stock in a timely fashion and more guidance on how the portability process should operate in practice.
- Several felt there to be insufficient detail on exactly what funding was to be used for replacement homes, with a lack of clarity over the treatment of the funds to cover initial build costs and also over what counts as 'additional'. Supplementary guidance was later issued to help clarify these issues.
- Several felt that the guidance offered on how to identify money laundering or fraud was insufficient and left too much to their own discretion, as discussed below.
- Two associations felt they needed clearer guidance on the financial accounting processes, such as whether they should be returning the £250 administration fee to tenants (and if so whether they should be paying them interest), and whether this was taxable income.
- One association would have appreciated a clearer list of what policies and information for prospective buyers they should publish and when by.

A few felt that more detail would be helpful in general, but also noted that this was inevitable for a pilot exercise where best practice is yet to emerge.

Money laundering and fraud prevention

In line with the guidance, housing associations set up checks to help prevent or identify potential fraud or money laundering. These included meeting with applicants face-to-face, ensuring that the correct forms of identification were produced and checking evidence that all potential purchasers had been residents for at least 12 months. For cash purchases,

¹¹ Voluntary Right to Buy – Midlands Pilot: Guidance for housing associations.
<https://www.housing.org.uk/globalassets/files/resource-files/Midlands-pilot-voluntary-right-to-buy-guidance.pdf>

the associations generally checked the source of the funding, including asking for confirmation from anyone giving gifts to help fund the purchase, or from pension funds being used to fund the purchase. One association reported gifts being given from up to 20 people to fund the purchase of a home under VRTB which meant that checks could be time consuming. Some undertook credit checks on applicants or worked with external agencies to undertake checks.

Associations already familiar with the Preserved Right to Buy (PRTB) reported that they simply used the same processes as were already in place for the PRTB. Others reported that they felt unsure in this area, and in the case of money laundering unclear over what their responsibilities were, and what they should assume a solicitor would be doing. One housing association reported two suspected cases of fraud but dropped both due to a lack of proof (though referred one case to the National Crime Agency). Another reported high transactions such as £200,000 moving between accounts in a short time period, though had been unsure whether this constituted proof of either fraud or money laundering.

Some associations reported uncovering evidence that may suggest benefit fraud – when people in receipt of housing benefit were applying to purchase their homes with large amounts of savings that would usually disqualify them from receiving benefits, or applying to purchase jointly with previously-undisclosed partners who were living with them. These concerns did not necessarily suggest there was any fraud involved in the VRTB application, so had not led to any action on their part, though had in some cases been reported to the DWP. Three housing associations also reported uncovering illegal subletting, and passed this information to the relevant teams within the housing association. One of these applicants dropped out when the housing association started asking questions; one was deemed ineligible, and the third was allowed to proceed with the sale due to lack of clear evidence of the subletting.

Some associations felt there to be a lack of guidance on how to establish whether an applicant had previously received a RTB discount, other than relying on them to be honest.

Managing the VRTB application and sales process

Promotion of the VRTB to tenants

Case study associations varied in the extent to which they promoted the VRTB to prospective purchasers. All put information about the scheme on their website. Some were much more proactive than this. For example:

- The Guinness Partnership, Orbit and Stonewater all wrote to all general needs tenants in the Midlands who were likely to be eligible giving them information on deadlines. Orbit included a 'quiz' to help tenants see if they were eligible.
- Midland Heart and the Pioneer Group had already been maintaining active registers of interested tenants and wrote to them when the scheme was launched – around 1,000 tenants in total. Stonewater did similarly by offering a pre-registration facility on their website, taking expressions of interest in advance of the launch, and contacting those tenants when the ballot was open.

- The Pioneer Group was already running roadshows to inform tenants about Universal Credit, to which they added a small stand letting people know about the VRTB. This generated around 20-25 expressions of interest.
- Stonewater promoted the scheme on social media and by email.
- Bournville and Nottingham Community Housing Association both put articles in tenants' newsletters.

Some of the other case study housing associations were less proactive around promoting the VRTB, generally because they felt that the government was already doing quite a lot of promotion, or that it was the government's role to do this rather than theirs. Two of these did then report that some tenants failed to apply in time and were frustrated when they found out too late that they had missed the deadline. One housing association said that they had not actively promoted the scheme because they did not want to raise expectations and increase the number of applications beyond what they felt they could cope with.

Setting up systems

Several of the case study associations struggled to get new staff in place and IT systems up and running in the time available. This led to some aspects being undertaken manually or entering data in Excel databases rather than in developing systems which ultimately proved to be more efficient.

Associations already familiar with the PRTB were sometimes able to adapt their existing IT processes to cope with VRTB applications. Some of those without such systems had struggled to set up online application systems in time – one of these (Orbit) had had to take paper applications initially because their online version was not live in time, which increased their workload. Another (Stonewater) took paper applications as well as online ones in order to help tenants to apply in the way they found easiest. Reflecting on their experiences toward the end of the pilot, Nottingham Community Housing Association said they felt it would have been beneficial to provide more information to their operational teams, such as Housing Management, so that they were more aware of VRTB and able to communicate more effectively about it with tenants. Stonewater reported that setting up a checklist for tenant eligibility and property exclusions helped their team to work through the applications efficiently.

The larger case study organisations undertook some process-mapping prior to the scheme going live and felt that this was a good way to engage with the scheme across their organisation and anticipate any potential difficulties. For example, the Guinness Partnership put together a cross functional project team including people from leasehold management, communications, development, policy, finance, housing management, sales and marketing and asset management. They recommended internal process-mapping to develop policies around excluded stock and portability; to see how existing processes such as PRTB would be adapted to VRTB; to develop a communications strategy which helped to manage their expectations; and to consider internal resource management.

The ballot process

The case study associations generally appreciated that the ballot process was handled for them by MHCLG. However, they would have liked to know which of their tenants had entered and were unsuccessful, in order to best manage their communications with them, or in some cases as they may have been able to offer other options for purchase (such as shared ownership). Some of the successful ballot applicants were ultimately not eligible for the VRTB because they had pre-existing PRTB and so were offered that instead, and one case study association suggested less tenant self-certification and more screening questions at this stage would have helped avoid URNs being issued to households who were not eligible for the scheme.

Case study associations and some of the survey respondents reported having to handle complaints from tenants who were frustrated at being unsuccessful in the ballot and felt this to be an unfair or trivial way to deal with something so important in their lives. Some complaints were also received from people who only found out about the ballot after it had closed. Housing associations saw frustrations increase when tenants became aware that some successful ballot applications were in fact ineligible, or decided not to buy their homes, and as it became apparent that the total number of sales was likely to be lower than had been anticipated.

The way the ballot process was run in the pilot meant that there was inevitably a large number of applications in a short period of time. MHCLG was aware that this may prove challenging for associations to manage so, in response to the request from housing associations, had staggered the issuing of URNs over a period of a few weeks. This was not, however, considered to have worked very well by the larger housing associations. They reported that it led to confusion for applicants who spoke to one another and became concerned when their neighbours had received URNs but they had not heard back. Associations were not informed initially of the precise date that each applicant was issued a URN, causing confusion over the date by which they must apply as they were reliant on tenants providing this information. The 4-week phasing period was considered to still be too fast for many housing associations to cope well with – most housing associations were unable to process the applications at the rate at which they were received. Some of the smaller housing associations managed to cope with the applications after a few weeks, but larger organisations which received a lot of applications felt the timescale was rushed and received complaints from anxious applicants who had heard nothing after putting in their application.

The application form

Case study associations were generally very positive about the application form stating that it included all the information they needed. Just one association (Orbit) had struggled with securing amendments that their data protection officer required to the form resulting in delays. They also felt the form should be clearer on applicants' contact details (text, email, etc) and the consents required so that they could communicate more easily with them.

Associations were not so positive about tenants' views of the form. Whilst 3 reported that tenants seemed to have found it straightforward or did not take up any help offered, 6 reported that most tenants had struggled with it. There was felt to be a need for more support for those with disabilities, and problems for tenants in providing proof of previous tenancies. They also reported that tenants had struggled with the application deadline,

leading some to submit incomplete applications in order to meet the deadline. This caused more work for the housing association at a later date, and delays. Some applicants were unclear on who to include in the application form – if they applied on their own but subsequently needed to include someone else on the mortgage application this led to their application being rejected. The nature of the pilot meant there was no option to reapply at this point as a joint purchaser.

One of the housing associations who responded to the survey commented that interviewing applicants was very helpful in progressing the application and that ensuring payment of application fee prior to interview a positive way of managing the process.

Assessing applicants' eligibility

Case study associations generally reported the processes they had in place for assessing eligibility for the VRTB to be straightforward. They felt the guidance provided was clear in this area. Any problems that did arise generally related to a lack of ID documents, proof of previous tenancies and previous RTB discounts (discussed earlier) and rent arrears.

Associations did receive a significant number of applications from tenants found to be ineligible (see Chapter 4 for details). The sales data shows around 12% of ineligible households had been tenants for less than 3 years. Associations reported that these applications were often from tenants who were just short of 3 years in the sector and had hoped they would be eligible by the time their application was processed. Unfortunately for these tenants, they had to be eligible at the point they applied. Others were ineligible because they were eligible instead for the PRTB, whilst others were thought to have applied through “wild optimism” or a lack of understanding over whether their type of tenancy qualified.

Some were ineligible because of rent arrears. Midland Heart reported that if a tenant had a low level of arrears (less than 4 weeks), they would be allowed to progress with their application once the arrears were paid off as this is consistent with how they were treated for other purposes. One of the housing associations who responded to the survey (Walsall Housing Group) reported they would like more clarity on what was at their discretion in the guidance. They made a policy decision that any arrears would lead to tenants being assessed as ineligible for the scheme but when challenged, Homes England upheld the complaint of an affected tenant saying it was not in the spirit of the scheme.

Valuation of properties

Most case study associations reported very few disputes over valuation. Five reported none at all, and the others between one and 15. Participating organisations generally prepared a list of surveyors for scheme applicants to approach. The two associations with the most disputes (Orbit and Nottingham Community) both reported that the revised valuations had all come back lower. Nottingham Community thought that this was due to tenants appointing their own valuers so undertook a third valuation for some properties, which they paid for themselves.

Orbit felt that if the pilot were rolled out further, they would take a tougher line with anyone challenging the valuation and would like to sell properties “as seen” to manage applicant expectations better and ensure a smoother process. Disputes over valuation had caused them delays in some cases.

One of the housing associations who responded to the survey reported some difficulties with inconsistent valuations where homes sold in the same street were valued by different surveyors on their panel. They said a district valuer approach may have been better in this instance.

Managing the application process

Some of the case study associations struggled to process the number of applications they received in an efficient manner. This led to some degree of frustration from tenants who were waiting many months before hearing the outcomes of their applications. Stonewater said that in hindsight they would have preferred to acknowledge the application and then do the property eligibility checks before progressing with the sale. This would have made it easier to manage the process and manage applicant expectations rather than progressing with the sale and then finding restrictions preventing it. They also said that in the future they would batch together any applications for homes on the same title register (such as homes on the same development or flats in the same block) when processing them to make the process more efficient as any decisions about whether or not this stock could be sold would be the same.

Orbit said they felt it was "a bit harsh" to not let customers change their application form if they made a mistake, for example if they did not realise that they could not purchase with someone who was not listed on the tenancy. They thought, on reflection, it was reasonable to allow them to change these details at least once, but still carry out all the appropriate due-diligence checks on applicants.

The main reasons that housing associations identified for delays comprised:

- Time needed to undertake in-house legal checks (for instance over S106 conditions, estimated by one housing association as taking 45 minutes per application)
- Time taken by solicitors to undertake their legal checks
- The need to produce conveyancing plans of properties before they could be sold
- New policies and staff who were unfamiliar with them
- Difficulties finding surveyors for valuations
- The need to interview all applicants as part of their fraud prevention and to ensure they understood the process. This was particularly difficult for larger organisations whose offices and main centre of operation was based outside of the pilot area.

The end of the planned pilot period (March 2020) coincided with the start of the COVID-19 pandemic. Most of the sales had completed by this point, but 4 case studies reported a small number of sales that had been affected, mostly due to mortgage lenders re-assessing levels of risk around changing employment opportunities. Wrekin had one household porting from another organisation who was unable to move due to the lockdown, but all other tenants were already in the home they were trying to buy, and the indications were that most still intended to complete their purchases.

Associations reported that tenants too caused delays with the main reasons thought to concern:

- Difficulties providing the ID asked for
- Difficulties securing a mortgage
- Difficulties chasing third parties (such as previous landlords) for evidence needed
- Holidays and busy lives
- A failure to pay the £250 application fee

Some also reported problems raised by lenders who were unhappy with the leasehold conditions they were using (in one instance relating to an overage clause, discussed below).

Associations offered a range of support to tenants to help them through the process. Most included information on their website or signposted to alternative information. Some offered advice by phone, or in their one-to-one interviews with tenants. Nottingham Community and Orbit both produced an application pack or booklet that contained advice and information for applicants.

Stonewater referred applicants to an external broker for an affordability assessment before they took the application fee. This was the point at which many of their applications withdrew from the process. As the application fee was £250 and the valuation fees in some areas were up £400, both Stonewater and applicants saved money if applicants withdrew at this stage, rather than later on.

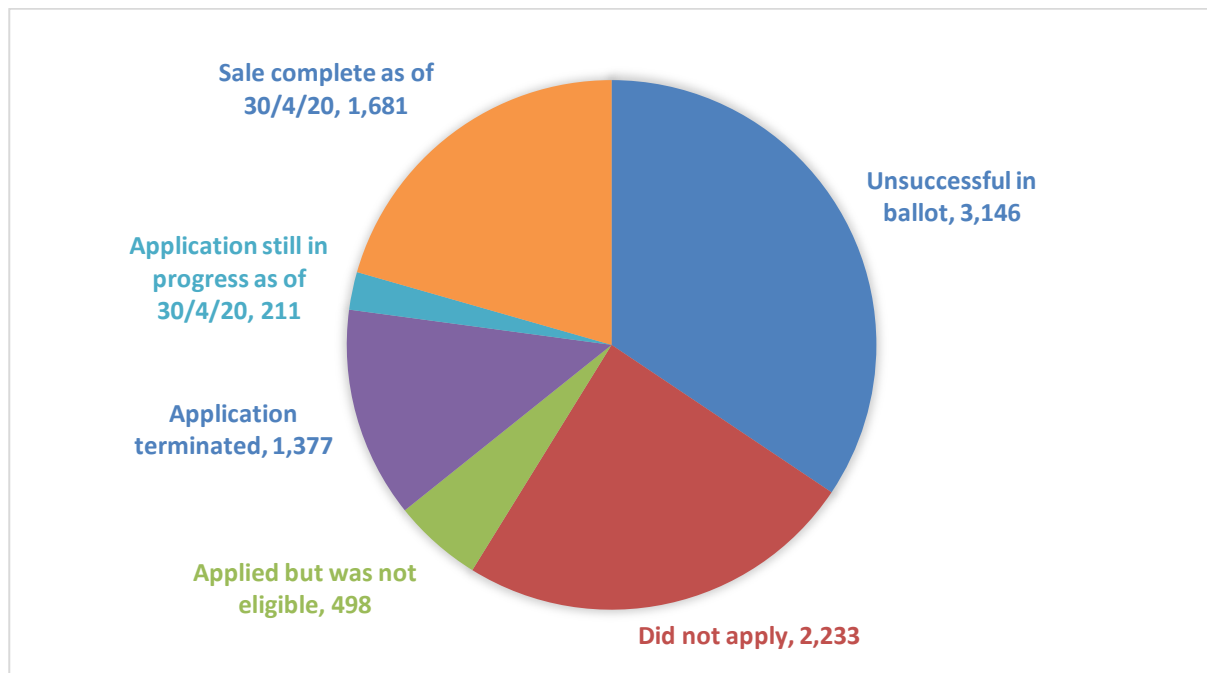
Predicting demand

The case study associations were asked whether the level of demand they experienced was in line with their expectations. Most had a keen interest in predicting likely demand as it was critical for their business plans (affecting both rental income and development programmes). Predicting demand for something as new and different as the VRTB pilot was acknowledged to be tricky.

Some reported that maintaining a register of applicants who expressed an interest prior to the launch of the scheme had proved a good indicator of demand. Others had learned from the Action Research pilot, which had given them a good idea of likely demand. Most of the case study associations received around the number of applications they expected, though found that fewer than expected proceeded with their sale.

A total of 6,000 tenants were issued with a URN that allowed them to apply for the VRTB. Of these, 3,767 applications were received, of which 3,269 were assessed as eligible. From these, a total of 1,681 had completed their purchase by 30 April 2020, with 211 still in the process of doing so. The figure below depicts these numbers:

Figure 1: Outcomes of ballot applications



Source: Homes England VRTB monitoring data

Reasons for applications being terminated are discussed in Chapter 4. Little is known about the tenants who were given a URN but failed to submit an application. Data was only available on tenants who completed an application form.

Managing the sales process

Most of the case studies reported using an external legal firm for the VRTB sales process, and at least 3 used the same firm. The associations who used external legal firms generally reported good relationships with them, but as VRTB was a new type of sale, they reported that solicitors would benefit from some additional guidance, especially on differences between this and other RTB products. Orbit reported that the legal firm they used had taken on a lot of work on VRTB sales from several other housing associations, and that they had initially under-estimated the amount of work involved which caused some delays. This situation improved as the pilot went on. The average cost paid to external legal firms was £435 per sale.

The model sales contract for the VRTB pilot included an optional overage clause requiring buyers to pay overage if the property sold was re-developed or sold for re-development in the first 25 years of ownership. The purpose of this clause is to ensure that the seller can gain some of any uplift in value that occurs if – for instance – a buyer sells off part of their garden for new housing. The overage clause caused problems in some cases because lenders were unsure about whether it should have affected the valuation. The case study associations were asked about their experience of the overage clause:

- 3 said they did not include overage clauses from the start of the pilot - they did not think it was necessary as their properties did not typically have a large amount of land attached where extension or re-development would be possible.
- 3 said they used the standard contract with no problems.

- 4 said they initially included the overage clause as standard but later dropped it as it made it more difficult to buyers to secure mortgages. In most cases they reviewed the size and type of property or amount of outdoor space available and made decisions around whether to exclude the overage clause on a case-by-case basis.

Four of the case studies also reported some difficulties with leasehold and service charges on properties. Three reported problems with lenders refusing to lend (as did one of the housing associations responding to the survey), and the details of the charges were subsequently changed. One said they would welcome some additional guidance on the use of these.

Reporting to Homes England

Associations taking part in the pilot were obliged to complete the Investment Management System (IMS) that has been put in place by Homes England. Most reported that this had been straightforward and that they kept it updated on a regular basis – usually whenever properties reached a new stage in the process. Some reported difficulties in initially gaining access to the scheme, and two said they would have appreciated more guidance on how to complete the IMS. However, once established they felt the system was reasonably user-friendly.

Associations did make some suggestions for how it could be improved – several would like it to offer better reporting facilities, as they were unable to run off reports in order to cross-check against their own records to identify any errors or see how many sales they had made. Manual cross-checking was made harder by the absence of URNs on the front page. One of the larger associations said that manual updating of the IMS was time-consuming and they would like some facility for bulk uploads. Several also thought that if MHCLG co-ordinated the application process centrally, this would permit automatic updating of the IMS which would make management of data less onerous and more accurate. One of the case studies pointed out that there is an overlap in the information requested from Homes England with that recorded in the CORE database and it would be good to try to avoid this overlap to remove duplication of effort.

Supporting associations' role in the pilot

THE NATIONAL HOUSING FEDERATION

The main source of support to the case study associations was from the NHF. They particularly valued the NHF's role in acting as a conduit between themselves and government and in ensuring consistency between associations. For most associations the main interaction with the NHF had been during the setup of the scheme, though for those on the Operational Board the relationship was more ongoing. Just one case study association felt that the NHF support had been limited and were concerned that staff had been overstretched initially.

Associations were asked whether there is more that the NHF could do when the VRTB is rolled out nationally. It was felt that a key role for them would be sharing best practice with the sector and producing templates of required policy documents and paperwork. It was also felt that they would be the best organisation to develop facilities to aid portability between housing associations, co-ordinating the process and managing the 'ping list'.

MHCLG

The case study associations appreciated the close involvement with MHCLG in the development of the VRTB policy and particularly appreciated attendance at meetings during the development of the pilot. They also appreciated having a facility for asking questions on issues not fully addressed in the guidance, though some felt that answers had been slow in being provided on some issues.

Replacing the homes sold

A key aspect of the VRTB was the aim to ensure ‘that homes sold will be replaced at a national level through new supply’.¹² This aim applies across the sector overall – the Government acknowledges that individual housing associations will not always be able to replace every property sold, but are aware that some will be able to build back more than the number they sell. There is also discretion, in exceptional circumstances, for associations to buy an existing property on the open market, or bring an empty home back into use, if they are unable to build new housing.

Replacement stock can be of any type, size and affordable tenure, and can be built in any location nationally, including outside the pilot area. To demonstrate additionality, housing associations needed to show that ‘the affordable home being developed would not have been built without the receipt from the VRTB sale’.¹³ Properties built with funding from the Affordable Homes Programme cannot be counted as replacement homes for those sold under the VRTB. Housing associations do have discretion to use their own funding (not obtained from Homes England) to part-fund replacement homes. Homes delivered through S106 agreements can be counted as replacement homes only with the consent of Homes England.¹⁴

Housing associations are encouraged to aim to replace homes sold within two years, though have the flexibility to do so in up to 3 years.¹⁵ It was widely acknowledged by housing associations taking part in the pilot that a 3-year time limit for replacing homes sold under the VRTB may still be challenging. When the local authority RTB scheme was reinvigorated in 2012, a similar target was set, to replace the additional homes sold within 3 years. The Commons Briefing Paper on Introducing the Right to Buy, published in 2018, showed that 3-year replacements were falling behind and that achieving the target of replacing homes within 3 years would require a significant increase in starts and acquisitions from current levels.¹⁶ It should be noted that the financial model for this scheme is not the same as the VRTB, which allows housing associations to keep the full receipt from the sale of the home as well as receiving the full value of the discount from Government.

¹² MHCLG (2018) [‘Voluntary Right to Buy – Midlands Pilot: guidance for housing associations’](#)

¹³ *ibid*

¹⁴ *ibid*

¹⁵ *ibid*

¹⁶ Commons Briefing Paper (2018) [‘Introducing the Voluntary Right to Buy’](#)

The replacement homes can include homes available for purchase, such as shared ownership properties¹⁷, which may not be as affordable as social rented homes to low income households, though can provide opportunities for home ownership for households who might otherwise be unable to afford it, and typically require lower subsidy levels.

Homes built by April 2020

The first VRTB sales took place around March 2019. By April 2020, when data for this report was gathered, the Government had not yet started collecting data on replacement homes. The case study interviews suggested that none had yet built any replacement homes, which was to be expected, given the 3 years permitted.

The case study housing associations reported that they had set up internal processes for monitoring one- for- one replacement and would report through MHCLG's DELTA programme. For example, Midland Heart were tracking sales proceed and replacement delivery within their monthly development programme reporting.

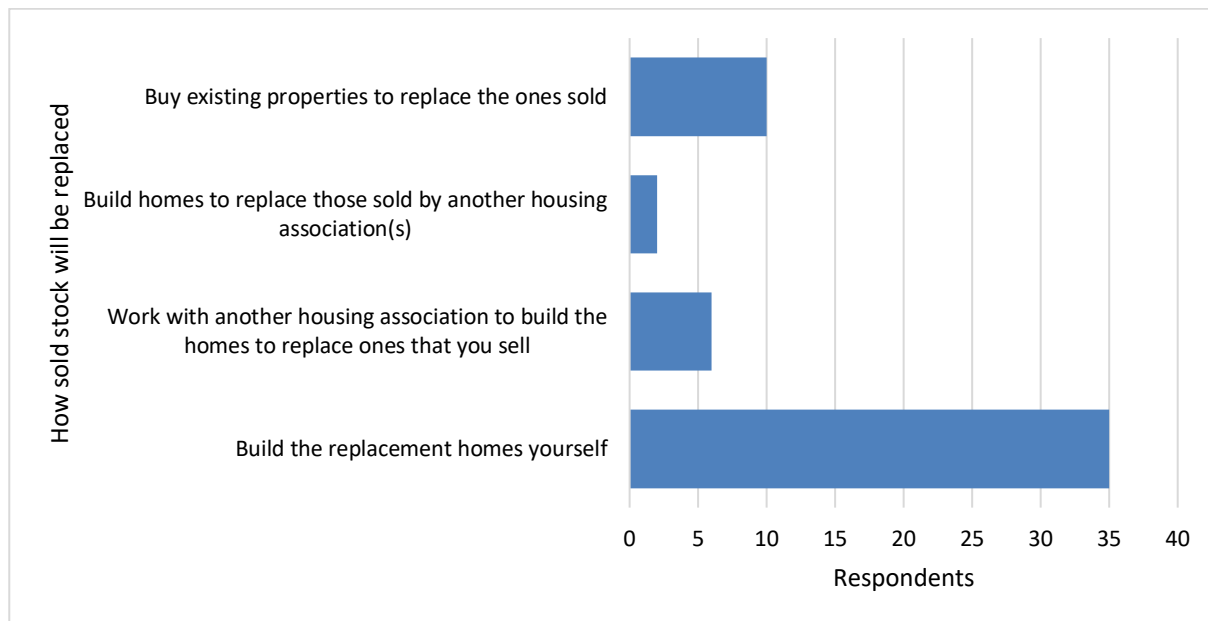
Plans for replacement homes

The majority of the case studies had not completed their policies at the time of the final interview with them in March-April 2020. However, they did provide some information about plans for replacing some or all of the homes sold through the scheme. Most were in the stage of identifying potential sites for developing new homes to build the replacements for themselves. Midland Heart reported they would look at the type of stock in demand in their area of operation (typically 2 and 3 bedroom Affordable Rented) to help consider what stock sold would be replaced with. Orbit said they were aiming for like for like replacement in terms of tenure and rent level (social rented) but felt this was likely to be challenging.

The survey asked about plans for replacing homes sold under the VRTB, as shown below.

¹⁷ MHCLG (2018) [‘Voluntary Right to Buy – Midlands Pilot: guidance for housing associations’](#)

Figure 2: How do you envisage you will replace stock sold?



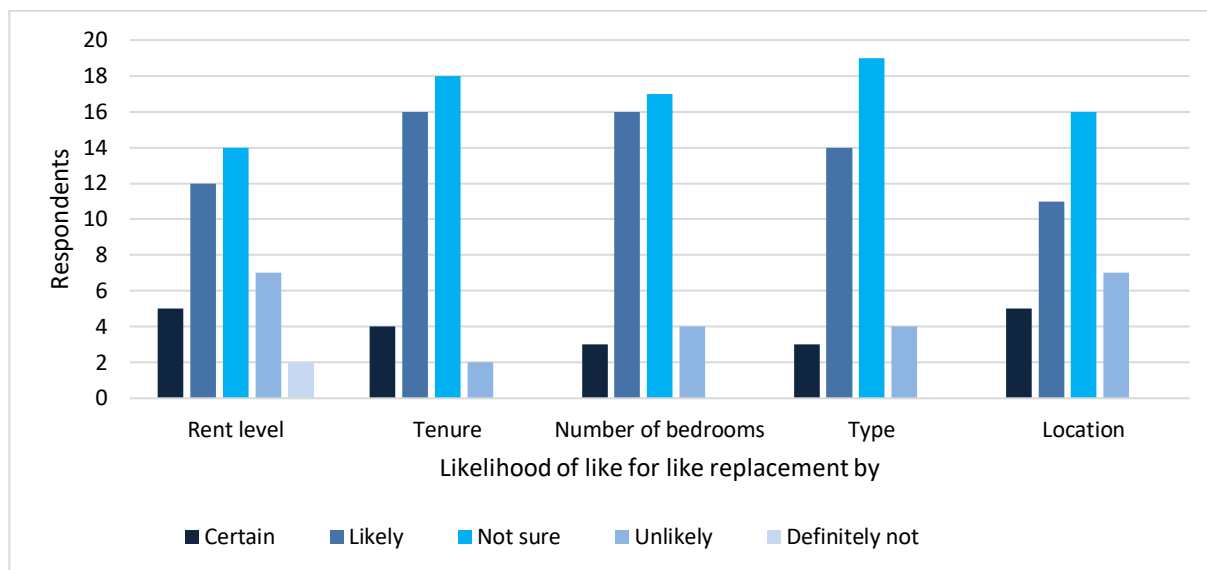
Source: Survey of housing associations Q21. Respondents could select more than one answer (n=43)

It is clear from this that most housing associations intend to build replacement homes themselves, though 10 of the 43 are (also) planning to buy existing properties. Buying existing properties may be the most cost-effective means of replacing homes sold (as second-hand properties are generally cheaper than newbuild) and can be faster, as well as being easier for small associations without a development team. The government's preference, however, is that new homes should be built where possible, because this adds to the overall housing supply. Most housing associations shared this priority and were keen to build where feasible.

The detail of from the responses shown in Figure 2 indicates that two said they would only buy existing properties (selecting Option 1 only), 25 reported they would only build (selecting one or more of options 2 to 4), and 8 said that they would do a mixture (option 1 plus option 2,3 and/or 4). Assuming those who said they would do a mix of building and buying to replace sold stock would do a 50-50 mix, and assuming all associations do one for one replacement of homes sold suggests 16% of replacements would be bought and 84% would be built. For the 1,892 properties sold through the VRTB pilot, this would mean 310 replacements would be purchased from existing stock and 1,582 would be newbuild homes.

The survey asked how likely it was that stock sold would be replaced with a like for like property in terms of rent level; tenure; number of bedrooms; type and location and results are shown in the figure below. As noted above, the one for one replacement commitment does not require replacements to be like for like, or in the same location.

Figure 3: Likelihood of like for like replacement



Survey of housing associations, Q23 (n=40)

It is clear that there is a high degree of uncertainty currently over whether the replacement homes will be like for like. Half of the respondents thought it likely or certain that the replacement stock would be similar in terms of tenure and nearly half (48%) thought the replacement stock would be of the same size. There were 9 associations (23%) who thought it unlikely that the replacement stock would be at a similar rent level, and 7 (18%) who thought it unlikely that stock would be built in the same area.

Tenure

The survey asked the associations to estimate the profile of the replacement homes that they would be most likely to provide in terms of tenure.

In total 31 respondents answered the question and the table below shows the profile of what, by March/April 2020 they expected to build, compared with what they expected to sell (including a small number of sales still in progress as of 30 April 2020):

Table 3: Planned tenure of replacement homes

Number of associations providing estimates	Affordable or social rented homes expected to be built	Shared ownership homes expected to be built	Total number planned	Number of expected sales by housing associations providing these estimates on replacements ¹⁸
31	936 (87%)	142 (13%)	1,078	1,444

Source: Survey of housing associations, Q25 and VRTB monitoring data

¹⁸ This includes sales that were in progress as of 30 April 2020.

Many associations were still formulating plans at the time of this research, so these are early indications. They suggest that the large majority of homes built to replace those lost under the VRTB will be rented, rather than shared ownership. Associations varied in their plans for the tenure of replacement homes. Thirteen said they would build only rented housing, and two that they would build only shared ownership.

The total number of replacement homes planned (1,078) is also less than the number of anticipated sales from the associations providing this data. This suggests either that housing associations are planning to build fewer than one for one, or have not yet made plans for the tenure of all the homes they will build.

Seventeen housing associations reported their organisation had a policy for replacing homes sold; of which 11 policies were received and analysed. There were also 10 organisations who included a statement about replacement homes in their overall VRTB policy and these were included in the analysis. These written policies suggested that most associations were prepared to be flexible about tenure mix. Only one stated that they would aim for like for like replacement in terms of tenure. Eight of the policies received said they would consider any tenure for replacement homes and two specified a preference for replacing the homes sold with shared ownership properties. One of these said that as they operate in low value areas the sales receipt may not be sufficient to fund one for one replacement of social rented homes.

Rent level (social rent or Affordable Rent)

The survey also asked about whether the rented homes would be at social rent or Affordable Rent. In total, 20 housing associations were able to provide these estimates, as shown in the table below:

Table 4: Planned rent level of replacement homes

Number of associations providing estimates	Affordable Rent homes expected to be built	Social rent homes expected to be built	Total of homes where rent level is known	Number of expected sales by housing associations providing these estimates on replacements
21	265 (58%)	195 (42%)	360	990

Source: Survey of housing associations, Q26 and VRTB monitoring data

This suggests that around 6 in 10 replacement homes are likely to be at higher rent levels than those they replace (which are likely to be nearly all at social rent level).

If these plans from the housing associations who were able to supply figures reflect what is built in practice, and also reflect the profile of stock built by others who did not yet have firm plans, it would suggest the following profile of homes would be built to replace the 1,892 homes sold under the pilot, as shown below:

Table 5: Estimated tenure and rent profile level of replacement homes

	Estimated number of replacement homes

Homes expected to be sold	1,892 (likely to be all at social rent)
Total estimated replacement homes: of which:	1,412
- Affordable Rent homes estimated to be built	37%
- Social rent homes estimated to be built	27%
- Shared ownership homes estimated to be built	10%

Source: RSM analysis based on survey of housing associations March/April 2020 and VRTB monitoring data

This analysis suggests that 87% of replacement homes would be rented homes, with the remaining 13% being shared ownership homes. It is unclear whether the housing associations surveyed were planning to replace only 75% of homes sold (as these figures suggest), which might happen if the sales receipts are insufficient to fund the costs of building new homes, or whether they had not yet formed plans for all replacements, given that the last of the sales had not yet taken place at the time of the survey.

Size

The survey also asked the associations to estimate the profile of the replacement homes by size. In total, 31 were able to provide these estimates, as shown below:

Table 6: Profile of replacement properties and homes sold by number of bedrooms

Size of home	Estimated number of replacement homes	Number of expected sales by housing associations providing these estimates on replacements ¹⁹
1 bedroom	21 (6%)	37 (4%)
2 bedrooms	157 (43%)	285 (31%)
3 bedrooms	174 (48%)	527 (58%)
4+ bedrooms	11 (3%)	56 (6%)
Total	363 (100%)	905 (100%)

Source: Survey of housing associations, Q27 (N=20) and VRTB monitoring data

This suggests that the replacement homes will on average be smaller than those that are sold. There was very little information about the size of properties for replacement contained in the written policies. Six of the 21 replacement policies said they would consider all types of self-contained stock to replace the homes sold. One said they would aim for similar, but local need would also be considered. Two others said they may consider developing some self-contained supported housing.

Location

Of the 21 replacement homes policies provided:

¹⁹ This includes sales that were in progress as of 30 April 2020.

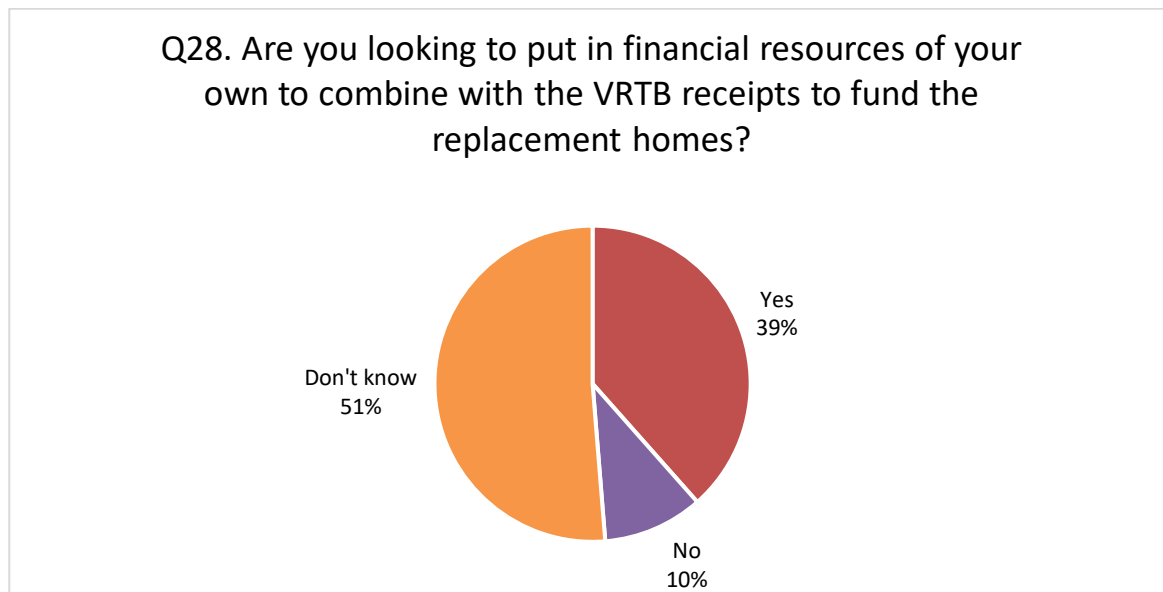
- 3 said they would look to build in the same locality to where the stock was sold (though one of these also said they would also consider where there was a need for new affordable housing).
- 7 said they would prefer to build any replacement stock within the pilot area or within their operational area (which was fully within the pilot area).
- 3 said the homes sold would not necessarily be built in the pilot area.
- One said they would like to deliver homes near to where they were sold but thought it would be more practical to deliver them on larger new build sites rather than on several smaller sites.
- One said they will prioritise replacement of VRTB stock sold in the Midlands because the land prices in the area are affordable, and they have staff capacity and good relationships with local authorities to do this. They were considering whether it might be possible to use some homes already planned on S106 sites as replacement homes for VRTB sales.
- 6 did not specify a location preference.

Additionality

It is the government's intention that homes built to replace those sold under the VRTB should be additional to those that would have been built anyway. Some of the case studies were unclear on what is permitted or how to prove additionality. For example, Orbit said that they would like to use some of the VRTB funding to make homes in their existing development plan into social rented instead of homes for market sale. However, they were not sure if this would be permitted.

The survey collected information to provide insight into whether the replacement homes were additional to those which would have been built anyway. Associations were asked whether they were looking to put in their own resources to help fund replacement homes, as shown below.

Figure 4: Use of associations' own resources to replace homes sold under the VRTB



Source: Survey of housing associations, Q28 (n=39)

Around 4 in 10 associations reported that they were planning to put in their own financial resources to fund replacement homes, with nearly all the others unsure of whether they would do so or not. If associations add in their own funding in order to replace homes sold, then funding VRTB replacements may come at the expense of funding other development opportunities.²⁰ Only 7 organisations were able to provide estimates for their level of contribution and their responses ranged from £10,000 to £155,000 per plot.

There is clearly a need for more work here to assess additionality. Such work would need to consider:

- The extent to which housing associations are putting in their own resources in order to fund one for one replacements
- The extent to which S106 planning obligations are being used to provide effective cross-subsidy for replacement homes, which is allowable in exceptional circumstances if additionality can be demonstrated.
- Whether associations build new homes, buy new homes or buy second-hand homes to replace those sold – buying homes is effective in replacing the number of social homes sold, but does not add to the total housing stock.

There is a further question as to whether all the homes built by housing associations as replacement homes are truly additional ones that would not otherwise have been built by anyone (including other housing associations and private developers). However, assessing this is beyond scope of this evaluation. It depends on the extent to which

²⁰ No further detail was requested on where this funding of their own had come from. The survey also asked associations whether the VRTB scheme had encouraged them to undertake developments that they might not otherwise have done. However, answers to this question suggest that it was not consistently understood by respondents.

funding (rather than the planning system, or constraints within the wider housebuilding sector) are the factors that constrain housebuilding.

Challenges of building replacement homes

The survey asked associations about the challenges of delivering replacement of homes to replace those sold through the pilot. The main challenges identified were land availability and that the money from the sale would not be sufficient to build a similar property to the one lost.

Out of 43 survey responses, 21 said identifying available land for development was a challenge. The case studies also said the availability of land was a challenge. For example, Aspire has a small operating area covering only two mostly urban authorities. Most of the homes sold through the pilot were 3 bedroom houses and they would like to deliver 3 bedroom homes to replace the stock lost, but have a limited number of sites available for development in their operating area. As of April 2020, they had identified some garage sites in their operational area that would be suitable to deliver 12 replacement rental homes for the 22 they have sold. Bournville, Bromsgrove District Housing Trust, Midland Heart and Pioneer also said that it would be challenging to identify available sites for replacement homes within their operational areas. Orbit, Nottingham Community and Midland Heart all reported that identifying the land within the 3 year period would be challenging.

Based on the survey, many housing associations were concerned about whether the amount received from the sales of homes would be sufficient to replace the homes sold. Aspire estimated that the amount they were receiving per sale was around 70% of the cost to deliver a replacement unit. Some were considering replacing the homes sold with shared ownership properties, replacing houses with flats, or employing innovative construction methods to reduce the build costs. As shown above in Table 6, the size profile of the replacement homes may differ from that of homes sold. Most also expected much of the new housing to be at Affordable Rent (rather than predominately social rent of the homes sold) All this is likely to mean that the replacement homes will be on average smaller, at higher rents, and include more homes for shared ownership and fewer for rent. Some associations were particularly concerned about the potential loss of larger homes with 4 or more bedrooms, as they were aware of acute shortages of these for larger families in temporary accommodation or who were their own overcrowded tenants.

In the survey, two housing associations also said that the COVID-19 pandemic was likely to have an impact on their plans for replacement. One was concerned it made the timescales for identifying and starting delivery more challenging, whilst another reported that they had previously seen shared ownership as being needed to assure financial viability, but that this was now under review due to COVID-19.

Monitoring one for one replacement of homes sold under the VRTB

The Commons Briefing Paper recommends 'the Government should publish annual figures on new homes built, specifying how many homes in each local authority area were sold under, and built using the proceeds from, Right to Buy, and what tenures the new homes

are. Without these figures, it will not be possible to ascertain whether or not the extended Right to Buy is a success in terms of adding to the stock²¹.

The table below shows the number of sales by quarter:

Table 7: Number of sales by quarter

Quarter	Number of sales	Date by which replacement homes would be built to meet 3-year target
2018/19 Q4	34	31/3/2022
2019/20 Q1	279	30/6/2022
2019/20 Q2	453	30/9/2022
2019/20 Q3	456	31/12/2022
2019/20 Q4	443	31/3/2023
2020/21 Q1 (April only)	23	30/6/2023
Still to complete as of 30/4/20	211	Not known

Source: Homes England VRTB monitoring data

It is too early to measure whether these replacement homes have been built yet.

Eleven of the policies received provided information about anticipated time scales for delivering the replacement homes. Three were aiming to replace the homes within two years and 7 said they were aiming for up to 3 years. Just one (Bromford) said they would aim to use any receipts within a 3-year period, but it may depend on the volume of sales since replacement schemes will need to be financially viable in their own right and that all amounts received would be used within 10 years of the date of receipt.

Lessons learned in delivering the VRTB therefore include:

Supporting housing associations

- *The guidance should preserve its clear narrative around what must be done and what housing associations have discretion over. Best practice in managing portability has evolved over the course of the pilot, so the guidance needs to reflect this learning. The guidance needs to be available to housing associations in good time before the launch of any wider rollout of the VRTB.*
- *Some housing associations would appreciate more specific guidelines or training on what they should be doing to identify and prevent fraud and money-laundering, especially those who are not stock-transfer associations and therefore are not already familiar with the PRTB. Some housing associations may need to develop their governance in this area.*

²¹ Commons Briefing Paper (2018) [‘Introducing the Voluntary Right to Buy’](#)

- *The guidance for housing associations is generally clear on how they should assess eligibility, though co-ordination with other social landlords may be needed to verify applicants' housing histories, and whether they have ever previously benefited from the RTB.*
- *A national VRTB running over a longer period may be easier for housing associations to manage than one with a single short period for applications and would also cause less stress for applicants, which may result in more applications.*
- *If URNs are to be staggered in order to help housing associations process them, they need to be staggered over a longer period, with clearer messaging to applicants about this process and precise dates of URN issue communicated with the housing associations. Alternatively, issuing all URNs at once would be simpler for applicants. Housing associations could use data from this pilot to give them a better estimate of likely uptake. Some housing associations needed longer to set up their IT systems.*
- *The IMS appears to have worked well and most associations reported that they kept it updated regularly. Associations would appreciate better reporting facilities from the Homes England IMS database to allow them to check their own records against what has been submitted. They also need a means of correcting errors and re-opening cases incorrected classed as terminated, in order to avoid duplicate entries and ensure better-quality data.*

Supporting applicants

- *The application form may need to be clearer on consent and contact details.*
- *Some applicants may need more support with providing ID asked for. Tenants with disabilities or those who need to provide proof of previous tenancies may need more time or support.*
- *Applicants need to be informed more clearly of the eligibility criteria for the scheme, such as the date by which they must meet the criteria for length of time in their tenancy or as a social tenant.*
- *Identifying which applicants are eligible and able to afford earlier in the process (before an application fee is paid) helps to manage expectations and direct resources towards those applications most likely to lead to purchase. Having affordability and eligibility checks at the outset would be helpful.*
- *Housing associations should try to streamline processes to ensure they deal with applications efficiently and swiftly. Ensuring sufficient staff are available at the right stages is important, and in particular staff with the necessary legal skills to quickly identify any legal barriers or difficulties in potential sales. Applicants appreciate having their applications acknowledged and being given an indication of timescales.*
- *Housing associations may want to consider producing conveyancing plans for entire blocks or in advance of applications for sales where these are likely to be needed.*

Replacement homes

- *The receipts from sales may be insufficient to fully fund replacement stock, and most housing associations are likely to use some of their own resources on the replacement housing.*
- *While most associations in the pilot would prefer like for like replacement, the mix of homes is likely to include a mix of tenures (shared ownership, Affordable Rent and social rent). Early indications are that this will be around 87% rented housing and 13% shared ownership, with the rented housing being 58% Affordable Rent and 42% social rented.*
- *Most associations say they are looking to develop replacement properties themselves and planning to develop them in the pilot area, although land availability for sites is limited, and smaller associations who mostly cover urban or expensive areas may struggle to replace homes in their operational area.*

Chapter 2: The operation of the portable discount

The ambition behind the VRTB was that most tenants would be able to purchase the property in which they live.²² However, many housing associations own properties that they are not legally permitted to sell. They may also decide to exclude some properties from the VRTB for their own reasons. In line with the voluntary agreement, housing associations were therefore given discretion to exclude some stock from the pilot.²³ When they do this, eligible applicants are offered a **portable discount** – they can 'port' their discount to another housing association property which they can purchase instead. Housing associations can determine which other properties applicants are offered, depending on what is reasonable for the circumstances locally. Housing associations are required to make a 'reasonable offer of an alternative property' but the offer does not need to be a like for like property.

This section examines the operation of the portable discount focusing on:

- How housing associations determined which properties were to be excluded from the VRTB
- The proportion of properties excluded from the VRTB
- How associations managed the process of offering an alternative property to those offered a portable discount.

Deciding what stock to exclude from the VRTB

The NHF/MHCLG guidance provided examples of circumstances where housing associations could exercise discretion over sales, which include:

- Properties in rural locations
- Supported housing
- Properties provided through charitable or public benefit resources
- Specialist properties of historic interest that have special significance to the community
- Tied accommodation occupied because the tenant is employed by a social landlord
- Properties with restrictive covenants around the protection of rural homes

²² House of Commons (2016) [‘Housing Associations and the Right to Buy, Second Report of Session’](#)

²³ MHCLG (2018) [‘Voluntary Right to Buy – Midlands Pilot: guidance for housing associations’](#)

- Properties held in a Community Land Trust²⁴
- Properties where a sale would breach the 'cost floor' (meaning that the property cannot be sold for less than it is worth, or that has been spent on it)

Housing associations were required to publish policies setting out the circumstances under which they would not sell, and to publish a local policy setting how the operation of the portable discount.²⁵

The case studies offered insight into how they decided what stock to exclude from the VRTB. There were clearly two key drivers:

- Properties that they could not legally sell
- Properties that they did not want to sell because doing so would conflict with their business objectives

Stock that they could not legally sell included properties that were subject to planning conditions under S106 of the 1990 Town and Country Planning Act that require them to remain affordable in perpetuity, on a short lease or subject to legal covenants. There were also some grey areas where stock was excluded by a couple of case study housing associations because of the legal complexities involved in selling it, meaning whilst legally possible to sell, it was deemed impractical within the timescales of the pilot.

Some housing associations were keen to include as much stock as possible in the pilot and therefore excluded very little else. Others did, however, exclude stock that was in high demand or low supply, which included:

- 4 bedroom homes
- Bungalows
- Rural homes
- Heritage properties
- Properties in areas where the housing association has limited stock

One case study association (Stonewater) spoke with the local authorities where they worked to ask whether there were any particular types of housing they would prefer them not to sell. Others ascertained the level of demand purely on the basis of their own experience of letting and supply of homes.

Some associations also excluded stock that was likely to be within a regeneration project in coming years, as selling it would make it harder to regenerate.

²⁴ National Housing Federation (2015) [‘An offer to extend Right to Buy discounts to housing association tenants’](#)

²⁵ MHCLG (2018) [‘Voluntary Right to Buy – Midlands Pilot: guidance for housing associations’](#)

What types of properties were excluded from the VRTB pilot?

The review of 44 Voluntary Right to Buy (VRTB) housing association policies²⁶ showed that there are several types of properties that were being excluded from the VRTB. Each of the VRTB schemes reviewed had different numbers of the types of properties excluded, ranging between 2 and 14. Table 8 shows the number of policies that stated they would exclude each type of property.

Table 8: Number of VRTB schemes that exclude each type of property

Property type	Number of schemes excluding property type
Properties with planning agreement restrictions	27
Higher floor cost than market value	22
Supported housing	22
Leaseholds/flats	21
Properties in areas earmarked for regeneration/ future development	19
Restrictive covenants preventing sale of property	19
Rural properties	15
Properties with adaptations	15
Sheltered accommodation	14
Properties bequeathed to charities	14
Properties linked to employment	13
Properties due for demolition	13
Heritage stock, e.g. properties of historical significance	10
Bungalows	10
Mixed use/shared accommodation	10
Sale would lead to financial compromise of scheme	9
4+ bedroom properties	8
Properties designated to remain as social housing	7
No legal long-term interest in property, e.g. no sufficient legal interest to grant a lease exceeding 21 years for a house and 50 years for a flat	7
Properties that are not self-contained	6
Not owned by the housing association	6
Properties with charges to lenders making them unsuitable to sell	5
Shared ownership	4

²⁶ There were 44 housing associations at the time of the policy review. Two have since merged into one organisation.

Properties funded by other organisations	4
Flats in high rise buildings	4
Specific newbuild sites	2
Low supply/ high demand property	2
Properties that are currently for sale	1
Properties with renewable technology installed	1

Source: RSM review of housing association policies

Table 8 shows that the most common reason for a property being excluded for a VRTB scheme is that it has planning agreement restrictions. The reason for this is usually that there is a legal requirement through conditions of planning permission to keep the property as a rented unit affordable in perpetuity (unless those requirements could be renegotiated with the local authority). The second most common reason for exclusion was that the floor cost (amount spent to maintain property) is higher than the estimated market value of the property, as a sale would cause financial loss to the housing association. This usually applies to more recently built properties.

Different types of buildings for elderly or disabled tenants (sheltered housing, bungalows, supported housing and properties with adaptations) were also commonly excluded. Other types of properties excluded by some associations were those that have been funded by other organisations.

Examples include those that have been part-funded by grants and other organisations and those that are privately funded but managed by a housing association. This may also relate to legal restrictions on selling.

The survey also asked about the types of properties excluded, and the responses received are shown in the table below.

Table 9: Which of the following types of properties did you decide to exclude from the VRTB pilot?

	Number	Percentage
Properties where an S106 agreement or other legal agreement does not allow you to sell them	39	93%
Stock that is in high demand or low supply	18	43%
Flats/leasehold properties	25	60%
Other	27	64%
Respondents	42	100%

Source: Survey of housing associations, March-April 2020, Q7

Associations who answered "other" were asked what this comprised of.

- 12 said they had excluded stock in regeneration areas or stock that had been identified for demolition.
- 10 said that they had excluded properties with adaptations.
- 9 said that they had excluded sheltered or supported housing stock.

- 6 mentioned excluding stock due to the cost floor exclusion.
- 5 said that they had excluded tied accommodation.

Housing associations were also asked in the survey whether they had made any changes to the types of property they excluded throughout the pilot. Seven of the 41 associations responding to this question reported that they had made changes, and 6 of them provided further details:

- 2 had amended their policies to add in further types of properties they decided they did not want to sell – leasehold houses; properties with leases that prevented them being sold in another; and two bedroom flats in the other
- 2 amended their policies to allow sales of properties that had initially been excluded. One of these involved some properties in rural areas (which had initially been subject to a blanket exclusion), and the other decided to permit the sale of leasehold houses, though reported that this had been a lengthy process.
- One amended their policy to make it clearer that they would not sell properties with leases that did not allow them to be sold.
- One made changes to the way they calculated the 'cost floor' for sales, to reflect the fact that they would be compensated by government for the discount on market value.

In addition, one association mentioned that they had considered amending the blanket exclusion of properties with adaptations out of concern that this could be considered discriminatory, though in fact they received no applications from tenants of homes with significant adaptations.

REMOVING LEGAL RESTRICTIONS ON SELLING HOMES

The survey also asked about whether the association tried to get any legal agreements restricting sales of properties changed. Twelve said they had done this and 28 that they had not. Two respondents said they were not sure if this had been attempted by their organisation.

Those who did attempt to have restrictions removed reported very little success:

- One said they were unsuccessful on 9 occasions and successful on 3.
- One said both of their requests were refused.
- One did not provide a detailed breakdown but reported local authorities were reluctant to engage.
- One reported that they had been successful in one case and unsuccessful in 2 others.
- One said they had made 10 requests to have agreements changed. They did not report how many were successful, but reported that the local authorities involved were reluctant to engage.
- One did not say how many times they attempted to have agreements changed, but said they were unsuccessful.

- One said that they asked 14 local authorities to amend a total of 28 titles but only one local authority agreed to this. In this case, the association had to pay the local authority 13% of the open market value in order to release the property from the charge.
- One reported that they requested one title to be changed and were successful.

Of those that did not attempt to remove restrictions, 7 reported that they had not received any applications from households in excluded properties. Of the others, reasons for not attempting to remove restrictions included the amount of time and resource it would take, and it not fitting with overall strategies and priorities around stock they wished to sell. For example, Staffordshire Housing Group said the stock with restrictions was generally newer and they did not wish to sell newer stock under the VRTB. Walsall Housing Group also said their S106 stock was relatively new and would have been excluded by the cost floor anyway even if the S106 restrictions had been removed. Others said their S106 stock was mostly in high demand areas, where they were keen to retain stock.

How much stock was excluded overall?

Homes England asked housing associations to report data on whether tenants were offered a portable discount. This information was recorded for almost all sales, but less than half of terminated applications. However, the reason for terminating applications was recorded in most cases; and in many cases this indicated whether or not this application was one where portability was offered. This enabled some missing data on portability to be added, and some incorrect data to be amended. The table below shows the results of this analysis.

Table 10: Tenants offered portability

Total number of applications from eligible applicants	3,261
Total number of eligible applicants offered portability because their home was excluded from being sold	640
Proportion of stock occupied by eligible applicants that was excluded from being sold	20%

Source: Homes England VRTB monitoring data. RSM analysis

The table below shows the percentage of applicants offered porting by housing association for housing associations with more than 10 applicants.

Table 11: Top 10 housing associations with more than 10 applicants for offering portability

Housing association	Total applicants offered portability	Total number of applicants	Percentage of applicants offered portability
Nehemiah United Churches	14	23	61%
Bromford Group	77	161	48%
Home Group	7	15	47%
Connexus Group	8	19	42%
Housing Plus Group	30	95	32%

Guinness Partnership	21	80	26%
Places for People	72	294	24%
Platform Group	47	192	24%
Longhurst Group	19	78	24%
Orbit Group	89	384	23%

Source: Homes England VRTB monitoring data

At the other end of the spectrum, there were 3 housing associations who received more than 10 applications and did not offer portability to any of them (The Community Housing Group, Grand Union Housing Group and Black Country Housing Group). Midland Heart, Futures Housing Group, Your Housing, Pioneer, Aspire, Optivo and PA all offered porting to less than 5% of their applicants. These differences appear to be due in part to the different nature of housing associations' stock (whether there are legal restrictions on sales, for instance via S106 planning conditions), and their own policies around excluding stock.

The impact of offering portable discounts on sales

The data from Homes England (including the analysis of reasons for terminations) has been drawn on in order to calculate the proportion of applicants who were offered the chance to buy their own home who went on to buy, and the proportion of those offered a portable discount, as shown below:

Table 12: Proportion of eligible applicants offered their own home or a portable discount who went on to buy

	Number of applicants	Number of buyers	Percentage
Eligible applicants offered the opportunity to purchase their own home	2,621	1,813	69%
Eligible applicants offered a portable discount	640	79	12%
Total	3,261	1,892	58%

Source: Homes England VRTB monitoring data

As can be seen, a much lower proportion of applicants who were offered a portable discount went on to buy their home. Of the 79 who purchased via a portable discount, 5 purchased homes owned by another housing association. In the pilot, 11 housing associations did not offer portability to any applicants, and 5 (Nehemiah United Churches, Bromford, Home Group, Connexus and Housing Plus) offered more than 30% of applicants portability.

Sales via the use of a portable discount also took longer. As of 30 April 2020, 1,636 of the 1,811 sales where applicants bought the home they were already living in had completed (90%), compared to 34 of 79 of sales involving the use of a portable discount (43%).

The table below shows the top 5 housing associations with at least 5 porting offers where porting applicants completed their sale.

Table 13: Top 5 housing associations for porting completions

Housing association	Applicants offered portability	Of whom completed to sale	Percentage
Citizen Housing	25	15	60%
Nottingham Community	7	3	43%
Wrekin Housing Trust	5	2	40%
East Midlands Housing Group	11	4	36%
Rooftop Housing Group	6	2	33%

Source: Homes England VRTB monitoring data

Citizen are one of the largest associations in the Midlands, so have had a higher number of homes becoming available in the area. Nehemiah, Home Group and Riverside Group all offered more than 5 applicants porting and none of these progressed to sales. Guinness, Accord and Midland Heart also had less than 5% of porting applications complete to sale. While it is not assessed here, the policies on portability that the associations operated – in relation to how a suitable property for portability was found, and the length of time given – may also have impacted on the number of porting applications that resulted in sales.

Managing the process of offering portable discounts

It was clear that finding suitable properties for applicants to port to was challenging for all housing associations involved in the pilot.

How housing associations identify the stock that they plan to exclude

The first challenge was to establish exactly which properties they wished to exclude from the VRTB (and hence to offer portability to applicants who applied from these properties).

The stage at which housing associations identified stock to be excluded from the VRTB varied. Some types of ineligible stock could be identified across an association’s entire portfolio, such as restrictions of a size or type the housing association had decided to exclude. Some, however, were only identified after a VRTB application had been made – something that tended to slow down the sales process and cause some frustrations for applicants who applied in the hope of purchasing their own home, were successful in the ballot, but told sometime later that this would not be possible. For instance, Orbit found that it took them 6 months to establish whether all their properties were subject to S106 restrictions, leading to agitated complaints from tenants who were told about this late in the process.

The survey of housing associations asked about this issue:

Table 14: Did you know which of your properties would be excluded from the VRTB before applications were received?

	Respondents	Percentage
Yes. We were able to identify properties that we would exclude from the pilot across our entire stock in the Midlands in advance of applications being received.	17	40%

We were able to identify some properties that we knew we would exclude from the pilot, but others were checked and identified only when an application was received.	15	35%
No. We only checked whether properties would be excluded from the pilot once an application was received.	6	14%
Something else.	4	9%
Not answered	1	2%
Total	43	100%

Source: Survey of housing associations, Q2

Smaller associations were more likely to be able to identify all excluded properties in advance. Of the 9 large associations responding to this question, only two were able to identify all excluded properties in advance.

The 15 associations who responded that they could identify some excluded stock in advance were asked a follow up question about the proportion of the properties that were in the end excluded they were able to identify upfront. Of these, the proportion identified upfront varied considerably from 3% to 95%, with an average of 56%.

Those who were not able to identify all the excluded stock upfront were asked about barriers to doing so, and 23 respondents provided information about this:

- 14 said a lack of information about legal restrictions on properties was the main barrier to identifying which stock to exclude. For example, Stonewater reported a lack of full S106 agreements being held on file. They had to order these through a private search company, which took up to 8 weeks.
- A further 6 highlighted other issues with a lack of information on the stock that they held. For example, Platform Group merged from several organisations throughout the pilot which meant their record management of stock was dispersed or incomplete. Midland Heart said there was a lack of historic information on IT systems so some manual searching for relevant information was required.

Some also highlighted that it was not possible to calculate the 'cost floor' until after the valuation had been completed.

Associations unable to identify all the excluded properties upfront were also asked whether they thought they would be able to improve their information systems so that they can identify excluded stock in the future if the VRTB is rolled out (Table 15).

Table 15: Do you think you will be able to improve your information systems so that you can identify excluded stock in the future if the VRTB is rolled out?

	Respondents	Percentage
Yes	9	42%
No	1	5%
Not sure	11	52%
Total answered question	21	100%

Source: Survey of housing associations, Q5

Around half of respondents thought that they would be able to do so, with most of the rest unsure. Two of the smaller associations mentioned that they did not think it was economically viable to undertake the work that would be required to identify individual properties before applications were received. In addition, one association which had managed to identify excluded properties upfront reported that this had involved them paying a solicitor to carry out the necessary investigations – something that had proved costly and they would not consider sustainable for a wider VRTB scheme.

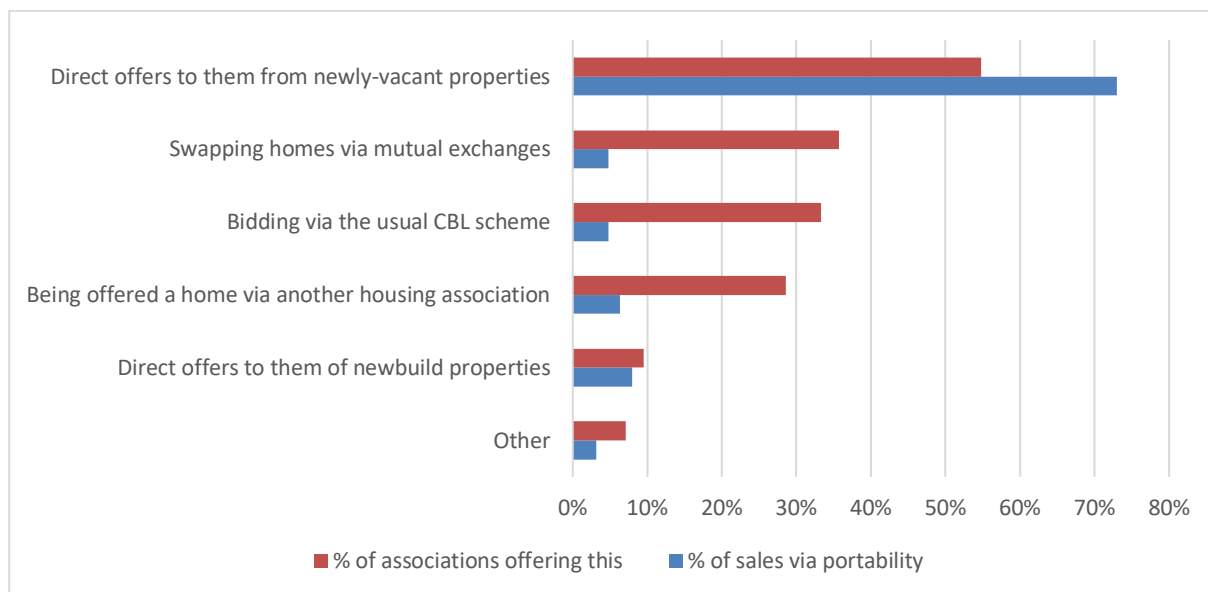
Finding suitable homes for applicants offered portability

Policies on portability were reviewed to establish how housing associations initially planned to find suitable homes for tenants offered portability to move to. These generally covered:

- The source of homes to port the VRTB discount to
- The number of reasonable offers made of an alternative property
- Factors the housing association considered when identifying a suitable alternative
- Timescales for identifying a suitable alternative
- Arrangements with other housing associations for tenants who wished to port their discount to a property owned by a different landlord.

Policies around porting evolved over the course of the pilot. The survey of housing associations – undertaken towards the end of the pilot – asked about porting and sources of properties for people to port to. It also collected information on the ways in which porters were successfully matched to suitable properties:

Figure 5: Options for porters, and ways in which homes were successfully found



Source: Survey of housing associations, Q13. 42 associations answered the question and they were able to give more than one answer to indicate all the ways in which they tried to find homes for porters. Total number of cases where source of home for porters was known = 63. Of the 3 associations answering "other", 2 specified they were looking to match porters with hard to let stock, and the third that they had allowed applicants to port to another housing association in the same group.

Figure 5 shows that housing associations tried a variety of means to match porters to suitable homes. However, the large majority of successful sales via portability were via associations identifying suitable homes for porters when they became vacant and making them direct offers. Only 3 cases were reported where applicants had successfully applied via CBL schemes for a suitable home to port to, despite efforts by associations to promote this option to applicants.

The survey also asked why homes were offered in this way, and housing associations cited cost, ease and applicant experience. Several initially stated they would source porting properties through one method but used different approaches as the pilot progressed because these were not working for their tenants. For many, this involved a realisation that leaving applicants to find suitable properties via CBL was unlikely to be successful. For example, Bournville originally encouraged applicants to find a match through CBL but nothing suitable was available. They changed their approach to making direct offers and worked with tenants so that they knew exactly what they were looking offer and made direct offers. Housing Plus and Stonewater also changed their approach from matching through local registers. In all these cases, the housing needs register was administered by the local authority, so they were not able to match suitable properties and give priority to tenants who needed to move for porting the VRTB pilot. Some associations who managed their own registers and/or the large majority of housing stock in the area (such as stock transfer associations) reported more success in allowing applicants to bid via CBL.

Housing associations also reported difficulty in matching tenants with properties at different associations. Some associations set up smaller groupings to share learnings on

VRTB and also to arrange porting between associations, but in practice were unable to find matches in this way. This may have been due to a general lack of suitable available stock and different housing associations excluding similar types of stock because of demand (larger homes are in high demand everywhere so likely to be commonly excluded). Associations reported that they were under pressure to prioritise available homes for their own tenants over tenants from other associations. One housing association responding to the survey said they had porting applicants who were able to find a suitable home with another landlord through mutual exchange. Some case studies and survey respondents also indicated that a lack of data sharing agreements to allow them to pass on contact details and circumstances of potential buyers caused difficulties porting between housing associations.

Three of the housing associations who responded to the survey said they thought that if the scheme were rolled out nationally, porting between associations would require some more formal co-ordination. This was also mentioned by the case studies, who felt more communication about available properties and better arrangements for sharing data about tenants moving between associations were needed.

Number of reasonable offers

The policies on portability contained details on the number of reasonable offers of a property to port to that would be made to eligible VRTB applicants before the application was terminated, as shown below.

Table 16: Number of reasonable offers made for applicants looking to port their discount

Number of reasonable offers	Number of housing associations offering this
1	25
2	4
3	3
4	0
5	1
Not specified	3

Source: Review of housing association policies

Table 16 shows the majority of policies stated that they would make just one reasonable offer of an alternative property. The maximum was 5, offered by Guinness Partnership, one of the largest housing associations in the pilot²⁷.

Lincolnshire Housing Partnership²⁸ and Wrekin Housing Trust²⁹ did not specify the number of reasonable offers. Both said their policy was to draw up a list of properties available for porting and tenants could choose from these and they would be allocated on a first come, first served basis.

²⁷ [Guinness Voluntary Right to Buy policy](#)

²⁸ [Lincolnshire HP Voluntary Right to Buy policy](#)

²⁹ [Wrekin Voluntary Right to Buy policy](#)

Orbit said initially they made two reasonable offers. Applicants were offered a 'drive by' of a suitable home where they were told the street but not the specific property and given up to two days to drive by and see it. If they were still interested at that point, they then arranged a formal viewing of the property once vacant, then Orbit arranged the valuation and offer. Initially the 'drive-bys' counted as offers but following tenant complaints they changed this process to only count the formal viewings within the two reasonable offers and allow for unlimited drive by viewings in a 3-month period.

Finding sufficient homes available meant that it was challenging to make the number of offers set in policies. Nottingham Community said they would only make one offer but were unable to find sufficient properties within the areas tenants wanted to live in, so kept applications open for longer.

Identifying suitable alternative properties

When making a suitable offer the policies set out a range of factors that would be considered, as discussed below.

SIZE

The survey asked how housing associations decided what size of home to offer to applicants being offered a portable discount.

Table 17: How did you decide what size of home applicants seeking portability would be eligible for?

	Respondents	Percentage
Properties that were the same size (i.e. number of bedrooms) as their current home	10	32%
Properties that were the size they needed for their family size and composition	15	48%
No restriction	4	13%
Other	2	6%
Total answered question	31	100%

Source: Survey of housing associations, Q16. In addition, 9 associations indicated that they had had no sales via portability, and 3 did not answer the question.

Around half the pilot housing associations who had had sales via portability said they based their size criteria for porting applicants on the size they required for their current family size and composition. Four chose not to limit the size criteria for porters and said that this was because it would further restrict the number of properties they could potentially port to. Of the two which ticked "other", Longhurst said they offered properties of the same size or smaller to the home currently occupied, and Metropolitan said they initially looked at properties the same size as currently occupied but if they were unable to find anything would look at properties one bedroom smaller. They would also consider homes one bedroom larger as long as the household was not already under-occupying.

Midland Heart offered porting applicants properties of the same size, but their options also asked if they would consider downsizing. While some agreed to this, they were still only able to find a small number of potential homes to port to as other factors such as location were more important to applicants.

NEWBUILD OR EXISTING HOMES?

In most cases, the housing associations offered both newbuild and existing homes to porting applicants. From the review of 45 policies³⁰, there were 23 housing associations who stated that they were offering both newbuild and vacant properties from their own stock for porting. A further 5 housing associations have said they will look within their own stock but did not specify whether they will use vacant or newbuild properties for porting.

Clarion Housing Group stated that they were only offering newbuild properties to port to and were considering potential homes nationally, not just within the pilot area³¹. The Guinness Partnership decided to offer only newbuild or hard-to-let stock to people looking to port their discount, in order not to take homes away from other people in housing need.

Six of the associations who responded to the survey said they offered newbuild homes in their policies, but found that this ambition was not practical in reality. This was due to the development pipeline not aligning with the timescales or locations required during the pilot. Some associations reported that most of their newbuild homes were delivered via S106 arrangements, meaning that could not be sold anyway. Another barrier in using newbuilds for porting was that housing associations were often restricted by letting agreements with local authorities that gave priority to those from the housing register over porting tenants.

TYPE

Where policies mentioned property type, 12 said they would look to offer a property of a similar type in most circumstances (for example, a house for a house, or a flat for a flat), but exceptions included households looking to downsize (Jigsaw Homes Group³² and Platform Group³³), or households porting to a home identified for disposal in their Asset Management Strategy (Connexus Group³⁴).

LOCATION

Housing associations' written policies often stated rules around which areas suitable homes for tenants to port to would be located in. Proximity to work or schools was an important consideration and specified by 20 policies, with others stating instead that they should be near to the applicant's current location. The survey asked whether porting applicants would be considered/able to bid for all suitably-sized properties in all locations where their landlord owned stock within the VRTB pilot area and whether there were any other restrictions placed on the types of homes applicants could bid for (Figure 6).

³⁰ This includes separate policies from two organisations who have since merged.

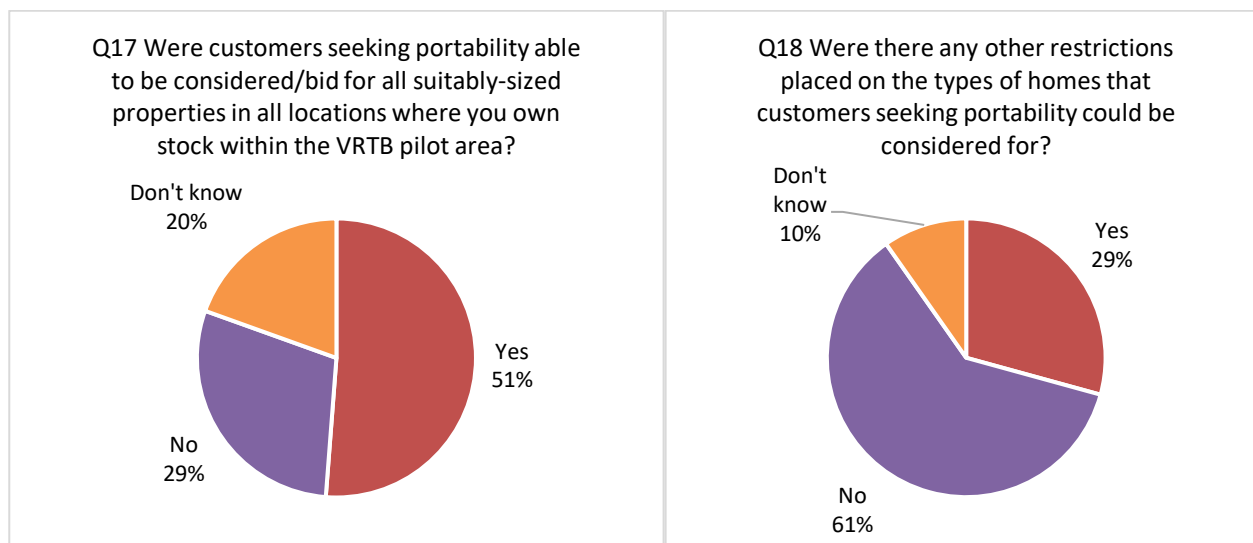
³¹ [Clarion VRTB policy](#)

³² [Jigsaw Homes Voluntary Right to Buy policy](#)

³³ [Waterloo Housing Voluntary Right to Buy policy](#)

³⁴ [Connexus Voluntary Right to Buy Pilot](#)

Figure 6: Restrictions on homes suitable for porting applicants



Source: Survey of housing associations Q17 (n=41) and Q18 (n=41)

Guinness had one successful port where they were able to offer a home in an area where the applicant already had family close by. Pioneer and Midland Heart reported people were reluctant to consider homes too far from their current location because they did not want to lose their existing community connections. As one housing association highlighted in the survey, if their homes are not eligible for sale due to S106 restrictions, other homes in the same neighbourhood are also likely to be restricted which makes it hard to match potential porting properties in a small search radius.

One association suggested that porting worked best for single applicants as they were more likely to be flexible about their location than other household types. Analysis of the Homes England data shows that single adult households were more likely to be offered porting (because they were more likely to live in homes that might be ineligible for sale such as flats), but did not appear to be more likely successfully port.

COST

Nine specified that the home applicants port to should be affordable for the household to purchase and they should be able to meet running costs. Two associations (Acis Group³⁵ and Trident Housing Association³⁶) had policies stating that they would look for properties that cost a similar amount to the one being ported from.

STOCK ALREADY DUE FOR DISPOSAL

Nine associations have said they would also offer tenants homes they wish to dispose of through their asset management strategy as alternative properties for porting, even if the tenants did not otherwise match the criteria for these homes (such as the size of home required). See for instance, Jigsaw Homes policy.³⁷

³⁵ [Acis Group Voluntary Right to Buy - Midlands pilot scheme](#)

³⁶ [Trident Group Voluntary Right to Buy Policy](#)

³⁷ [Jigsaw Homes Voluntary Right to Buy](#)

Porting to other landlords

For smaller associations the most realistic means of offering portability was via another housing association. Larger associations too could increase the likelihood of finding suitable properties via joint working with others in the area. Several of the case study associations had stock scattered across many local authorities in the Midlands with relatively few in each locality.

Just under half (17) of the housing associations' policies on portability reviewed in early 2019 mentioned the possibility of porting to another landlord, and the case studies suggested that most associations were in principle open to this possibility. Getting systems to work in practice, however, proved more challenging. By 30 April 2020, only 5 VRTB sales were via porting to another landlord, two of which were between different entities within the same housing association group (as were two of the sales that were still in progress by the end of April 2020).

Orbit had initially planned to help housing associations to work together via a 'ping list' whereby associations could share details of people seeking to port to another property. However, they later decided that it is not a resource-efficient activity due to concerns about data-sharing, and anticipations of a low number of successful matches resulting in sales (based on their experience of offering suitable properties to their own applicants seeking portability).

The NHF later took over the task of operating the 'ping list'. This was an optional arrangement and not all of the participating housing associations signed up to it.

As a smaller association, Pioneer did sign up for the 'ping list' to improve their chances of offering property matches to porting applicants but reported delays in receiving the Memorandum of Understanding which meant they were not able to receive any porting options or share tenant information to other housing associations.

It was clear from the case studies that allowing porting applicants to transfer to another landlord was challenging.

Time allowed to find an alternative

Most of the policies (25) reviewed allowed a period of 3 months to identify and offer a suitable alternative property. Some of the policies offered 3 months searching within their own stock before approaching other housing associations, as per the guidance³⁸. Clarion Housing Group's³⁹ policy said they would make an offer within 3 months for a newly finished property, but 24 weeks for applicants looking to buy off-plan. Others stated that they would offer for 3 months initially with the option to extend the period if no property was identified. Eight stated they would aim to make an offer within 6 months. Tuntum

³⁸ [Guidance for housing associations](#)

³⁹ [Clarion VRTB Portability Policy](#)

Housing Association⁴⁰ and Accord Housing Association⁴¹ stated they would look for 6 months within their own stock and then approach other housing associations. Bromford Housing Group⁴² was the only organisation offering a longer period, stating: 'The applicant will be able to remain within the portability process for a maximum of 12 months, or until one offer has been made if this is sooner. There is no guarantee of a suitable property becoming available within this time period.'

The case studies reported it was challenging to find suitable properties within the timescales they had set and two said they kept applications open longer than stated in the policy to allow for more time for a suitable property to become available through turnover. They also said that if the pilot were rolled out it would be better to keep to tight timescales for identifying porting properties as this would help to manage applicant expectations better.

Challenges in operating portability

It was known from the start that operating policies around portability was likely to be one of the most challenging aspects of the VRTB. The review of the earlier Action Research pilot had found that policies on what was excluded were often unclear to tenants, and that some exclusions (such as supported stock) were more easily understood by tenants than others (for example, properties excluded due to scheme funding restrictions).⁴³

From the survey responses, 17 of 43 housing associations said porting was not popular with tenants and many people would have preferred to buy their own homes. Location was identified as the main factor limiting their choice of alternatives. Most people did not want to move away from their current location.

The interviews with the 10 case study associations indicated that all were learning from the experience of being in the pilot and, to some extent, developing their policies and operational practice around portability as they developed experience. It was clear that finding suitable homes to offer to tenants seeking portability was a major challenge for all the case studies. Ideas for best practice for portability evolved throughout the pilot, but no easy answers were found. The main problem identified was that most housing associations did not have many, or even any, suitable homes becoming available for letting of the right size and location during the time period that the VRTB applicants were looking for them.

For instance, Midland Heart initially required tenants looking for properties to port their discount to bid on the Homes Direct scheme (the main scheme for CBL used across the Midlands, other than the city council-led scheme operating in Birmingham). Properties were advertised as "suitable for porting" if they would have been eligible (for example, no S106 or other restrictions preventing a sale). VRTB applicants were given top priority for

⁴⁰ [Tuntum VRTB policy](#)

⁴¹ [Accord VRTB policies](#)

⁴² [Bromford Voluntary Right to Buy Policy](#)

⁴³ Cole, I., Pattison, B., Reeve, K., & While, A 'The Pilot Programme for the Voluntary Right to Buy for Housing Associations: An Action Learning Approach' CRESR accessed at www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/vrtb-pilot-research-main-report.pdf [August 2019]

anything they bid for. However, they found that the applicants did not bid on anything because they could not find a property in the right location or of the right size that they deemed suitable. Midland Heart therefore started trying to find properties to offer as direct lets. They asked the tenants who were waiting for porting to choose up to 3 (roughly ward-sized) areas and start looking for suitable properties, but at the time of the interview had made only one offer, which was refused (a one bed flat offered to a tenant of a one bed house).

This kind of experience was shared by the other case study associations who had significant numbers of tenants seeking portability. Smaller associations had few requests to port and did not have the turnover to offer them anything suitable. Some also felt that the process of managing applications for portability was onerous for the housing association and emotionally draining for the applicant.

LEVEL OF CHOICE AND TIMESCALES

Most associations had struggled to offer any suitable properties to applicants seeking portability within the 3-month timescale recommended by the guidance. Some had taken the decision to extend this period, but it was clear that most were unable to offer tenants much choice over property – beyond trying to match the size to what they had already (or what they required), and the location. Housing associations also reported that applicants were more selective than they had perhaps expected, not willing to take any offer of a suitable property made to them. This meant that the associations perceived portability to involve significant effort for little gain.

It has always been possible for housing association tenants to undertake a mutual exchange with a local authority tenant in order to be eligible for the local authority RTB scheme – this may mean that tenants who want to buy any home have already done so via this method. Those remaining in the housing association sector and applying for the VRTB are therefore likely to specifically want to buy the home they live in. This may be a further challenge for establishing portability successfully.

Lessons learned in operating the portable discount therefore include:

- Data was not comprehensively recorded on the proportion of stock excluded, but the data there is suggests that 20% of eligible applications were received from tenants of excluded properties. This varied significantly between housing associations – in part due to their stock profile, but also because some chose to exclude stock that they did not legally have to, because it was in high demand or for business reasons.*
- Most applicants wanted to buy the home they were living in, and many dropped out when offered a portable discount. Others were willing to port but failed to find a suitable property. Overall, 12% of eligible applicants offered portability purchased (or were in the process of doing so by 30 April 2020), compared with 69% of those offered the opportunity to purchase the property they were living in.*
- Portability was most successful when housing associations identified suitable properties when they became vacant and made direct offers to eligible VRTB applicants. Very few applicants found suitable properties via bidding on CBL schemes. Housing associations should therefore focus on making direct offers to porting applicants.*

- *The main challenge was that most housing associations did not have many, or even any, suitable homes coming available for letting of the right size and location during the time period that the VRTB applicants were looking for them. It would therefore be sensible for housing associations to place as few restrictions as possible on areas or property types that porting applicants can be considered for. It would also seem more sensible to terminate the applications of porting applicants after a certain number of suitable offers (such as two) have been made, rather than after a fixed period of time.*
- *There were efforts to help tenants port to another housing association, but these were tricky to implement and resulted in only 5 sales. Further work is needed to facilitate moves between associations. A centralised portal where associations could share information about properties and applicants would also be helpful to improve the process for moving applicants between organisations. This is particularly important for tenants of small associations who have little chance of moving within their landlord's own stock.*
- *Housing associations reported that applicants were more selective than they had perhaps expected, not willing to take any offer of a suitable property made to them. This is probably inevitable for people looking to make major financial investments associated with house purchase. Increasing choice is therefore necessary if portability is to result in significant numbers of sales. Porting applicants may also need time to come to terms with not being able to buy their own home, and to realistically appraise the types of property that may be available to them.*

Chapter 3: The customer experience

This chapter draws on the 60 interviews with VRTB applicants, including 31 who had purchased their home and 29 who had applied and then terminated their application. It also draws on data on applicants who drop out of the application process, and their reasons for doing so as recorded by housing associations and reported to Homes England.

- The interviews took place in two batches between July and August 2019 and January to March 2020, in order to include a mixture of those who purchased more quickly and more slowly. The sample was drawn from a full list of the most recent purchasers or applicants to have dropped out at each point in time, in order that the interviewees would be able to freshly recall the process.
- The sample of applicants who dropped out was filtered to exclude people who had had their applications terminated due to ineligibility. It was stratified to include a quota of applicants who had been offered portability in order to learn more about how this process worked, or why it didn't work for some. These interviews all took place in the second batch. In total 6 of the purchasers interviewed had bought via portability, and 14 of the applicants who did not purchase had been offered portability.

The experience of the buying process

About the applicants

Fifty-four of the applicants who successfully applied for the ballot lived with other family members. The vast majority lived with their spouse and children. Just 4 of the people who bought their home through the scheme lived alone.

Six applicants did not buy the home they lived in when they applied and ported their discount to different homes.

Nearly half (29) of the applicants for the ballot had been living in their current home for more than 10 years. On average they had been in their current home for 11.5 years and had been housing association tenants for 18.6 years.

Registering for the VRTB ballot

Applicants found out about the scheme via a range of different means comprising:

- Letters or emails from their housing association (16)
- Word of mouth, through family, friends or neighbours (13)
- Government announcement or website (11)
- Internet browsing while investigating other Right to Buy options online (6)
- Asking their housing association about buying their home (8)

- The media (TV, radio, newspaper) (8)
- Information about it online, typically on their housing association's website, (4)
- Facebook (2). (It was not specified whether this was a government advertisement, link to a news item or through conversations with friends)
- A local councillor (1)

This list suggests that there was quite widespread discussion around the VRTB across the media and direct from government, and that people were talking about it. A minority of people found out about the scheme directly from their landlord contacting them.

The most common reason for applying to the VRTB ballot was wanting to own their own home (31). Most were attracted to the scheme because it was a chance to get on the property ladder, but 8 applicants said they specifically wanted to buy the home they lived in because they liked it.

The level of discount available was attractive for some buyers

It was the best opportunity because they give you a 37% discount...I don't need to get a mortgage. Instead of £100,000 I could get it for £60,000 to £70,000. It was a good opportunity to buy.

(Interview with unsuccessful applicant)

Others were interested in buying but the scheme meant they would not have to save as long for a deposit.

I saw this as a good opportunity. I'd been with the housing association for so long and other ways of buying a house would have been too difficult because of the deposit.

(Interview with unsuccessful applicant)

We had been saving for the past 5 years trying to get a deposit to buy somewhere. When it came along it felt like our last chance.

(Interview with successful applicant)

Eleven applicants said they did not want to keep paying rent, in some cases because they anticipated it would be cheaper than renting given the level of discount offered. Some saw rent as 'dead money' and would rather pay a mortgage and own their home in the long term. Three unsuccessful buyers said they were interested in buying their home in order to sell it. One of these had planned to 'do it up to a good standard' and then sell it. The other two did not feel their current home was suitable and had been unable to find another housing association property, so were attracted to buying as a way to obtain better housing, outside of the social housing allocation system.

Six applicants wanted something they could pass on to their children to help them get on the property ladder.

Two successful purchasers had specific ideas for changes they would like to make to their properties. They did not think the housing association would address these issues, so were keen to buy in order to undertake the work for themselves. Another had already done a lot of work while they were renting and did not want that to be a wasted effort.

Applicants were asked about what information about the VRTB scheme was available to them and how helpful it was, and 27 said they had received sufficient information via the government website and information received from their housing association. Nine said they did not receive any information at the application stage and 22 others said there was not very much information available or that it was difficult to find.

The application process

The few improvements that were suggested during the interviews were:

- They would like associations to confirm receipt of the application form
- They felt the form could be simplified
- They felt the form should state much more clearly that supporting documentation is needed
- They wanted an easier means of proving previous addresses, especially in cases where the tenant had been a tenant of another housing association.

One applicant told us that the form was complicated, and they had to contact their housing association over the phone on multiple occasions to clarify the information required. Another issue that was reported was that a lot of the forms were online, meaning that the applicant had to spend a great deal of time scanning documents. They pointed out that they were lucky to have easy access to a scanner, and cited concerns that a tenant who did not have access to a scanner would experience delays with the process or be unable to complete their application:

They could have given more time to provide paperwork and evidence of funds.

They could have communicated with me a bit more clearly, they could have been more transparent, made the process simpler. They could have called me in with all the documents themselves, instead of asking for a document here and document there. I could have gone there in person, they could have scanned and taken whatever they wanted, and I could have signed the forms there.

(interviews with successful purchasers)

Most, however, said that the form was straightforward and did not require help from their landlord or from other people to complete it. Most of those that did need help were able to get the help required.

Some applicants felt some of the circumstances where there had been problems with housing associations processing the applications were due to the newness of the policy:

My landlord could have understood the process better.

Towards the end, my landlord wanted me to sign the terms and conditions. They should have agreed the terms and conditions before. It delayed my house going through.

(interviews with successful purchasers)

I was at the point of making a complaint. I went through the whole process of going through the ballot. I was contacting them, I wanted their policy on porting. I then got told misleading information. It was like they didn't know anything until the last minute. They hadn't been informed about how the process would work.

(interview with unsuccessful purchaser)

Three applicants reported their housing association was helpful during the application process, but others felt that their landlord could have provide more information:

A lot more detail could have been given upfront rather than waiting to the last minute for checks to be done by the solicitor and finding out things I didn't know. The process could have benefited from a lot more detail and it being a lot more clear.

(interview with successful purchaser)

Better information and communication of this information would have been really helpful – it felt like it was all a paper-pushing exercise really.

(interview with unsuccessful purchaser)

About half (29) of the applicants were asked to pay the £250 fee around the time they submitted their application. Around 14 were asked at later points in the process, such as after it was confirmed their home was eligible for sale and they were eligible to buy it, or after they had spoken to a broker to see if they could afford to buy. One of the households who successfully ported their discount were asked for the fee when discussing the option of where they could move to, while another reported they were only asked for their application fee after a suitable match was identified.

Most of the applicants (42) thought it was a reasonable amount and payment was requested at a reasonable time.

I thought it was reasonable. I assume it was an amount that made it attainable for anyone who was ready to buy a house. But also, high enough to stop the timewasters. You only lost the money if you pulled out.

Yes. I am aware of how much searches cost the housing association and you have to bear in mind all their staff have to be paid for the administration.

(interviews with unsuccessful purchasers)

Yes, because we got it back. It was only like a deposit. Considering all the other fees we got back it was actually one of the smallest. They paid for the survey so we saved money.

I feel like it's a reasonable amount, as far as I'm aware it seems to be the going rate for application fees of this sort. It was a timely process waiting until the end to get it back though.

(interviews with successful purchasers)

Some applicants (who were mostly unsuccessful with their purchase) did not think it was a fair amount to pay:

I thought it wasn't reasonable in the sense that we only received one (unsuitable) offer.

(interview with unsuccessful porting purchaser)

I thought it was expensive, but I don't know how much the landlord had to do in the background. If it was any more it would have been difficult for some people.

(interview with successful porting purchaser)

It's too much to be honest. These days it's very difficult to save, especially when you have kids and are working. If it was around £70-£80 then it would have been fine. They should consider how much money you have and reduce the fee if necessary.

It would have been reasonable if I'd known the value of the house beforehand. Obviously, I wanted to buy the house. It was a bit of a cheat. I don't know whether that paid for the surveyor to come around but at the end of the day it's not my house, it's theirs.

No, and I'm not happy that this wasn't refunded as I dropped out due to the scheme being disorganised. This is also unfair as at this stage you aren't sure how much you will go on to pay for the house.

(interviews with unsuccessful purchasers)

Customer suggestions for improving the scheme included:

- Better communication from housing associations, particularly around timescales and the level of support people could expect
- Better promotion of the scheme
- Having a nominated staff member for each applicant to contact
- Ensuring housing association staff are well trained so that they know how the process works
- Ensuring housing association staff can cope with the number of applications
- Providing full information about the VRTB scheme at an earlier stage in the process.

Valuation and offer

Slightly more than half of the applicants (32) had some idea of the value of their home before applying, based on comparing their home with others that had sold recently. Most applicants were able to estimate the property value of their home by researching house prices of similar properties in the area. Two applicants used a surveyor to estimate the value of their home before applying to buy, and one had previously been looking to buy through the Right to Acquire and the property had been valued for that.

In most cases (29) the applicant's estimate was similar or close to the landlord's valuation. Four stated that they had estimated that their home was worth less than the landlord's valuation. In one case, the difference between the applicant's and landlord's valuation led to a drop out.

I thought that the value of my home was about £110,000 to £120,000. Not £150,000. I was quite shocked at that. I didn't appeal. I just filled in the form and backed out. I didn't see the point in taking it any further; in wasting anyone's time.

(interview with unsuccessful purchaser)

Four applicants disagreed with the valuation because it did not reflect required work on the property:

The valuer took no more than 10 minutes to complete the valuation but there's a lot of work that needed doing and the valuation did not reflect that. It should have been less.

(interview with successful purchaser)

There is a basement in the house that takes on water in the winter. It was a big expense. The valuation was much more than I thought it was worth.

We had an estimate of about £120,000 but they valued it at £150,000. Maybe after all the work that needed doing it would be about that so I suppose I was happy enough with the valuation.

I thought it was a bit high because we were due a new bathroom and kitchen and there was nothing detailed in the explanation of the valuation that mentioned how old the bathroom and kitchen were.

(interviews with unsuccessful purchasers)

Two successful buyers said they appealed the first valuation and had a second valuation which they then accepted. (The second valuations were both quite similar to the first valuations.)

Most applicants had to confirm that they wanted to go ahead with the purchase following the valuation before receiving a formal offer from their landlord. Most offers were made around a few weeks to a couple of months after valuations. Twenty-two applicants who went on to purchase their homes required a mortgage to do so, and most applied for mortgages once they were told that their application had been successful.

Several applicants said they would have liked the valuation at an earlier stage:

More information on property value would have been helpful when it came to filling out the application form.

(interview with successful purchaser)

They could have given me the value of what they thought my house was first and foremost before I paid the £250.

(interview with unsuccessful purchaser)

Most of the applicants who needed a mortgage were able to apply for one without any issues. A few had difficulty with this because there was not a good choice of lenders available to them. Two unsuccessful applicants said they required a mortgage but were unable to get one. One of these said they only had 4 weeks after the offer to find a mortgage and this was not sufficient time. The other had only recently started in a job and did not have a long enough credit history.

Most said that they received no advice from their housing associations with regard to applying for a mortgage. A few admitted that this may have been because they didn't ask for advice, but they still felt that they should have been offered advice without asking. One housing association did provide a list of people who would be able to provide their applicants with mortgage advice. Some applicants said that they were able to obtain advice regarding mortgage applications from a mortgage broker.

When asked about the level of deposit required for purchasing their home, the majority of applicants said that they did not need to pay a deposit as their VRTB discount was accepted by lenders instead. A few applicants did pay a deposit – this was done using savings and Right to Buy ISAs and, in one case, an inheritance. Mortgage offers were generally made quickly, taking from one week to one month.

Nine applicants did not need a mortgage to purchase their home. In these cases, applicants told us that they were able to finance their purchases via personal savings (4), money loaned to them from friends and family (3), and retirement funds (1). (The remaining applicant did not state the source.)

All purchasers used a solicitor throughout the buying process. Most applicants (9) found their solicitor via their mortgage broker. Other ways of finding a solicitor included searching online, through family members, by reputation, and having used the same solicitor previously for another matter. Purchasers reported considerable variation in how long it took for solicitors to confirm their purchase could go ahead – 9 said that the sale happened quite quickly (within a few weeks or about a month) while 8 said that it took a few months. Most applicants said they were able to buy their homes without any legal issues, but 8 reported some delay because of legal issues. Three applicants required further searches (concerning contaminated land and issues around an unadopted road). Two applicants said that the restrictions on reselling and overage clauses needed to be sorted. Others reported further legal checks around extra lending or due to money laundering checks on family members and friends gifting money for the purchase.

Porting applicants

Six applicants who were successful in porting their discounts were interviewed. Of these, 5 found out their homes were ineligible after applying. The remaining had phoned before applying and anticipated their home might not be eligible. All were disappointed at not being able to buy the home they lived in at the time of application. This was because they had children enrolled in schools or friends and family close by and did not want to move away from them.

Three said they felt the onus was on them to sort out finding a property to port to and did not receive very much support from their landlord with this aspect of the VRTB scheme. There was also some frustration about the lack of options available to port to:

I had to do it all by myself, and I'm glad of the independence, but there wasn't much choice on any websites I went on. I had to be quite picky as my kids are already enrolled in a school in this area.

(interview with successful porting purchaser)

Two applicants identified Mutual Exchange opportunities for porting their discount. The other 4 were made direct offers by their landlord. Two said they were asked to select areas where they would like to live and the others said they were told what they could have:

We were only given one offer and if we rejected it we wouldn't get another option. The property we moved to is better, but the area isn't as nice. And our friends aren't here.

They said I could only go for a 1 bedroom property although I was living in a 2 bed flat. There were lots of options for me in terms of where I could live. I have gained and lost in a way because I lost out in terms of size of property but moved to a geographically better area.

(interviews with successful porting purchasers)

Buyers looking to port their discount had some suggestions for improvement specific to their situation. They said they would have preferred to be told whether their property was eligible early in the process:

If they had information available at the start about whether or not our home would be eligible (maybe like a postcode checker) it would have been helpful instead of getting our hopes up. I feel like housing associations should know in advance if you are eligible whereas it was only after we had applied and were part of the pilot that we were let down.

(interview with unsuccessful porting purchaser)

Eligibility should be checked at the start. The whole thing was stressful because we had 6 months of paperwork done before they said our house was ineligible and it all seemed like it wasn't going to happen for us until we decided to swap.

(interview with successful porting purchaser)

Four of the successful porters said they understood why their home was excluded, but other applicants were less certain. Some thought a true *right* to buy for housing association tenants should apply to all properties and were frustrated when they found out their home was ineligible:

Take away the Section 106 and Section 40s or whatever they are called. If government say you're getting the right to buy your home they should uphold that principle.

(interview with successful porting purchaser)

The whole Section 106 thing seems outdated to me, there's no need to uproot me if you just let me buy my home. It feels like they just had certain properties they didn't want to let go of.

(interview with unsuccessful porting purchaser)

There was a perception that housing associations were exercising their discretion around property eligibility unfairly in some cases:

Fewer restrictions on the properties that are available to buy would be great – perhaps the government could get involved with this because leaving the amount of restrictions up to the discretion of housing associations means there can be massive differences in supply

(interview with unsuccessful porting purchaser)

It felt like the housing association were obstructing me at points instead of helping me. In my opinion, they just don't want to sell what they consider to be too valuable a property.

(interview with unsuccessful porting purchaser)

Some porting applicants were also disappointed with the choice of homes they were offered to port to. Two applicants were offered only one alternative home to port to. One unsuccessful applicant said they would have liked longer to find a different home than they were given. Others were given a choice of areas to search in, but could not find many homes available where they wanted to live. In some cases, applicants were disappointed they were not offered a like for like replacement of the home they were porting from.

There was a lack of clarity about who was responsible for repairs in the home they were porting to in terms of whether the housing association would do these before the sale. Some applicants would have liked more information about how this would work.

The benefits of the VRTB for buyers

Affordability

None of those interviewed said that their monthly mortgage repayments were more than their monthly rent payments. For most applicants, the monthly mortgage repayment was significantly less than their rent payments, and a few said that it was about the same. Analysis of the Homes England VRTB monitoring data suggests a typical mortgage of £55,718 (the average size of mortgage of VRTB purchasers) requires monthly payments on an interest only mortgage of around £113, or a mortgage repayment of £248 a month. This compares to an average housing association rent of £387 a month. Homeowners do of course incur some extra costs for maintenance that would otherwise have been paid for by landlords, though these costs are variable.

Enjoyment of being a homeowner

All applicants interviewed said that they enjoyed being a homeowner or that being a homeowner had not thus far felt any different to them. Reasons people enjoyed home ownership included the greater freedom that they had as homeowners:

I can decorate my home as I see fit and don't need to ask anyone about it.

Some raised the financial benefits of owning, compared with paying rent:

The monthly mortgage repayments are £500 cheaper than what I was paying for rent each month.

Buyers also appreciated the longer-term investment that homeownership represents and being able to pass on an asset to their children:

One day I won't have to pay a mortgage. I'll be free of the debt and not have any rent to pay.

It really is a dream come true. I've now got an affordable home that I can own and can pass on to my kids when I'm gone. It's a much better outcome for my family than to keep renting and it's such a homely place we're in now.

Being a homeowner is a great investment. In a few years' time I can sell my home and be able to use the money to purchase a larger home.

(interviews with successful purchasers)

Fifteen applicants said that they did not think there were any bad things about being a homeowner. Other applicants said that there were and raised issues relating to new expenses and risk:

The housing association won't help with issues anymore.

I have to pay home insurance which is very expensive.

Obviously if anything goes wrong, I've now got to repair it myself.

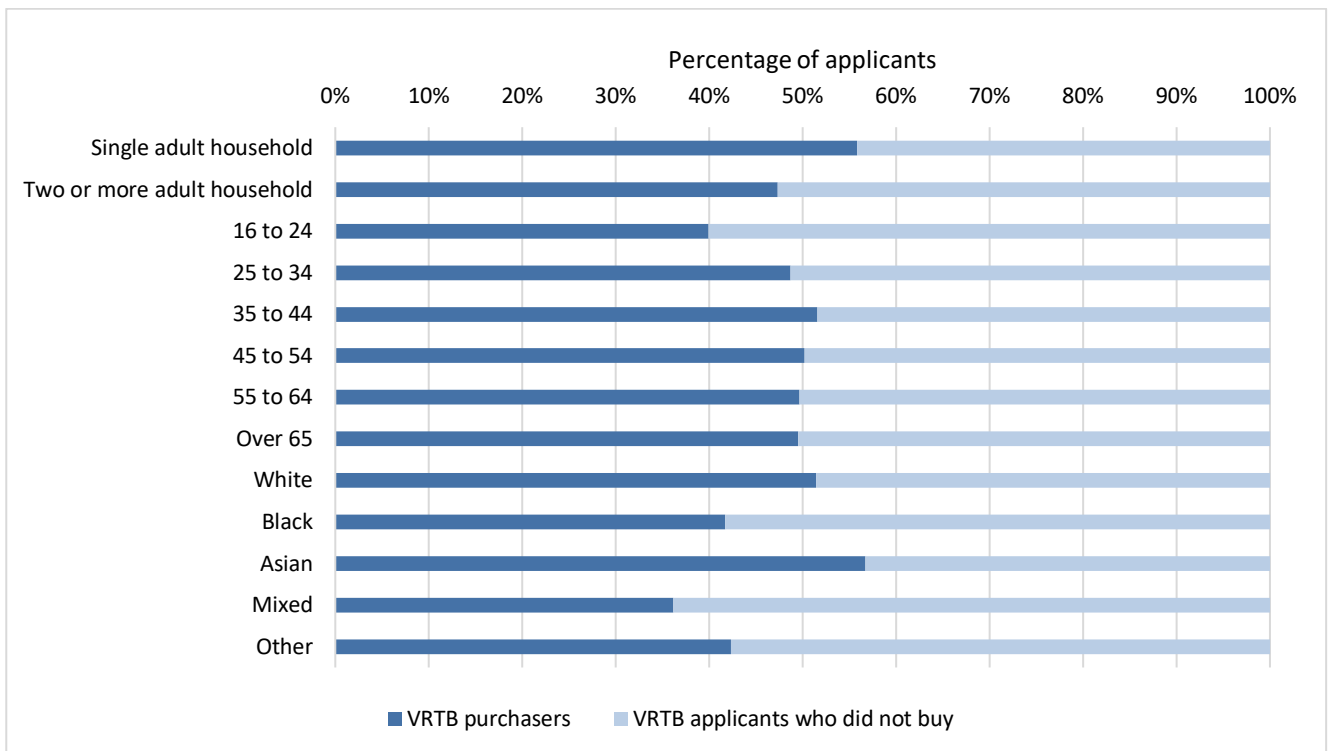
(interviews with successful purchasers)

Overall, most applicants who successfully purchased their homes said that even though the process itself had been very long and frustrating at times, they were glad to have bought and were happy to be homeowners.

Reasons for terminating an application

Data is available on the demographic profile of those who applied by buy but who failed to do so. The graph below compares the profile of applicants who went on to buy and those who terminated their applications:

Figure 7: VRTB applicants by whether or not they proceeded to purchased their home



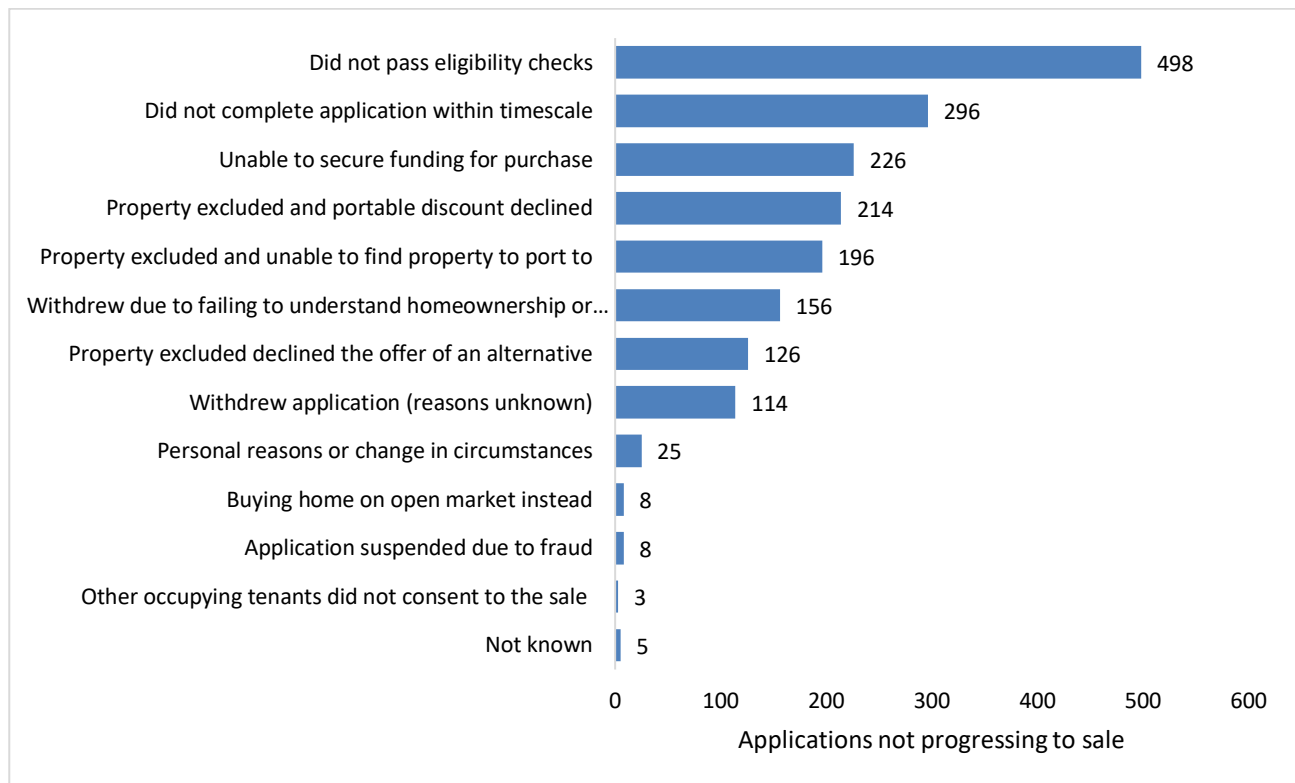
Source: RSM analysis of Homes England VRTB monitoring data, 30 April 2020

It suggests that single adult households, and Asians households were the most likely to proceed with their purchase. Very young adults and those from a mixed ethnic background were more likely to drop out.

Housing associations taking part in the pilot were asked to record the reasons for applicants who dropped out of the scheme.

Figure 8 shows the reasons why successful ballot applications were terminated.

Figure 8: Reasons for terminating applications



*Source: RSM analysis of IMS data collected by Homes England. * Where "other" was recorded by housing associations, they were asked to give further information as free text. This information was reviewed and coded up. Where the free text comments indicated that the reason was in fact one already offered, these were instead re-categorised and added to the existing categories listed.*

Just over a quarter of applications were terminated because the applicant was found not to be eligible. Case study associations reported a range of reasons why this occurred; often it was to do with length of time as a social tenant, or a failure to provide the supporting evidence needed.

Reasons related to portability were another common reason – altogether forming 29% of the reasons why eligible applicants failed to buy. Case study associations reported that a lot of applicants were very settled in their homes and only ever wanted to buy their own home.

Case study housing associations felt that some applicants were initially naïve about the costs and responsibilities of home ownership, thinking – for instance – that repairs would still be carried out by the housing association after they had purchased, and so dropped out when they understood better what homeownership involved.

The applicant interviews explored the issues behind terminating an application in more detail. Five applicants reported that they were unable to secure mortgage funding because of issues with their credit history. Two others said the mortgage lenders they approached were unhappy with the VRTB scheme or some aspects of it such as the inclusion of an overage clause, and therefore unwilling to lend.

Three applicants dropped out because the process was taking too long:

After 5 months, we were never given the price for the house. When we submitted the application form, we received confirmation of receipt from the housing association. It then took 7 weeks for the housing association to contact us.... We then needed to pay the £250 application fee. The housing association didn't know what was happening, and they never asked for any paperwork. As the £250 is non-refundable and the process was taking far too long, I dropped out.

(interview with unsuccessful purchaser)

One applicant appeared to think that they had been informed that they were not eligible (despite this not being the reason recorded by the housing association). Another applicant dropped out due to a dispute over the valuation of her property.

One applicant had to drop out of the scheme as it was difficult for her to provide evidence that her partner had been living in the property for a certain amount of time. The partner had been abroad for work.

Three applicants dropped out due to personal reasons. One had to travel abroad to visit a sick relative, and another had health problems meaning she was not stable in her job as a result. A third person moved overseas and terminated their application because they felt that they would not be able to cope with the added stress of purchasing a home at this time.

Six porting applicants were made offers of alternative accommodation but did not want to move to it.

I was offered another property, but it was not suitable. I had been living in a bungalow, which is ideal for me because I have back issues. I was offered a 3-bed flat instead of a bungalow which was not ideal for my limited mobility. I also like having a garden as it gives my grandchildren somewhere to play when they are visiting. What they offered me was not suitable and so I had no choice but to drop out of the process.

They excluded it and said they wanted to offer another property. It was in another borough. What they offered wasn't acceptable.

(interviews with unsuccessful purchasers)

Four applicants were interested in porting but were not able to find a suitable alternative in the timescale permitted:

I got through the entire process and paid my solicitor and all of the agreements were in place. I was waiting on the housing association for weeks. They eventually got back to me to say they had found out there was a Section 106 agreement on the property I was renting and so they offered me porting. Unfortunately, there wasn't anything suitable in such a short time frame and I had to drop out. I find the whole thing totally unacceptable, especially that they only discovered this problem at Stage 11 of the process and the housing association admitted they should have seen it at Stage 2 or 3.

(interview with unsuccessful purchaser)

Two of these applicants did not say whether they were offered the opportunity to port, but were offered alternative paths to home ownership (Right to Acquire and shared ownership):

We were successful in getting the VRTB. We had received the draft documents and we waiting to sign the official documents when we told we couldn't buy our home due to a clause with the local council. We had been waiting for 14 months to buy our home. We had to go back to Right to Acquire and didn't get the huge discount.

I got all the way to the point that we had agreed a mortgage, and everything was pretty much done and dusted and then they told me there was a clause in the lease that meant the council wouldn't let us buy it.

(interviews with unsuccessful purchasers)

Two did not provide information about their experiences or feelings about porting their discount.

Five of the 14 applicants who were offered the opportunity to port their discount reported being told their property was ineligible late in the process. One reported it took 14 months and another said it took around 10 months. Others did not give a time in months but said they had reached a point where they had agreed a mortgage in principle and instructed solicitors before being told they were not able to buy their home. The sample here is quite small, but this issue clearly highlights the need for housing associations to complete their legal checks and ensure that they are able to sell each property before they accept any money in application, or recommend applicants appoint a solicitor.

Future plans for unsuccessful applicants

We asked all applicants who were unsuccessful with their purchases about their future plans with regard to buying their own home. Two had already bought or were in the process of buying a home through other schemes (Right to Acquire and shared ownership).

Six reported that the VRTB had been their only option and given that they were unsuccessful were not planning to buy in the future. Most of these said this was because their age would make it hard for them to find a mortgage. Two were not sure about future plans for home ownership.

In total, 19 said they would still like to buy and 11 were hopeful they would be able to do so under a national rollout of the VRTB scheme:

If it comes up for offer again then I will put in for the Right to Buy. I wouldn't go through private [purchase]. At least with the council I will get my discount for all the years I lived in council housing. That really brings it down a lot.

Yes, we would quite like to buy a home in the future if this scheme is rolled out nationally. Hopefully by then there will either be more lenience on restrictions or more properties available.

(interviews with unsuccessful purchasers)

Five were looking into buying on the open market and were mostly planning on doing this about 3 years in the future in order to save up for a deposit, but thought that even with savings they were likely to struggle:

Yes, I would like to [buy a home]. My intention is that I am going to try and save but I won't buy round here because I don't think the houses are worth what they are asking for. New builds are cheaper than older houses for some reason.

I'll hopefully buy in 3 years when my daughter is in primary school. I've got some savings, but they are going to be ruined, whereas they wouldn't be with the discount from VRTB.

(interviews with unsuccessful purchasers)

The remaining three said they still aspired to home ownership but did not specify what their plans were.

Lessons learned:

- *Applicants found out about the VRTB through a wide range of methods including emails or letters from their housing association, word of mouth and government announcements.*
- *The main motivation for applying was a desire to own their own homes. Other motivations included not wanting to pay rent, having something to pass on to children and because of the large discount available.*
- *Around 1 in 8 applicants were found to be ineligible – a quarter of all terminated applications. Reasons related to portability were responsible for around 4 in 10 of eligible applicants who dropped out. Other reasons for dropping out included not being able to secure funding for the purchase, or failing not initially understanding the costs or responsibilities of homeownership.*
- *The application process was generally considered straightforward, but some applicants struggled with the supporting documentation required and would have appreciated more help with this aspect. Applicants appreciated having a nominated member of staff dealing with their application whom they could contact easily.*
- *Successful purchasers generally thought that the £250 application fee was reasonable. Those who failed to purchase felt it was less reasonable, particularly those who were being offered a portable discount but not offered any suitable properties to port to.*
- *Most purchasers said that they had been able to obtain mortgages without difficulties, though a small number found there to be a limited choice of lenders who would lend on VRTB purchases. Most said that their lender accepted the VRTB discount in lieu of their usual requirements for a deposit.*
- *Buyers were generally very happy to be homeowners. Mortgages were generally lower than rent levels had been, and they appreciated having a home they could pass on to children, and would one day own outright.*

- *11 out of 29 unsuccessful applicants were hopeful the scheme would be extended and they would be able to apply again to buy a home as the discounts available are more generous than other low cost homeownership options.*

Chapter 4: Demand for the VRTB

This section firstly looks at the profile of those purchasing under the VRTB. It then goes on to measure overall demand for the pilot, as a proportion of eligible tenants. Finally, it draws on this analysis in order to make estimates for demand, should the pilot be rolled out to other areas.

The profile of sales and buyers under the VRTB pilot

A total of 9,146 tenants registered for the VRTB ballot which closed in September 2018 and 6,000 of these were successful and issued a URN. Of these a total of 3,767 completed an application (63% of those issued a URN). As of 30 April 2020, 1,875 applications (50%) had been closed without proceeding to a sale, 1,681 (44%) of sales had completed and 211 (6%) applications were still in progress. Some of these completions have been delayed by the Covid-19 pandemic and others have been delayed for other reasons, but it is anticipated that they will go through within the next few months. For the purposes of analysis, these 'in progress' applications have been included with the sales, **giving a total of 1,892 sales.**

The profile of homes sold

The table below shows the profile of homes sold during the pilot.

Table 18: The size profile of homes sold under the VRTB compared with all housing association stock in the Midlands

Bedrooms	Sales	All housing association stock in the Midlands	Sales per 10,000 dwellings
1	119	57,556	21
2	643	104,269	62
3	999	95,171	105
4	105	8,324	126
5+	25	977	256
All	1,891	266,297	71

Source: RSM analysis of Homes England VRTB monitoring data and SDR 2018. Total = 1,891 because there was one sale where the number of bedrooms was unknown.

This shows a strong trend towards selling larger homes rather than smaller ones. Five bedroom homes were more than 10 times as likely to be sold as one bedroom homes.

The next table shows the split between houses and flats:

Table 19: The property type of homes sold under the VRTB compared with all housing association stock in the Midlands

Type of property	Sales	All housing association stock in the Midlands	Sales per 10,000 dwellings
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Houses	1,631	183,637	89
Flats	260	82,660	31
All	1,891	266,297	71

Source: RSM analysis of Homes England VRTB monitoring data and SDR 2018. Total = 1,891 because there was one sale where the property type was unknown.

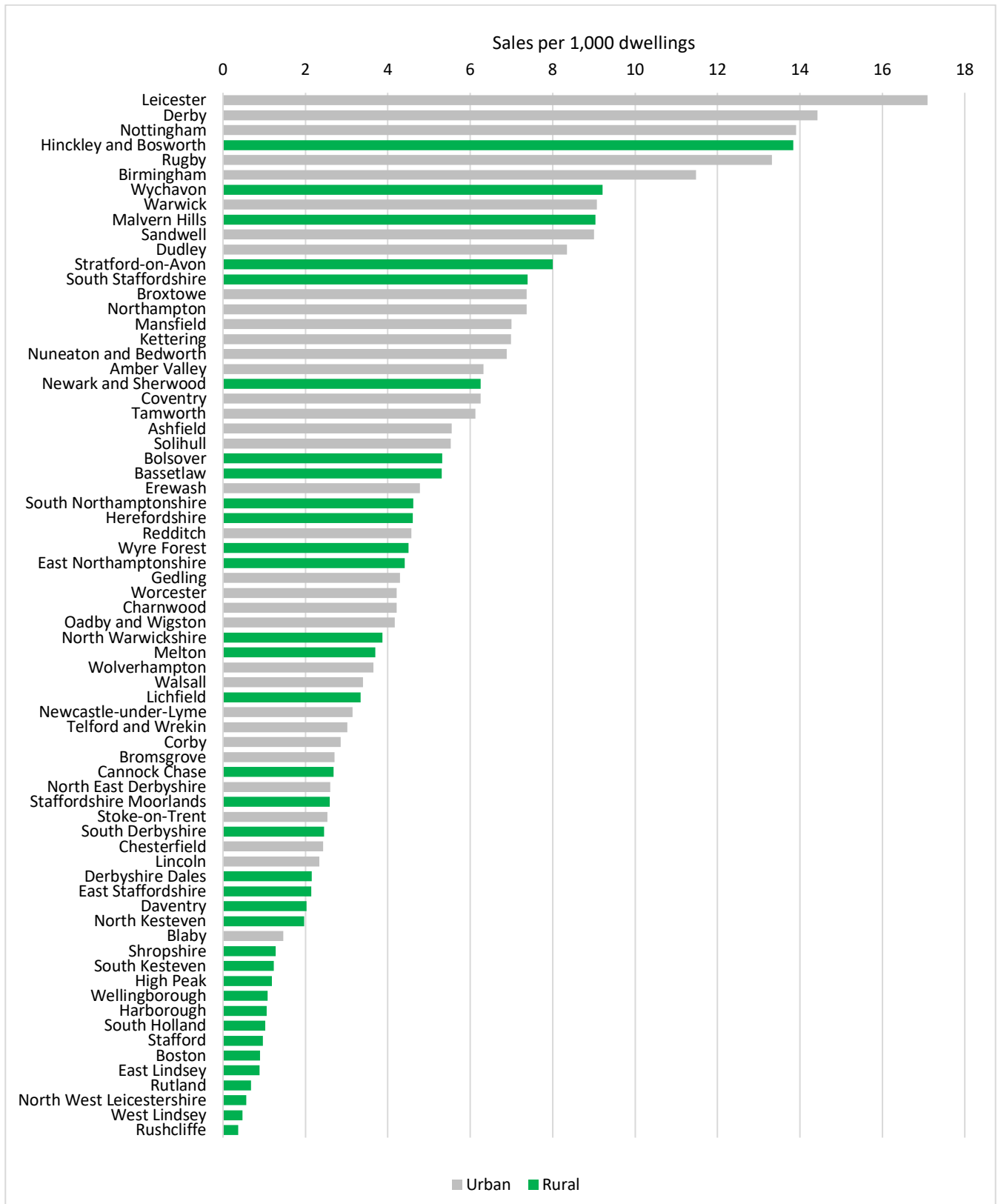
This shows that houses were more likely to be sold than flats, despite the higher percentage discount that flats attract. One factor behind this may be that 60% of associations excluded at least some of their flats from the VRTB (see Table 9), offering portable discounts instead to applicants from flats.

Most properties were sold in urban authorities and the top 5 locations were:

- Birmingham (394)
- Leicester (154)
- Coventry (139)
- Nottingham (92)
- Walsall (91)

The pilot area covers 71 local authorities and nearly half (45%) of the properties sold through the scheme were sold in these 5 areas. Figure 9 below shows the number of sales per 1,000 housing association dwellings. The data suggests that the proportion of housing association stock sold was higher in urban areas than rural areas, so the predominately rural areas have been coloured green, to show this relationship.

Figure 9: Sales per 1,000 housing association dwellings by local authority



Source: Homes England VRTB monitoring data, 30 April 2020

The rate of sales was highest (as a proportion of housing association stock) in Leicester, Derby and Nottingham. Seven of the 10 areas with the highest proportion of sales were

predominantly urban local authorities. The 13 authorities with the lowest proportion of sales were all largely rural areas, possibly reflecting the restrictions on selling homes subject to planning restrictions and increased difficulties in finding suitable homes to port to in sparsely populated areas.

A more detailed breakdown of sales by housing association is provided in Annex 1.

Discounts and price paid

Information about the number of sales, valuation and purchase price is shown in Table 20:

Table 20: Completions by number of bedrooms, average surveyor valuation and average purchase price after discount

Bedrooms	Sales	Average market value	Average price paid after discount	Average discount amount	Average discount as percentage of value
1	119	£86,664	£35,015	£51,650	60%
2	643	£123,980	£65,897	£58,083	47%
3	999	£147,200	£81,918	£65,281	44%
4	105	£164,898	£90,740	£74,158	45%
5 or more	25	£196,880	£116,224	£80,656	41%
All	1,892⁴⁴	£137,271	£74,568	£62,703	46%

Source: RSM analysis of Homes England VRTB monitoring data

The average purchaser received a 46% discount on a property valued £137,271, leaving them £74,568 to finance via savings or a mortgage. One bedroom properties enjoyed the highest discount in percentage terms, probably because most were flats, which are eligible for higher percentage discounts.

Very few buyers of one bedroom homes (9%) received the maximum discount of £80,900. The proportion of buyers who received the maximum discount increased for larger homes and nearly all of those who purchased homes with 5 or more bedrooms (96%) received the maximum discount. This explains the lower percentage discount on larger homes.

The table below shows the length of tenure of VRTB purchasers.

Table 21: Length of time in social rented sector (years) of VRTB purchasers by type of property purchased

Years in the social rented sector	Flat	House	Total	Percentage
3	12	41	53	3%
4 to 5	19	103	122	6%
6 to 10	79	298	377	20%
11 to 15	59	357	416	22%

⁴⁴ Includes one record for which the number of bedrooms is unknown.

16 to 20	51	364	415	22%
21 to 25	24	265	289	15%
More than 25	15	203	218	12%
All purchasers	259	1,631	1,890	100%
<i>Average (years)</i>	<i>12.0</i>	<i>14.7</i>	<i>14.1</i>	

Source: Homes England VRTB monitoring data, 30 April 2020

Most buyers were long-term residents - the average buyer was eligible for a discount based on 14 years, and 74% had been social tenants for at least 10 years.

The profile of purchasers

The table below shows the household type and age of purchasers, and compares it to that of all housing association tenants in the Midlands.

Table 22: Household type

		VRTB purchasers (estimated)	All housing association tenant households in the Midlands	Sales per 1,000 households
Household type	Single adult household	719 (38%)	156,397	5
	Two or more adult household	1,173 (62%)	109,900	11
Age group of applicant 1	16 to 24	9 (0.5%)	13,038	1
	25 to 34	288 (15%)	38,459	7
	35 to 44	643 (34%)	48,000	13
	45 to 54	579 (31%)	53,536	11
	55 to 64	277 (15%)	38,551	7
	Over 65	96 (5%)	73,712	1
Ethnicity of applicant 1	White	1,240 (66%)	220,904	6
	Black	188 (10%)	21,361	9
	Asian	364 (19%)	13,351	27
	Mixed	73 (4%)	5,340	14
	Other	27 (1%)	5,340	5

Source: RSM analysis of monitoring data collected by Homes England and English Housing Survey (EHS) 2013/14 and 2014/15⁴⁵. Information about household types was

⁴⁵ The 2013/14 and 2014/15 EHS data was used because it included data property valuations not collected in subsequent years and needed for later stages of the analysis, as described later in this report. Source: Department for Communities and Local Government. (2019). English Housing Survey, 2014-2015 and 2013-

only available for 1,506 purchasers, by age group for 1,545, and by ethnicity for 1,419. The figures that were supplied have been scaled up to provide estimates for the full 1,892 sales.

This data shows that households with two or more adults were significantly more likely to purchase than single-adult households. The age group most likely to purchase were those aged 35 to 44, with 16 to 24-year olds and pensioners the least likely. Asian households appear significantly more likely to buy through the scheme than other households. These factors are inter-related – 40% of single adult households are pensioners living alone. Pensioner households are also more likely to be white. Asian households were less likely to buy with a mortgage – in total 40% of Asian households were cash buyers, compared to 15% of Black and Mixed ethnicity households and 18% of White households.

The table below shows the annual household income by number of tenants for completed purchases:

Table 23: Annual household income

	Purchasers	Percentage
£1-9,999	93	5%
£10,000-19,999	345	18%
£20,000-29,999	509	27%
£30,000-39,999	374	20%
£40,000-49,999	293	15%
£50,000-59,999	149	8%
£60,000-69,999	69	4%
More than £70,000	57	3%
Income not known	3	0%
Total	1,892	100%

Source: Survey of housing associations and Homes England VRTB monitoring data

On average, households who purchased through the VRTB scheme had an income of £34,666. The equivalised household income of purchasers was calculated as £25,844, just slightly higher than England as a whole (£22,776)⁴⁶.

Housing associations were also asked to provide information about the source of funding other than mortgage and savings. There were 378 sales where funding was known to be received from sources other than a mortgage and savings. The average amount of funding

14: Household Data: Special Licence Access. [data collection]. 2nd Edition. UK Data Service. SN: 8067, <http://doi.org/10.5255/UKDA-SN-8067-2> and SN: 8068, <http://doi.org/10.5255/UKDA-SN-8068-4>

⁴⁶ These were calculated from the Households Below Average Income (HBAI) estimates from the Family Resources Survey. HBAI Quality and Methodology Report 2017/18 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/789756/households-below-average-income-quality-methodology-2017-2018.pdf

from other sources for these sales was £47,953. There were 297 households for which we have data about other sources of funding. Of these, 77% received gifts from friends of family to help with their purchase and the average amount gifted amount was £43,353.

The data on savings was not comprehensively completed, and differed from the data collected by Homes England, so analysis of deposits is derived from the Homes England IMS data on purchase price minus mortgage amount.

Table 24: Deposits used by purchasers

	Purchased with a mortgage	Percentage
No deposit	1,011	53%
£1-9,999	160	8%
£10,000-19,999	101	5%
£20,000-29,999	106	6%
£30,000-39,999	80	4%
£40,000-49,999	66	3%
£50,000-59,999	67	4%
£60,000-69,999	84	4%
£70,000-79,999	63	3%
£80,000-89,999	47	2%
£90,000-99,999	39	2%
More than £100,000	52	3%
Unknown	23	1%
Total	1,892	100%

Source: RSM analysis of Homes England VRTB monitoring data, 30 April 2020

The average deposit level for all purchasers (including cash purchasers) was £20,416, but this figure is inflated by the cash purchasers. Excluding these cash purchasers, 1,390 applicants purchased their homes with a mortgage. The average size of mortgage was £72,812, and the average deposit was £4,858, or 6% of the average purchase price (£74,568).

More than half (53%) of purchasers had no deposit (other than the VRTB discount itself). Table 25 shows the income multiplier that would be required if households were purchasing their homes with mortgages with the VRTB discount applied and additional deposit deducted. Mortgage lenders generally consider lending at 3 to 4 times income.

Table 25: Number of buyers by income multiplier

	Number	Percentage
Cash purchase	479	25%
Less than 3	1,048	55%
3.1-4.0	240	13%
4.1-5.0	77	4%
More than 5.0	25	1%
Unknown	23	1%
Total	1,892	100%

Source: RSM analysis of Homes England VRTB monitoring data 30 April 2020

The data here suggests that the large majority of buyers were borrowing less than 4 times their income.

The average price paid for the 479 cash buyers was £65,564. Of the cash buyers, 143 (30%) reported savings greater than or equal to the purchase price they paid, suggesting that 70% of cash buyers received help from other sources such as gifts or loans from friends and family to wholly or partly fund their purchase. It is also possible that some of this group did in fact obtain a mortgage, which was not recorded or known to their housing association.

Measuring demand for the VRTB in the pilot

The table below shows how data from the pilot has been used to estimate demand for the VRTB as a proportion of all eligible tenants in the Midlands.

Table 26: Measuring demand under the VRTB pilot

Data	Number	Source
Total housing association general needs stock in the Midlands	328,948	SDR, 2018
Number of tenancies managed by housing associations not part of the pilot (not NHF members or small associations who did not take part)	23,230	NHF calculation (based on SDR)
Proportion of housing association stock included in the pilot	92.9%	Calculation from figures above
Housing association stock included in the pilot	305,718	Calculation
Proportion of all housing association tenants who are eligible for VRTB	62%	Calculation based on EHS data (see below)
Number of eligible tenants in Midlands	188,989	Calculation (62% of 305,718)
Estimated number of all ballot applicants who would have purchased if all had been allowed to do so	2,884	Calculation (see above)
Potential purchasers as proportion of all eligible tenants	1.5%	Calculation (2,884 divided by 188,989)

Potential purchasers as proportion of all housing association tenants in the Midlands	0.9%	Calculation (2,884 divided by 328,948)
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Out of 305,718 properties included in the VRTB pilot, there were 188,989 eligible tenants. Had demand not been constrained, an estimated **2,884** would have purchased their home in the pilot. These purchasers would have represented:

- 1.5% of eligible tenants
- 0.9% of all housing association tenants in the Midlands.

Estimating uptake for a national similar time-limited scheme

The objective of this section is to draw on the data from the pilot in order to assess the level of demand that can be expected from a national VRTB scheme.

The approach

It is widely recognised that a key factor preventing most social tenants from exercising the RTB is the inability to afford their home. More than half of tenants are in receipt of housing benefit – most of whom are not in paid employment – and around a third are pensioners. Our approach to estimating demand nationally therefore pays close attention to affordability. This is particularly important because the housing market in the Midlands – whilst varied – does not include very high-priced areas comparable to those found in London.

Affordability is not the only constraint on purchasing – there are a range of reasons why tenants who appear able to buy from the data we have on their incomes may not in fact do so – their income may be too insecure to obtain a mortgage, or they may simply prefer not to buy.

We have therefore developed a *propensity to buy* methodology to estimate uptake nationally. This involves:

- Estimating the proportion of housing association tenants across the Midlands regions who appear to be *eligible* and *able to afford* to buy
- Comparing this number to the estimated number of sales that would have occurred in the pilot if demand had not been constrained (2,884). The proportion of eligible-and-able-to-afford tenants who would have purchased, is the *propensity to buy*.
- Estimating the proportion of housing association tenants across all regions in England who appear to be *eligible* and *able to afford*
- Applying the propensity to buy figure to these numbers, in order to estimate the overall numbers of housing association tenants across England who would purchase their homes under the VRTB if it was offered to them on a similar basis to the Midlands pilot. Adjustments were made for differing propensities to buy for different age groups and between people in different sizes of properties.

Estimating the number of tenants in the Midlands who are eligible and able to afford to buy their home

This analysis draws on the data from the English Housing Survey 2013-14 and 2014/15, which included an estimate of market value of properties not repeated in more recent years.⁴⁷ This allows us to look at the actual incomes of housing association tenants who would be eligible for the VRTB, and the actual market value of the homes in which they were living.

ELIGIBILITY

The proportion of social tenants likely to be eligible for the VRTB was estimated from EHS data. Tenants were estimated to be eligible if they:

- did not have the PRTB, *and*
- were housing association tenants of more than 3 years; *or*
- were housing association tenants of less than 3 years, whose previous tenure was social housing⁴⁸

It is not possible to know the length of previous social tenancies from EHS data, but average turnover times in social housing suggest that the large majority of tenants who have moved within the sector in the last 3 years are likely to have been in the social housing sector for over 3 years. Conversely, it is possible that some newer tenants would be eligible on the basis of previous time spent in social housing (but not in their most recent previous tenancy). Again, this information is not available from the EHS, so it has been assumed that tenants of less than 3 years whose previous tenure was not social housing are not eligible.

It is important to note that tenants with the PRTB who have transferred from being local authority tenants are not eligible for the VRTB (because they have the PRTB instead). The precise number of tenants with the PRTB is not known, though Government estimated it to be 620,000 in 2014⁴⁹, around a quarter of housing association tenants. It is likely to have fallen somewhat since then as most stock transfers took place in the 1990s and early 2000s and some of those who had the PRTB in 2014 will have left the sector. Data from CORE on turnover rates has been used to estimate that 79% of these tenants with the PRTB in 2014 would have been still there in 2018.⁵⁰ It is therefore estimated that 478,731 social tenants in England had the PRTB by 2018 when the pilot began. The number of tenants eligible for the VRTB has therefore been reduced by 25%.

⁴⁷ Source: Department for Communities and Local Government. (2019). English Housing Survey, 2014-2015 and 2013-14: Household Data: Special Licence Access. [data collection]. 2nd Edition. UK Data Service. SN: 8067, <http://doi.org/10.5255/UKDA-SN-8067-2> and SN: 8068, <http://doi.org/10.5255/UKDA-SN-8068-4>

⁴⁸ It was not possible to identify which of the housing association tenants in the EHS sample would have been eligible for the PRTB (and therefore not eligible for the VRTB), so they have been included in the analysis here.

⁴⁹ <http://researchbriefings.files.parliament.uk/documents/SN06251/SN06251.pdf>

⁵⁰ This is based on a turnover rate of 7.3%, which is the average over the 5 year period 2014/15 to 2018/19. Tables from www.gov.uk/government/collections/rents-lettings-and-tenancies

The number of eligible tenants was also reduced by 7.1% to account for the fact that only 92.9% of housing association tenants were tenants of landlords taking part in the VRTB.

CALCULATING THE DISCOUNTS

The rules for determining the discounts are as shown in Table 2. The value of the discounts therefore depends on:

- The market value of the homes
- The length of time the buyers have held a social tenancy
- Whether the buyers purchase flats or houses
- The maximum discounts available, which are set regionally.

Data on from the EHS was used in order to estimate the individual discount that each eligible housing association tenant would be entitled to under the VRTB.

Market value of the homes

The EHS in 2013/14 and 2014/15 included a dataset on the market value of the homes surveyed. Data from these two years has been combined and an estimate of current market value of properties was made by drawing on [ONS regional house price index](#) to inflate the 2013/14 and 2014/15 values to 2018 values (the year when the pilot began).

This data allowed us to look at not just average prices of housing association properties by region, but at the values of the homes occupied by the tenants most likely to be purchasing via the VRTB – those who appeared from the data to be eligible and able to afford to buy.

Length of time the buyers have held a social tenancy

The length of current occupancy is available from the EHS, but not the length of time that the current occupants have been social sector tenants. However, the previous tenure is recorded. We have therefore estimated length of time in the social sector on the basis that:

- Social tenants whose previous tenure was not social housing or who were newly formed households are assumed to have no previous years as a social tenant
- Social tenants whose previous tenure was social housing are assumed to have an average of 5 years additional time as a social tenant.⁵¹

Whether the buyers purchase flats or houses

The EHS includes information about whether tenants are living in flats or houses which was used to calculate the discounts.

The maximum discounts available

The maximum discounts available at the time of the pilot for both flats and house purchasers was £80,900.

⁵¹ There is no data source on the average length of tenancy of social tenants who have moved within the sector, but these assumptions are in line with those used in previous research, see www.jrf.org.uk/report/understanding-likely-poverty-impacts-extension-right-buy-housing-association-tenants

ESTABLISHING WHETHER TENANTS CAN AFFORD TO BUY

It was assumed that tenants would need to be able to afford to purchase the discounted value of their home, based on the value recorded in the EHS and the individual discount, calculated as described above. The EHS data does not include information on household savings, and data from the pilot suggests that the large majority of sales were financed largely through mortgages. The modelling therefore assumes that tenants require a mortgage for the full purchase price.

Tenants' buying power was then estimated by calculating the maximum mortgage that households could afford in line with current lending practice that permits buyers to borrow up to 4.5 times their gross household annual income.⁵² Tenants aged over 42 (who would have less than 25 years left until retirement) were assumed to be able to borrow less than this, on a sliding scale which tapered down to require no mortgage repayments to be made beyond the age of 67.⁵³

Combining this approach with data from the VRTB pilot data allows us to look at the overall proportion of tenants estimated as eligible and able to afford to buy who chose to exercise their right to buy.

Table 27: Estimating the propensity to buy from the Midlands pilot

	Eligible	Eligible and able to afford	Number who would have purchased, had demand not been restricted	Purchasers as proportion of all those eligible and able to afford ('propensity to buy')
Midlands pilot	197,616	47,288	2,884	6.1%

Source: See above

This 'propensity to buy' figure represents the proportion of tenants who are eligible and estimated as able to afford to buy, who would do so, if demand had not been restricted via the ballot process. **Based on the experience of the Midlands pilot, it is estimated to be 6.1% in the Midlands.**

Modifying the propensity to buy for different types of tenants

As shown above in Table 22, some types of tenants were more likely than others to purchase under the VRTB. The provisional demand estimates have therefore been adjusted to take into account the **age profile** and **size profile** of the stock in each region in England, using data from the EHS.⁵⁴

⁵² The Bank of England's Financial Policy Committee stipulates that no more than 15% of a bank's new lending can be in excess of 4.5 times income on a rolling 12-month basis.

⁵³ In reality lending practice into retirement is complex, but the majority of social tenants are on low to medium incomes and have no track record in mortgage paying. Just 5% of purchasers under the pilot were aged over 65 (the current retirement age).

After adjusting for the differing propensity to buy of different age groups and property sizes, the propensity to buy was calculated for each region. This enabled the following estimates to be made of demand by region, for a similar time-limited VRTB scheme, where demand is not constrained:

Table 28: Estimating the likely number of buyers of a national VRTB time-limited scheme

	Eligible	Proportion able to afford	Eligible and able to afford	Propensity to buy	Estimated number of purchasers
North West	262,044	24%	67,308	6.1%	4,372
North East	97,916	24%	25,649	5.9%	1,597
Yorkshire and Humber	103,110	28%	31,135	6.4%	2,110
East Midlands	65,937	20%	14,107	5.9%	882
West Midlands	131,678	24%	33,311	6.2%	2,169
South East	183,482	9%	18,508	6.3%	1,228
London	222,939	4%	10,290	7.9%	863
South West	120,428	13%	16,974	5.8%	1,048
East	131,616	14%	19,834	6.3%	1,320
England	1,319,149	17%	246,166	6.3%	15,870

- *Source: RSM analysis of EHS data, and Homes England VRTB monitoring data*

The proportion of tenants who are eligible has been calculated for each region separately, but in fact varies little – between 59% and 64% in all regions. The propensity to buy (based on the age profile and stock profile of the regions) also varies only slightly. However, the proportion of tenants estimated to be able to afford to buy varies significantly between regions – the Midlands (where the pilot took place) is broadly similar to the north of England regions, but the proportion of tenants who can afford in the South East, East, South West and London regions is significantly lower. This is what leads to lower estimated numbers of purchasers in these regions.

In conclusion, this process has estimated that had the VRTB scheme been operating across the whole of England on a similar basis to the pilot that took place in the Midlands – but without a ballot process to constrain demand – **15,870 tenants would have bought their homes.**

This may be a conservative estimate: Some of the reasons for sales failing to complete relate to difficulties in finding suitable properties for applicants offered portable discounts, and delays in processing applications. If housing associations learn lessons from the pilot and address some of these issues, then it is possible that higher numbers of sales would occur.

⁵⁴ Adjustments were not made independently for property type (flat/house) because this correlates strongly with size, and is also particularly likely to reflect policy decisions of housing associations over whether they decide to allow purchases of flats. The household type was not used because it is highly related to age group, and differs less between regions. Ethnicity was not used due to small sample sizes.

Estimating demand under a permanent VRTB

The analysis above has drawn on the evidence from the pilot to estimate demand for the VRTB, if the Midlands pilot had instead been available to housing association tenants across England on a similar basis. Predicting demand for a permanent VRTB scheme (running just like the statutory RTB does) is much more uncertain. This is because we do not know the extent to which the numbers who applied in just one month would continue to apply over a longer-running scheme.

Two possible extreme parameters are therefore:

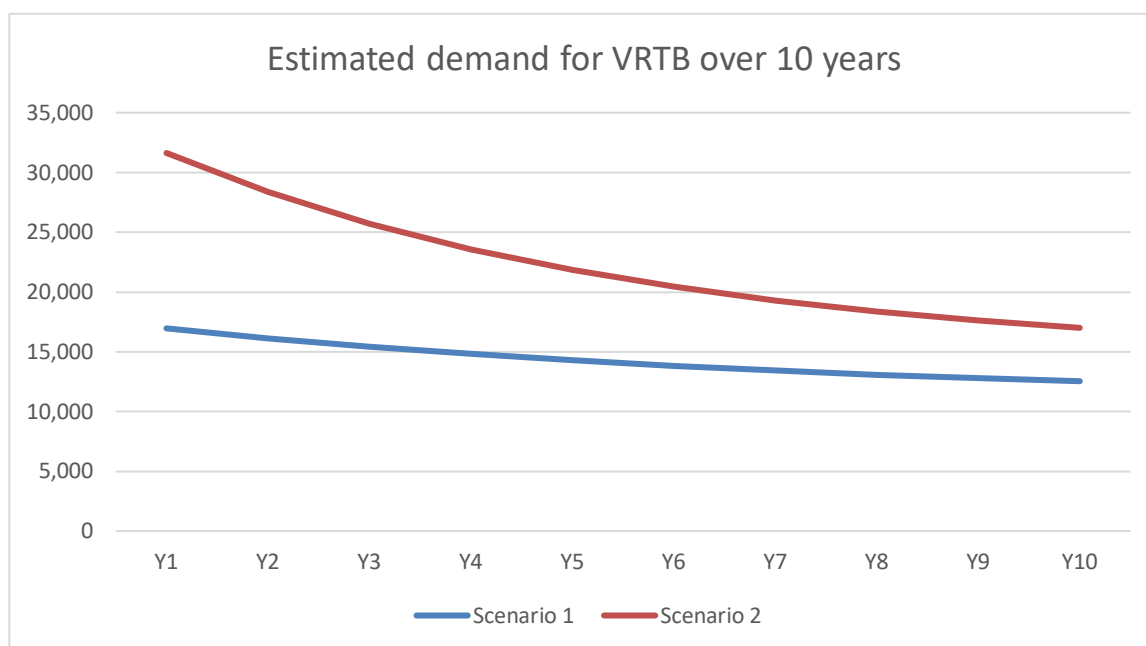
- Lower bound: All current tenants who want to buy applied during the pilot, with the only further demand coming from those who become eligible in the future.
- Upper bound: It is estimated that 6.3% of current tenants who could afford to buy would do so during a one month scheme. Therefore 6.3% of all eligible-and-able-to-afford tenants will buy each month.

In reality, neither of these is likely to be the reality. We know that the ballot was well-publicised, given that the extension of the Right to Buy to housing association tenants was a 2015 manifesto commitment, and that many tenants were aware of it and some had been waiting for many years for the opportunity to buy their home. It is therefore very unlikely that tenants would continue to apply at the same rate as they did during the 4 weeks that the pilot was open. We do, however, know from the case studies that some tenants have contacted their housing association because they were frustrated at having missed the deadline for the ballot. We also know that people's financial and personal circumstances change. This suggests that the second parameter is also not correct. Two more plausible scenarios have therefore been modelled:

- Scenario 1: All of those ready to buy within the next year applied during the one month pilot. Similar proportions of eligible-and-able-to-afford tenants will buy each subsequent year.
- Scenario 2: All of those ready to buy within the next 6 months applied during the one month pilot. Similar proportions of eligible-and-able-to-afford tenants will buy each subsequent 6 month period.

The figure below shows the numbers, by region who are estimated to buy over the next 10 years, under these two scenarios.

Figure 10: Estimated sales by year, under Scenarios 1 and 2



Comparing these findings with previous studies

In order to sense-test this estimate and consider what might happen if a scheme was open on a longer basis it is useful to compare the estimated levels of uptake with those produced in other work. Previous work analysis [published by the JRF](#) in 2015 estimated likely uptake of the VRTB based on the increase in demand seen for the statutory RTB following the increase in discounts in 2012. This estimated the uptake in the first year to be 1.3% of all eligible tenants. Meanwhile, a smaller-scale Action Research study⁵⁵ of the VRTB on a small group of housing associations, and only for tenants with 10 or more years' time in the sector found completions to be 2.4% of all eligible tenants. Longstanding tenants such as these are eligible for the highest discounts, so may have had higher levels of interest in the VRTB.

Comparisons can also be made with uptake of the statutory RTB. This has been around 0.7-0.8% of all local authority tenants during the last 5 years. It has been relatively stable since the reinvigoration of the RTB in 2012.

The numbers under Scenario 1 for the VRTB, shown in Figure 10 start at around 0.8% of all housing association tenants, falling to 0.6% by Year 6 onwards. In Scenario 2, the uptake is estimated at 1.5% of all housing association tenants in Year 1, falling to 0.8% by Year 9.

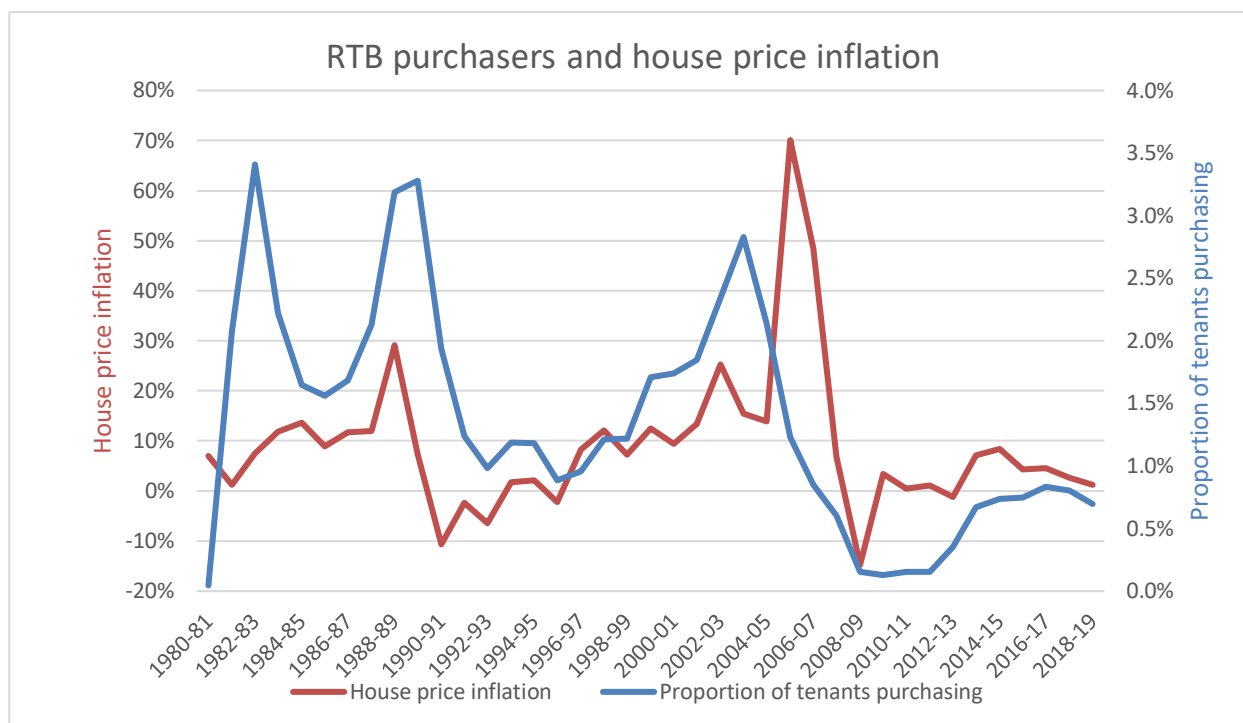
Taking all the evidence together, including findings from the VRTB housing association case studies, most of whom reported tenants wanted to buy their homes but missed the ballot deadline, it was concluded that **Scenario 2 is the more plausible estimate of demand, in the absence of any limits placed on applications.**

⁵⁵ www4.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/vrtb-pilot-research-main-report.pdf

Uncertainty

It should be cautioned here that predicting demand for the VRTB in a changing world is uncertain. The figure below shows the level of uptake of the local authority RTB scheme (as a proportion of all local authority tenants), against house price inflation.

Figure 11: Local authority RTB sales as a proportion of all local authority tenants, and house price inflation



Source: RSM calculations based on House price inflation from Nationwide. Housing Stock from SDR. RTB sales from MHCLG.

Two things are apparent here: The proportion of tenants buying has been relatively stable in the last few years, but historically has varied considerably from 0.1% (in 2009-10) to 3.4% (in 1982-3). It is also clear that uptake of the RTB is affected by house price inflation. The current housing market is uncertain, and likely to be affected by the Covid19 pandemic and economic fallout for some time. VRTB purchasers have a degree of protection from lenders retreating from the market for high loan-to-value lending (as the VRTB discount means that the loan-to-value is lower than for most first-time-buyers). Nevertheless, potential VRTB purchasers may be worried about their job security, or unsure whether they want to become homeowners at an uncertain time. It is likely that demand for the VRTB will be lower as a result of Covid19 than it might otherwise have been.

Lessons learned:

- Larger properties were much more likely to be sold than smaller ones – with the rate of 5 bedroom homes sold being 10 times that of one bedroom homes. Houses sold at a faster rate than flats, despite the higher percentage discount on flats – this may be in part because some associations excluded flats from the scheme and offered portability to these applicants.*
- Rates of sales were higher in urban areas.*

- *The most likely age group to purchase were those aged 35-44. The average household income was £34,666, though a wide range of incomes mostly between £10,000 and £70,000 were reported. Three in four applicants purchases with a mortgage – with the average deposit being £4,858. The other 25% were cash purchasers, who used a mixture of savings and gifts and loans from family.*
- *Demand was restricted in the pilot VRTB by the use of URNs. If all tenants who applied for the ballot had been allowed to continue with their applications, it is estimated that 2,884 sales would have been completed.*
- *If the pilot had been running across the whole of England, with no limit on the number of applications allowed to proceed, it is estimated that 15,870 purchases would have completed.*
- *Estimates of demand are more uncertain If the VRTB were to run as an open scheme, like the statutory RTB. However, the most plausible scenario suggests around 32,000 sales in the first year, falling to around 17,000 sales a year by 10 years in.*

Chapter 5: Value for money of the VRTB pilot

One of the aims of the evaluation of the pilot VRTB was to assess the value for money of the scheme, with a view to informing the design of a national VRTB scheme. The first part of this chapter considers the **financial costs and benefits to different agents**, whilst the second part undertakes an overall **economic appraisal**. It should be noted that whilst the costs of the pilot have been established via this evaluation, the benefits are largely yet to come, so based on estimations with some degree of uncertainty. Because of this, some sensitivity analysis has been undertaken for the economic appraisal.

Financial appraisal

HM Treasury's Green Book sets out approved methods for determining the value for money in evaluating policy initiatives⁵⁶. The table below sets out the categories of costs and benefits listed in the Green Book, with an indication of which are relevant to the evaluation of the VRTB.

Green Book classification of costs and benefits	How this is defined for the VRTB pilot evaluation
Costs in the appraisal of social value	
Total direct public costs (to originating organisation):	
Capital	Assume zero
Revenue	Costs to reimburse housing associations for discounts and admin fees Fees paid to Homes England to collect monitoring data Cost to MHCLG itself to run the VRTB scheme centrally
Total indirect public costs (to other public sector organisations)	
Capital	£0
Revenue	Costs to Homes England to collect monitoring data (minus the amount reimbursed by MHCLG), assumed to be £0 as reimbursement intended to cover full cost.
Wider costs to UK society (England, rather than UK in the context of the VRTB)	
Monetisable including cash costs	Costs to housing associations to run the VRTB (minus the admin fee received from MHCLG) Loss to housing associations from rental income during period between selling and replacing homes sold (minus the maintenance costs) Costs to buyers associated with purchase (solicitors, etc) Costs to buyers of maintaining the homes they buy

⁵⁶https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685903/The_Green_Book.pdf

Quantifiable but unmonetisable costs	n/a
Qualitative unquantifiable costs	Increased residualisation and stigma experienced by those who remain social tenants
Total risk costs (the costs of mitigating or managing risks):	
Optimism bias	n/a
Estimated or measured risk cost	n/a
Benefits in the appraisal of social value	
Direct public sector benefits (to originating organisation):	
Cash releasing benefits	n/a
Monetisable noncash releasing benefits	n/a
Quantifiable but not monetisable benefits	n/a
Qualitative unquantifiable benefits	n/a
Indirect public sector benefits (to other public sector organisations):	
Cash releasing benefits	£0
Monetisable but non-cash releasing benefits	n/a
Quantifiable but unmonetisable benefits	n/a
Qualitative unquantifiable benefits	n/a
Wider benefits to UK/English society (e.g. households, individuals, businesses):	
Monetisable including cash benefits	Gains to buyers arising from mortgage payments being lower than rent
Quantifiable but not monetisable benefits	Numbers of people who become homeowners who would not otherwise have done so
Qualitative unquantifiable benefits	Benefits to buyers from being homeowners

For each of these we wish to estimate the costs/benefits of the VRTB pilot.

Financial appraisal: Costs

This section sets out the financial costs to the public sector, housing associations and buyers.

Direct public sector costs

Table 29 below sets out the costs of the VRTB scheme, and how these have been collected. 'Costs throughout pilot' refers to costs that would be expected to continue at the same rate on a per-sale basis if the VRTB were running on an ongoing basis. Setup costs refers to one-off costs that would not recur if the VRTB were running on an ongoing basis.

Table 29: Estimated costs to MHCLG (Midlands VRTB pilot)

Cost element	Setup cost	Cost per sale	Cost throughout pilot	Source
Discounts paid by MHCLG to housing associations	£0	£62,703	£118,634,076	Homes England VRTB monitoring data
£2,000 admin fee per sale paid by MHCLG to housing associations	£0	£2,000	£3,784,000	MCHLG
Fees paid by MHCLG to Homes England to collect monitoring data	£350,000	£555	£1,050,000	MHCLG figures of £1.4m across the 2 year pilot and 8 month setup
Cost to MHCLG itself to run the VRTB scheme centrally	£83,333	£132	£250,000	MHCLG figures of £125,000 per year, including 8 months setup
Total costs to MHCLG	£433,333	£65,390	£123,718,076	Sum of above

Indirect public sector costs

There are no indirect public sector costs, as it has been assumed the money paid by MHCLG to Homes England to monitor the VRTB was sufficient to cover the costs of doing this. (Housing associations have been treated as private organisations not part of the public sector.)

There may be increased housing benefit costs to DWP to support higher rents on Affordable Rent properties. The overall increase in rents paid by tenants or the DWP depends on the precise profile of what stock is replaced, as well as the tenure from which new tenants move from, both of which are unknown at present so have not been included in this analysis.

Costs to wider society

These comprise costs to housing associations and costs to VRTB buyers.

HOUSING ASSOCIATION SETUP COSTS

Costs to housing associations to administer the VRTB pilot were collected in the survey. Associations were asked for estimates of the costs paid out to solicitors, surveyors and other external organisations, and also of an estimate of their own costs split into setup costs and ongoing running costs. Where associations were unable to estimate costs in

monetary terms, they were instead asked for an estimate of staff time in hours. These were then converted to cost estimate using an assumed hourly rate of £18.71 an hour⁵⁷. The table below shows the results of this analysis:

Table 30: Estimated setup costs by size of housing association

Setup costs by size	Per housing association	Average cost per sale	Housing associations providing data
Large	£12,448	£131	7
Medium	£24,385	£472	11
Small	£21,816	£2,022	15
All housing associations	£20,685	£1,103	32

Source: Analysis of data provided in survey of housing associations, March-April 2020

The lower setup costs for the largest associations may be because these were more often stock transfer organisations already familiar with the PRTB, and able to adapt existing systems to cope with the VRTB. There is little difference between setup costs of small and medium sized housing association – however the much lower number of sales in smaller associations mean that the setup costs per achieved sale are quite a lot higher.

HOUSING ASSOCIATION RUNNING COSTS

Running costs are those that would be incurred on an ongoing basis, proportional to the number of sales. These were estimated by housing associations responding to the survey. The table below shows the average costs paid to solicitors, surveyors and other third parties to support the sales process, and also the estimated running costs to housing associations themselves, calculated on the same basis as the setup costs.

Table 31: Estimated running costs, averaged per achieved sale

Costs paid to	Average cost per sale	Housing associations providing data
Solicitors	£435	36
Surveyors	£213	36
Others	£150	36
Housing association's own costs	£465	33
Total costs per sale (gross)	£2,151	37

Source: Survey of housing associations, March-April 2020

This data shows that associations paid an average of £798 to external bodies, per sale. Adding in their estimates of their own costs, suggests that they came to just slightly more than the £2,000 administration fee that they were reimbursed by MHCLG. It should be noted that the case studies and qualitative answers from housing associations in the

⁵⁷ This was calculated based on data from a survey undertaken by *Social Housing* in January 2015 showing that the average annual salary in the sector was £30,400. This figure was inflated to 2018 values, using data from ASHE, and then an allowance was made for on costs (employers' national insurance contributions and pension contributions) to reach the hourly figure.

survey indicated that dealing with applicants who were offered portability took a large amount of time, including that spent on applications which were not ultimately successful.

Overall, the VRTB pilot cost housing associations an average of £20,685 per organisation in setup costs, and costs a total of £2,151 per sale. After deducting the £2,000 administration fee reimbursed by MHCLG, this administrative cost falls to £151 per sale.

COSTS OF BUILDING THE REPLACEMENT HOMES

Housing associations need fund the costs of building replacement homes. As shown in Figure 4 earlier, many of the pilot associations indicated that they would be likely to put in some of their own resources to top up the amounts received by buyers and discounts reimbursed by MHCLG. The amount of these contributions is uncertain, so they have not been included in this analysis, but it should be noted that there may be additional costs here.

COSTS TO VRTB BUYERS

Costs associated with the purchase for VRTB buyers are shown in the table below:

Table 32: Estimated costs to buyers of purchasing (Midlands VRTB pilot)

Cost element	Setup cost	Cost per sale	Costs throughout pilot	Source
Costs to buyers associated with home purchase	£0	£3,034	£5,740,328	Average costs of house purchase based on estimates from The Money Advice Service

There could potentially be longer term costs to buyers if interest rates rise, causing mortgage payments to become higher than rents. However, the estimates made from this study suggest that they are on average lower, so this has been included in the benefits to society section on benefits, below, and not here.

There may also be some non-monetisable costs to wider society arising from:

- Reduced access to social housing *during the first 3 years* after each sale (during the time taken to build the replacement home)
- Costs to new tenants of higher rents, as replacement homes are mostly Affordable Rent rather than social rent. These cannot easily be quantified because the rent level, size profile and location of the replacement homes are not yet known.

It is beyond the scope of this evaluation to cost these aspects, as longer term evidence on the profile, rent level and new tenants of replacement homes would be needed.

Financial appraisal: Benefits

Direct public sector benefits

There are no direct financial benefits expected to MHCLG. The intended beneficiaries are people who purchase under the scheme and wider society (as a result of the new housing that is built).

Indirect public sector benefits

There may be some savings to the DWP and/or local authorities, starting in Year 4, if the replacement homes create more lettings available to people moving on from temporary accommodation. This cannot be quantified from the available data.

Wider benefits to society

There may be some financial gains to housing associations if the rental income charged on the replacement homes exceeds that of the homes they sold. However, the assumption was made that increased rents would usually support increase borrowing required to build the homes, so housing associations would not benefit financially from the higher rents.

There may also be some savings to housing associations from reduced maintenance costs associated with newer homes (compared with the older properties they have sold via the VRTB), but these cannot be quantified from the available data. Qualitative evidence from the case studies did suggest that at least some housing associations were hoping to reduce their maintenance expenditure by selling off older homes and replacing them with newer ones.

BENEFITS TO BUYERS

Enabling housing association tenants to become homeowners is a key policy ambition of the VRTB.

Assessing the number who achieve home ownership, at its most basic, is a very simple analysis of the uptake of the scheme, which was 1,892 over the course of the pilot. A more sophisticated analysis of the extent to which the VRTB has facilitated home ownership for those not otherwise able to afford it involves making estimates of the proportion of buyers who could or would have bought homes anyway.

We have therefore assessed the circumstances of the buyers in the pilot to establish whether they could potentially have bought a property of the same market value as the home they were – the assumption here is that the home they were in is a reasonable estimate for the price they would have had to pay for a home in the location they need to live, and of the size that meets their needs. Social rented homes tend to fall on average in the lower half of the housing market and the value of the home they were living in was therefore considered a reasonable proxy for the price they would need to pay for a home that meets their needs in their local area.

To assess whether buyers could afford an equivalent home to their own on the open market the following assumptions were made:

- The value they paid for their deposit would have been available to support a deposit in open market purchase.
- An additional £1,000 would have been required to fund the costs of moving to a new property (to cover removal costs).
- A mortgage would have been required to cover the balance.

- Households could borrow up to 4.5 times their income, calculated in the same way as when calculating whether tenants could afford to purchase via the VRTB (see Chapter 3)⁵⁸.

Applying these assumptions to the dataset from Homes England on the financial circumstances of purchasers, suggests that 44% of buyers appear able to have afforded the open market value of the home they bought. However, there are very few lenders prepared to lend to buyers without at least a 5% deposit. Many VRTB purchasers had sufficient income to cover the costs of a mortgage but did not have sufficient savings for a deposit. Of the 834 purchasers who were able to afford to buy their home without the VRTB discount, only 349 of these would have been able to obtain a mortgage at 95% LTV, and only 243 would have been able to obtain a mortgage at 90% LTV. This suggests that **overall, around 13-18% of buyers appear able to have afforded to become homeowners without the use of the VRTB**. These buyers can be considered as deadweight in terms of meeting the VRTB policy objective of facilitating access to home ownership for those who cannot afford it. They may still have benefited from being assisted to buy the home they were already living in, as this is not possible for social tenants without the Right to Buy, and they will of course have benefited from lower mortgage payments than they would have had without the VRTB discount. This analysis highlights the key role of the VRTB in facilitating access to homeownership for people who lack sufficient deposits to be able to borrow in the current market.

There are financial gains to all buyers arising from mortgage costs being on average lower than rents that had been paid previously. The table below shows how this benefit has been calculated.

Table 33: Gains to buyers of paying mortgage costs rather than rents (Midlands VRTB pilot)

Element	Amount	Source
Average size of mortgage of buyers (all buyers, including cash buyers)	£54,151	Homes England VRTB monitoring data
Monthly mortgage payments estimated using average mortgage rates from UK Finance	£2,896 (£241 per month)	Average 10-year interest rate (to reflect longer-term affordability) of 2.44% ⁵⁹ , assuming 25 year repayment mortgage
Average housing association rent levels	£4,607 (£384 per month)	Average of local authority average housing association rents across authorities in the East and West Midlands 2018/19, Source TSA/RSR

⁵⁸ This was that tenants aged under 42 (so 25 years away from retirement age) would be able to obtain a mortgage of 4.5 times their household income (based on a 25 year repayment mortgage); Tenants aged between 42 and 67 would be able to obtain a mortgage of less than 4.5 times income, on a sliding scale so that by the age of 67, it is assumed they could not obtain any mortgage funding.

⁵⁹ Source: www.statista.com/statistics/386301/uk-average-mortgage-interest-rates/

Average size of deposit of buyers	£20,416	Homes England VRTB monitoring data
Loss of interest on savings used as deposit	£284 per year	Average interest rate of 1.39% ⁶⁰ , times average size of deposit
Maintenance costs	£1,373 per year	1% of market value of home, as estimate as supplied by MHCLG
Total annual gain per buyer per year	£55	Calculation from the above
Total annual gain to buyers per year	£104,322	Calculation from the above

Buyers also gain the asset of the home they buy. The average buyer gains an immediate asset to the value of **£62,703** – the value of the discount (assuming they remain in their home for at least 5 years). The average buyer borrows £54,151. Assuming this is on a 25 year repayment mortgage basis on 2.44% interest, after 10 years they will still owe £36,342. The value of the asset they will own is unpredictable as it depends on house price rises, which can be volatile. If, however, house prices rise at an average of 4% per year over this 10 year period (a figure recommended in DCLG's Appraisal Guidance⁶¹), their house would be worth £220,334 after 10 years, giving them a net asset (after deducting what is still owed on the mortgage) of **£183,993**.

This asset, however, represents the value of the home they are living in. It is unlikely to be fully realised during the buyers' lifetimes, as they will need to continue living in a home, and will instead be realised fully by those who inherit from them (for instance, by their children). Buyers may be able to use the asset they own to borrow at better rates for other things, such as starting businesses, home improvements, retiring, or helping family members financially. There are other quality of life benefits to buyers who wanted to be homeowners, including the sense of autonomy, and ability to adapt their home to meet their needs and tastes, as described in Chapter 3.

BENEFITS TO PEOPLE MOVING INTO SOCIAL HOUSING

Turnover rates in social housing are around 7.3% a year.⁶² This means that existing tenants remain – on average for more than 10 years in their home. There is therefore the potential for the VRTB to increase the number of available lettings available in the medium term. If the replacement home is built and available for letting after only 3 years, whereas – on average – the home sold would only have become available for letting after a longer period of time, then there will be an increase in available lettings.

⁶⁰ Source: www.swanlowpark.co.uk/savings-interest-annual

⁶¹ [The DCLG Appraisal Guide \(2016\)](#) Department for Communities and Local Government

⁶² This is based on a turnover rate of 7.3%, which is the average over the 5 year period 2014/15 to 2018/19. Tables from www.gov.uk/government/collections/rents-lettings-and-tenancies

The impact of the VRTB pilot on social sector lettings can then be calculated as shown below.

Table 34: Estimated net impact on lettings arising from VRTB (Midlands pilot)

Year	Dwellings sold through VRTB	Replacement rented homes built	Stock for letting		Lettings		Net increase arising from VRTB
			Without VRTB	With VRTB	Without VRTB	With VRTB	
1	1,892	0	1,892	0	138	0	-138
2	0	0	1,892	0	138	0	-138
3	0	0	1,892	0	138	0	-138
4	0	1,642	1,892	1,642	138	1,642	1,505
5	0	0	1,892	1,642	138	120	-18
6	0	0	1,892	1,642	138	120	-18
7	0	0	1,892	1,642	138	120	-18
8	0	0	1,892	1,642	138	120	-18
9	0	0	1,892	1,642	138	120	-18
10	0	0	1,892	1,642	138	120	-18
Total	1,892	1,642	-	-	1,377	2,360	982

The assumptions here are that:

- The housing association sector overall succeeds in replacing the homes sold on a one for one basis. It is too early to have firm evidence on this from the pilot, so the policy intention has been modelled in this respect.
- The tenure of replacement homes reflect those housing association plans, as reported on in the survey and shown in Table 5. This suggests that 87% of replacement homes will be either Affordable Rent or social rent (1,642 homes), and therefore available for letting to the same applicants as the homes sold would have eventually been available for.
- Social rented homes turn over at 7.3% per annum⁶³ or 73 lets per 1,000 dwellings per year.

The analysis suggests that, as would be expected, the VRTB has a negative impact on lettings for the first 3 years, as the homes sold do not come available for re-letting at the usual rate. After that the impact is positive when the new homes are built. In the very long-

⁶³ This is based on a turnover rate of 7.3%, which is the average over the 5 year period 2014/15 to 2018/19. Tables from www.gov.uk/government/collections/rents-lettings-and-tenancies

term the impact will be to reduce lettings because only 87% of homes sold are replaced with rented homes.

Summary of financial costs and benefits

The table below summarises the financial costs of the VRTB pilot, to different agents.

Table 35: Summary of costs of VRTB pilot

Costs borne by	Setup cost	Costs per sale (excluding setup costs)	Costs throughout pilot
MHCLG	£465,000	£65,390	£123,718,076
Housing associations	£910,140	£13,973	£26,436,159
Wider society (buyers)	£0	£3,034	£5,740,328

The table below summarises the financial benefits of the VRTB pilot, to different agents.

Table 36: Summary of benefits of VRTB pilot

Benefits incurred by	Benefit per sale per year	Total benefits per year
MHCLG	£0	£0
Other public sector organisations	£0	£0
Wider society (buyers)	£55	£104,322

Economic appraisal over a 10 year period

This section calculates the economic costs and benefits of the VRTB pilot over a 10 year period. This represents the present value of all financial costs and benefits, plus non-financial costs and benefits including land value uplift and the health gains to new social housing tenants.

As in the financial appraisal, results are presented from each perspective of interest and then the overall societal perspective is presented, in order to calculate the Net Present Social Value and Benefit Cost Ratio.

Public sector costs

Table 37 below, shows the costs (in today's terms) of the pilot to the public sector. The public sector comprises MHCLG and Homes England. There are no costs to Homes England as their costs are reimbursed by MHCLG. The source of the data within this table can be found in the tables above.

Table 37: Public sector costs (in today's terms) of the VRTB pilot⁶⁴

	Admin costs	Value of discounts to reimburse Housing associations
2018-19	£465,000	
2019-20	£5,084,000	£118,634,076
2020-21	£0	
2021-22	£0	
2022-23	£0	
2023-24	£0	
2024-25	£0	
2025-26	£0	
2026-27	£0	
2027-28	£0	
2028-29	£0	
Total	£5,549,000	£118,634,076

⁶⁴ For the purposes of analysis, and throughout this section, all sales have been assumed to take place towards the end of 2019/20. In reality, the earliest sales took place in March 2019, and the latest ones were still to take place at the time of undertaking this analysis.

After applying discounting as per the Standard Discount Rates giving in the Green Book, the costs are as follows:

Table 38: Public sector costs (in today's terms) of the VRTB pilot (after discounting)

	Admin costs	Value of discounts to reimburse Housing associations
2018-19	£465,000	£0
2019-20	£4,912,077	£114,622,296
2020-21	£0	£0
2021-22	£0	£0
2022-23	£0	£0
2023-24	£0	£0
2024-25	£0	£0
2025-26	£0	£0
2026-27	£0	£0
2027-28	£0	£0
2028-29	£0	£0
Total	£5,463,039	£114,622,296

There are no monetisable public sector benefits. The total **public sector cost, after discounting, is therefore £119,999,373 (£120.0m)**. Most of this cost is the value of the discounts.

Private sector costs

The table below shows the private sector costs – these are the costs to buyers associated with home purchase, and costs to housing associations.

Table 39: Private costs (in today's terms) of the VRTB pilot

	Housing association setup costs	Housing association administration costs during pilot	Housing association loss of rental income (minus cost of maintenance)	Costs to buyers associated with property purchase	Costs to buyers associated with property maintenance
2018-19	£910,140	£0	£0	£0	£0
2019-20	£0	£285,692	£0	£5,740,328	£0
2020-21	£0	£0	£6,119,655	£0	£2,597,167
2021-22	£0	£0	£6,119,655	£0	£2,597,167
2022-23	£0	£0	£6,119,655	£0	£2,597,167
2023-24	£0	£0	£0	£0	£2,597,167

2024-25	£0	£0	£0	£0	£2,597,167
2025-26	£0	£0	£0	£0	£2,597,167
2026-27	£0	£0	£0	£0	£2,597,167
2027-28	£0	£0	£0	£0	£2,597,167
2028-29	£0	£0	£0	£0	£2,597,167
Total	£910,140	£285,692	£18,358,965	£5,740,328	£23,374,506

Housing associations lose rental income on the homes sold via the VRTB, but from Year 4 onwards they start receiving rental income on the replacement homes. This new rent is likely to be somewhat higher (as most replacement homes are at Affordable Rent) but this will likely be offset by higher borrowing, and the precise figures are unknown. The maintenance costs associated with maintaining newer homes may also be lower, but there is no precise data available on this, so this saving has not been included in the analysis.

Table 40, below, shows these costs after discounting.

Table 40: Private sector costs (in today's terms) of the VRTB pilot (after discounting)

	Housing association setup costs	Housing association administration costs during pilot	Housing association loss of rental income (minus cost of maintenance)	Costs to buyers associated with property purchase	Costs to buyers associated with property maintenance
2018-19	£910,140	£0	£0	£0	£0
2019-20	£0	£276,031	£0	£5,546,211	£0
2020-21	£0	£0	£5,712,763	£0	£2,424,483
2021-22	£0	£0	£5,519,578	£0	£2,342,496
2022-23	£0	£0	£5,332,926	£0	£2,263,281
2023-24	£0	£0	£0	£0	£2,186,745
2024-25	£0	£0	£0	£0	£2,112,797
2025-26	£0	£0	£0	£0	£2,041,350
2026-27	£0	£0	£0	£0	£1,972,319
2027-28	£0	£0	£0	£0	£1,905,622
2028-29	£0	£0	£0	£0	£1,841,181
Total	£910,140	£276,031	£16,565,268	£5,546,211	£19,090,275

The total private sector costs are therefore **£42,387,924 (£42.4m)**.

Public sector benefits

There are no direct economic benefits to the public sector.

Private sector benefits

The private sector benefits consist of the economic gains to buyers associated with the discounted element of the property they purchase.

These are shown in the table below:

Table 41: Private sector benefits (in today's terms) of the VRTB pilot

	Gains to buyers
2018-19	£0
2019-20	£118,634,076
2020-21	£0
2021-22	£0
2022-23	£0
2023-24	£0
2024-25	£0
2025-26	£0
2026-27	£0
2027-28	£0
2028-29	£0
Total	£118,634,076

The table below shows these gains after discounting:

Table 42: Private sector benefits (in today's terms) of the VRTB pilot, after discounting

	Gains to buyers
2018-19	£0
2019-20	£114,622,296
2020-21	£0
2021-22	£0
2022-23	£0
2023-24	£0
2024-25	£0
2025-26	£0
2026-27	£0

2027-28	£0
2028-29	£0
Total	£114,622,296

The total private sector benefit is therefore £114,622,296 (£114.6m).

Societal perspective

This section looks at the economic costs and benefits to society as a whole. Therefore, transfers between parties are not included.

This means the cost of buying the existing house, which is paid to the housing association (and the corresponding loss of rental income) is not included, as these represent transfers of an asset from one party to another. Associated costs in the process of buying/selling the house, e.g. solicitor fees, are included. Maintenance costs associated with the existing house, and gains in the value of the asset net to zero also: they would have been paid/received by the housing association but are now paid/received by the buyer.

The new house being built by the housing association does represent a new asset being created and is valued as such at the societal level. This includes the land value uplift (representing the value of the new house as an asset) and the rental income (representing the value of living in the new house).

The exception to the above are transfers of the value of the discounts from MHCLG (i.e. reimbursing the housing association for the discount), which are counted as a cost to MHCLG and as a corresponding benefit to the recipient, to allow calculation of a benefit-cost ratio with public sector (MHCLG) costs as the denominator.

Societal costs

Drawing on the figures above, and the preceding tables in this chapter, Table 43, below, shows the total societal cost (in today's terms) of the VRTB pilot.

Table 43: Total societal costs

	Value over 10 years	Discounted value over 10 years
Administrative costs to public sector	£5,549,000	£5,377,077
Costs to housing associations	£19,554,797	£17,751,439
Costs to buyers (costs associated with purchase and maintenance)	£29,114,834	£24,636,486
Total societal cost	£54,218,631	£47,765,002

The costs of purchasing the property, rent, mortgage payments and the value of the discounts have all be excluded here because they are transfers with no net economic value to society. The same is true of the asset gain associated with home ownership – this is a gain to the buyers and an equivalent loss to the housing association, so of no net

economic impact. **The total societal cost is therefore calculated at £47,765,002 (£47.8m).**

Societal benefits

ACCOUNTING FOR THE DISTRIBUTIONAL ASPECTS OF THE VRTB

Analysis was undertaken in order to establish whether there were distributional aspects of the VRTB. This involves a comparison of the median equivalised household incomes of beneficiaries (buyers) compared with average incomes in England. The table below shows the results of this analysis.

Table 44: Comparing VRTB buyers' incomes with those of all households in England

Households	Median equivalised income	Source
Average VRTB buyers' (equivalised) household income	£25,844	Analysis of Homes England VRTB monitoring data
Average (equivalised) household income in England	£22,776	Households Below Average Income (HBAI) estimates from the Family Resources Survey. ⁶⁵

This analysis shows that the average VRTB buyer had an income that was slightly *higher* than that of the average household in England. It is therefore not appropriate to weight the benefits received by VRTB buyers to allow for any redistributive aspect of the VRTB.

CALCULATING SOCIETAL BENEFITS

Total societal benefits comprise the **health gains** associated with better quality housing for those who move into the newly available social housing, when the replacement homes are built, the **economic value of the additional housing** and **land value uplift**.

Since the replacement homes have not yet been built, estimates of potential Land Value Uplift have been made from figures for average values per dwelling, per region, supplied by MHCLG. These are shown in the table below:

Table 45: Estimated land value uplift of replacement homes

Component	Value	Source
Number of sales	1,892	Pilot (includes sales in progress and estimated to take place beyond end of April 2020)
% replacement homes that will be built (rather than bought)	84%	Analysis of housing association survey responses on whether they will build or buy replacement homes (see Figure 2).
Proportion of VRTB replacement homes built that are estimated to be	75%	Supplied by MHCLG

⁶⁵ Calculation method as per HBAI Quality and Methodology Report 2017/18 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/789756/households-below-average-income-quality-methodology-2017-2018.pdf

additional to what would otherwise have been built		
Land Value Uplift (per replacement home) in 2022/23 (the estimated year when replacement homes will be built)	£47,341	Land Value Uplift average per unit (real £19/20) for 2022-23, average between East Midlands (£39,292) and West Midlands (£55,390), figures supplied by MHCLG
Total land value uplift	£56,428,300	Calculation (1,892 times 84% times 75% times £47,341)

Table 46, below, shows how the total societal benefits have been calculated:

Table 46: Societal sector benefits (in today's terms) of the VRTB pilot

	Benefits to wider society - health gains from social stock	Land value uplift	Economic value of new housing (rental value)
2018-19	£0	£0	£0
2019-20	-£17,219	£0	£0
2020-21	-£34,437	£0	£0
2021-22	-£51,656	£0	£0
2022-23	£136,418	£56,428,300	£8,716,822
2023-24	£134,145	£0	£8,716,822
2024-25	£131,873	£0	£8,716,822
2025-26	£129,601	£0	£8,716,822
2026-27	£127,329	£0	£8,716,822
2027-28	£125,057	£0	£8,716,822
2028-29	£122,785	£0	£8,716,822
Total	£803,897	£56,428,300	£61,017,757

The economic value of the additional housing has been estimated as the same rental income as was charged in aggregate on the housing sold, since the capital investment will be the same.

The additional social lets in Year 4 will benefit those moving into social housing. MHCLG analysts have provided a figure of £125 per household per year for the economic value of improved health (due to reduced overcrowding, etc) for each additional year that households are in social housing. These health gains from additional social sector lettings are negative in the first 3 years, as a result of the properties sold under the VRTB not being available for new lets. There are then significant gains in Year 4, when the replacement homes are assumed to be built. After that there is a small negative impact being added on each year, resulting from the lower stock base from which new lets are made – see Table 34. The gains enjoyed by the people housed in each preceding year are assumed to continue in subsequent years over this 10 year period.

After applying discounting, as per the Green Book guidance, the costs are as follows:

Table 47: Societal benefits (in today's terms) of the VRTB pilot (after discounting)

	Benefits to wider society - health gains from social stock	Land value uplift	Economic value of new housing (rental value)
2018-19	£0	£0	£0
2019-20	-£16,636	£0	£0
2020-21	-£32,148	£0	£0
2021-22	-£46,591	£0	£0
2022-23	£118,880	£49,174,004	£7,596,207
2023-24	£112,947	£0	£7,339,331
2024-25	£107,279	£0	£7,091,141
2025-26	£101,865	£0	£6,851,344
2026-27	£96,695	£0	£6,619,656
2027-28	£91,758	£0	£6,395,803
2028-29	£87,044	£0	£6,179,519
Total	£637,731	£49,174,004	£48,073,000

The present value societal benefits are therefore £97,868,098 (£97.9m)

Net Present Social Value of the VRTB pilot

The Net Present Social Value (NPSV) calculated over the 10 year period, is therefore calculated as:

Total societal benefit: £97.9m

minus

Total societal costs: £47.8m

equals

NPSV: £50.2m

Benefits Costs Ratio

The Benefits Costs Ratio (BCR), presented as the benefits per £1 spent by the public sector over this same 10 year period is calculated as follows:

Non-public sector benefits: £212.5m minus Non-public sector costs: £42.4m

divided by

Net public sector costs: £120.0m

equals

1.42

This suggests that the VRTB gives a positive economic return of £1.42 for every £1 of public money spent, over a 10 year period.

Sensitivity testing of NPSV and BCR

The approach above was repeated rolling forward projections to a 30 year period and also with several alterations to the key assumptions, to test sensitivity. The benefits from the VRTB arise largely from the land value uplift associated with building new homes, so different assumptions around the proportion of replacement homes that are built were checked.

This creates the following findings:

Existing scenario rolled forward to 30y period:

NPSV = £113m; BCR = 1.94

Existing 10y scenario, with 75% of homes sold replaced (of which 16% bought rather than built, as per initial scenario)

This scenario assumes that the housing association sector, as a whole, builds or buys 75 replacement homes for every 100 sold under the pilot. This is in line with the housing association plans for replacement homes at the time of the survey (April 2020)

NPSV = £38m; BCR = 1.31

Existing 10y scenario, with 100% of homes sold replaced as rented homes, and all built rather than bought

This scenario assumes that the housing association sector, as a whole, manages to replace 100% of homes sold with newbuild rented homes. This is in line with the policy ambition of the VRTB.

NPSV = £60m; BCR = 1.50

Existing 10y scenario, with 100% additionality

This scenario assumes that the additionality of newbuild affordable housing is 100% - ie none of the housing would have been built in the absence of the VRTB.

NPSV = £67m; BCR = 1.55

Existing 10y scenario, with 50% additionality

This scenario assumes that the additionality of newbuild affordable housing is 50% - ie that half of the housing would have been built in the absence of the VRTB.

NPSV = £34m; BCR = 1.28

Lessons learned around the value for money therefore include:

- The main costs of the VRTB are borne by government in the form of reimbursements of the discounts paid to housing associations. In total, the VRTB pilot cost £124m to MHCLG.*
- Buyers are the main beneficiary, though they benefit financially by only a modest amount in the short to medium term. The main gain made by buyers comprises the asset value of the home they acquire. This gain is unlikely to be fully realisable during their lifetime, though may provide access to cheaper borrowing for other purposes.*
- The large majority of purchasers (over 80%) do not appear able to have afforded to buy a suitable home in the absence of the VRTB.*
- Net Present Social Value of the pilot is calculated at £50.2m and the Benefit Cost Ratio at 1.42 over a 10 year period. Calculated over 30 years the NPSV increases to £113m and the BCR to 1.94.*
- Land value uplift is a significant component of the economic benefit of the VRTB, especially with a long-running VRTB scheme where homes are built every year. The economic value of the VRTB is therefore very dependent on the replacement homes being built (rather than bought), and on the housing association sector achieving a good rate of replacements, without significant injections of cash from other sources. There is a lot of uncertainty here, but the potential for economic gains if this can be achieved.*

Conclusions

The VRTB pilot has operated successfully throughout the Midlands, resulting in up to 1,892 tenants purchasing their home. All 44 large housing associations with stock in the Midlands took part, and all but one of them had at least one sale.

Housing associations overall felt well-supported by the government and the NHF in taking part in the pilot and felt that a lot of useful operational lessons were learned from the process of taking part. Systems for assessing which properties to exclude varied between associations, with those with less effective systems taking steps to improve them in future.

The ballot process was successful in limiting the scale of the pilot and helping to manage the limited budget, though the random nature of it felt unfair to unsuccessful applicants, especially when it became apparent that the number of sales would be below the number initially stated by government. The process also led to a large number of applications over a small period of time which some associations struggled to cope with.

Operationally, portability has been one of the most challenging aspects of the VRTB for housing associations. The scale at which most associations operate means that it is often very hard to identify many (if any) suitable properties for applicants to move to. More fundamentally, the majority of tenants applying for the VRTB want to buy their current home and are not willing to take the discount to another property. This suggests that motivation for many to apply for the VRTB comes most of all from a desire to own their current home, rather than a desire for a discount, or a more affordable route to homeownership per se.

One for one replacement of homes sold is also a challenging aspect of the VRTB. Homes sold in the pilot had an average market value of £137,271. The latest data from the Land Registry suggests that the average prices of a newbuild in the East and West Midlands are £278,476 and £287,079 respectively.⁶⁶ Even if the build costs of new homes are lower than the market price, the total costs of building replacement homes is likely to be close to the market value of these homes. This is because the expected market price will be reflected in the price that housing associations will have to pay for land with (or likely to obtain) planning permission for housing. The gap between these prices highlights the extent of the challenge in obtaining one for one replacements overall. At the time of this report, housing associations were still at the early stages of implementing their replacement policies, given the 3 year period to use the receipts to build replacements.

The VRTB was popular with tenants, with over 9,000 applying during the one month period that the scheme was open. The average age of purchasers was older than for other first time buyers, with applicants having an average of 16 years as a social tenant. This suggests that the VRTB is opening up homeownership to a group of applicants who would otherwise be unlikely to become homeowners. Analysis of affordability suggests that around 2 in 10 appear potentially able to have been able to afford homeownership without the need for the discount. It seems likely that the attraction for this group was the lower monthly outgoings, arising from the discount and hence the lower mortgage, and also the

⁶⁶ www.gov.uk/government/statistical-data-sets/uk-house-price-index-data-downloads-march-2020#download-the-data

opportunity to purchase their existing home. Buyers found the application process to be longer and more complex than most had been expecting. Once complete, they were generally very happy to be homeowners and appreciated having a home they could pass on to children and would one day own outright.

The analysis of the value for money of the VRTB shows that the main financial costs of the VRTB are costs to MHCLG of reimbursing housing associations the value of the discount. The main financial beneficiaries are the buyers, and those who inherit from them. In economic terms, the discounts are a transfer, so the NPSV of the pilot over 10 years is positive, with a BCR of 1.28. Economic benefits from land value uplift arising from the replacement homes that are built forms a major part of this, and the value of the additional homes.

Annex 1: Housing association level data

Table 48 below shows a breakdown of sales data by housing association. The total number of general needs homes owned in the Midlands is also shown. Not all tenants would be eligible for VRTB, most commonly if they have been social tenants for under 3 years or already have the PRTB.

Table 48: Pilot housing association stock and ballot applications

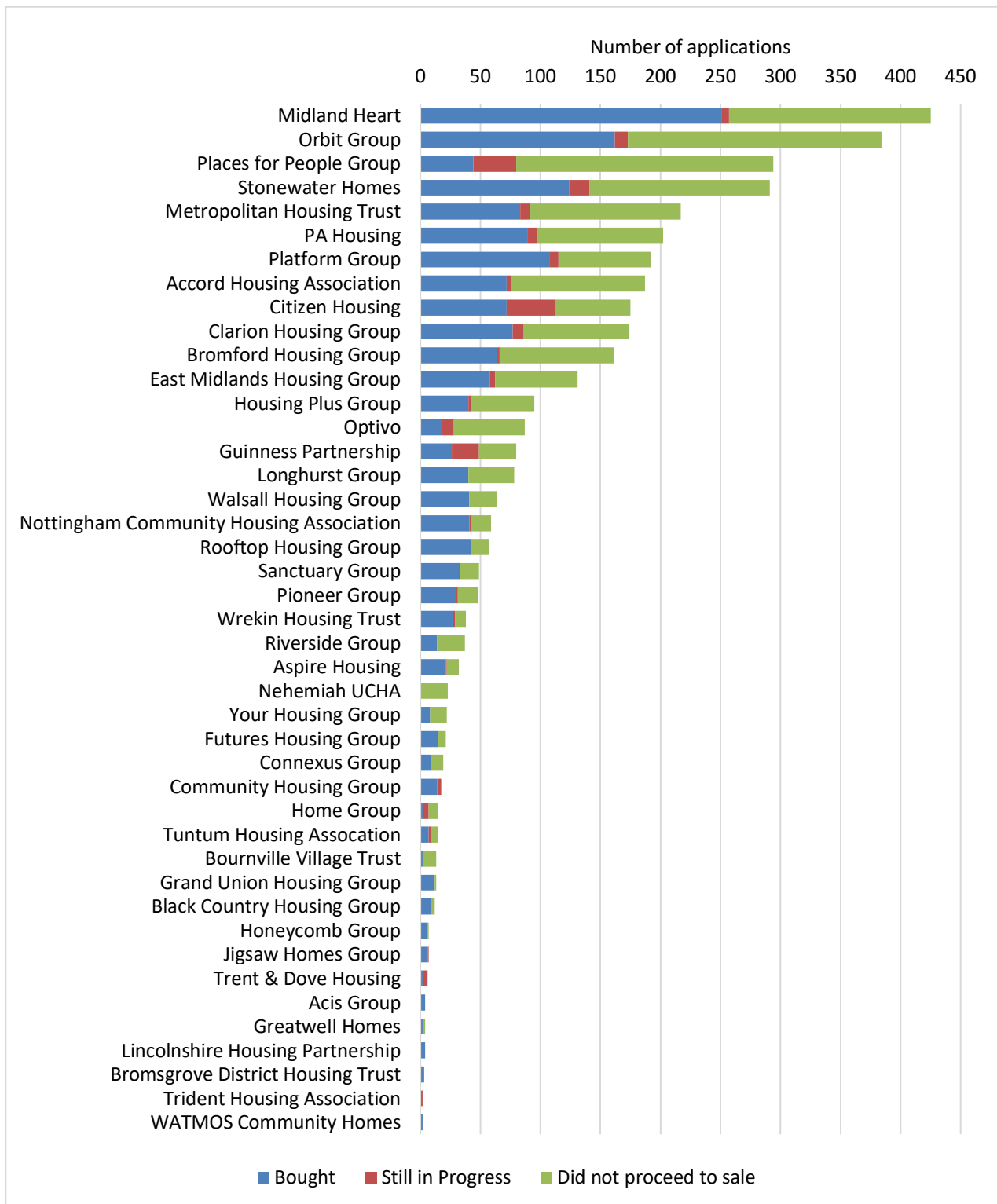
	Total general needs stock in Midlands (SDR)	VRTB Applications received	Applications received as % of stock
Optivo	2,256	87	3.9%
Stonewater Homes	7,482	291	3.9%
Clarion Housing Group	5,577	174	3.1%
Places for People Group	9,658	294	3.0%
Orbit Group	15,670	384	2.5%
PA Housing	8,263	202	2.4%
Metropolitan Housing Trust	9,655	217	2.2%
Nehemiah UCHA	1,083	23	2.1%
Pioneer Group	2,363	48	2.0%
Guinness Partnership	4,407	80	1.8%
Accord Housing Association	10,438	187	1.8%
Midland Heart	27,512	425	1.5%
Rooftop Housing Group	4,678	57	1.2%
Tuntum Housing Association	1,252	15	1.2%
Home Group	1,438	15	1.0%
Bromford Housing Group	17,224	161	0.9%
Riverside Group	4,074	37	0.9%
East Midlands Housing Group	15,121	131	0.9%
Housing Plus Group	11,116	95	0.9%
Longhurst Group	9,356	78	0.8%
Citizen Housing	21,217	175	0.8%
Nottingham Community	7,907	59	0.7%
Your Housing Group	3,208	22	0.7%
Black Country Housing Group	1,862	12	0.6%
Sanctuary Group	9,169	49	0.5%
Platform Group	36,679	192	0.5%

	Total general needs stock in Midlands (SDR)	VRTB Applications received	Applications received as % of stock
Bournville Village Trust	3,227	13	0.4%
Aspire Housing	8,361	32	0.4%
Grand Union Housing Group	3,444	13	0.4%
Futures Housing Group	5,623	21	0.4%
Walsall Housing Group	19,792	64	0.3%
The Community Housing Group	5,678	18	0.3%
Wrekin Housing Trust	12,304	38	0.3%
Jigsaw Homes Group	3,193	7	0.2%
Connexus Group	9,844	19	0.2%
WATMOS Community Homes	1,704	2	0.1%
Trent & Dove Housing	5,784	6	0.1%
Acis Group	4,024	4	0.1%
Lincolnshire Housing Partnership	4,554	4	0.1%
Greatwell Homes	4,568	4	0.1%
Bromsgrove District Housing Trust	3,503	3	0.1%
Honeycomb Group	8,684	7	0.1%
Trident Housing Association	2,770	2	0.1%
Total	355,722	3,767	1.1%

Source: MHCLG and SDR 2017/18.

Figure 12 shows the status of applications by housing association as of 30 April 2020.

Figure 12: Status of applications by housing association



Source: RSM analysis of Homes England data, 30 April 2020. 'Did not proceed to sale' includes tenants who were successful in the ballot and those who applied but failed to complete their application.

Of the housing associations that received more than 100 applications, Citizen had the highest proportion of completions (65%), and Places for People had the lowest (27%).

Nehemiah United Churches Housing Association had 23 applications and all of these were terminated. All of these applications were eligible, 14 were offered portability but no alternative property was identified for them to port to (at 61% this was the highest proportion of portability offers by organisation). The remaining applications were terminated for other reasons. Bournville completed two sales from 11 applications and had the second lowest percentage of completions (15%). In this case only two of the terminated applications were offered portability and the main reason for terminated applications was ineligibility for the scheme.

The table below shows the number of completions and sales in progress for the 42 housing associations who sold properties. The 5 housing associations with the highest number of sales are all larger organisations.

Table 49: Midland VRTB Pilot Sales

Housing association	Number of sales complete or in progress
Midland Heart	257
Orbit Group	173
Stonewater Homes	141
Platform Group	115
Citizen Housing	113
PA Housing	98
Metropolitan Housing Trust	91
Clarion Housing Group	86
Places for People Group	80
Accord Housing Association	75
Bromford Housing Group	66
East Midlands Housing Group	62
Guinness Partnership	49
Nottingham Community Housing Association	42
Rooftop Housing Group	42
Housing Plus Group	42
Walsall Housing Group	41
Longhurst Group	40
Sanctuary Group	33
Pioneer Group	31
Wrekin Housing Trust	29
Optivo	28

Aspire Housing	22
Community Housing Group	17
Futures Housing Group	15
Riverside Group	14
Grand Union Housing Group	12
Black Country Housing Group	9
Connexus Group	9
Tuntum Housing Association	9
Your Housing Group	8
Home Group	7
Jigsaw Homes Group	7
Honeycomb Group	5
Trent & Dove Housing	5
Acis Group	4
Lincolnshire Housing Partnership	4
Bromsgrove District Housing Trust	3
Bournville Village Trust	2
Greatwell Homes	2
Trident Housing Association	2
WATMOS Community Homes	2
Total	1,892

Source: RSM analysis of Homes England data

Annex 2: Text of housing association survey

As you are aware, RSM Economic Consulting has been commissioned by MHCLG and the NHF to undertake a research study which will assess operational aspects of the VRTB pilot.

The aim of the study is to assess the deliverability of the scheme for Government, housing associations, and tenants, with a view to informing future policy decisions on the VRTB. Amongst other things, we will want to look at eligibility, the ways in which portability works, how the application and sales process works for both housing associations and tenants, outcomes for purchasers, and plans for the one for one replacement of properties.

If you have any queries regarding the survey please do not hesitate to contact me on [contact].

To enter the survey click below.

1. What is the name of your housing association?

- Accord Housing Association
- Acis Group
- Aspire Housing
- Black Country Housing Group
- Bournville Village Trust
- Bromford Housing Group
- Bromsgrove District Housing Trust
- Citizen Housing Group
- Clarion Housing Group
- Connexus Group
- East Midlands Housing Group
- Futures Housing Group
- Grand Union Housing Group
- Greatwell Homes
- Guinness Partnership
- Hawkesworth Homes
- Home Group

- Housing Plus Group
- Jigsaw Homes Group
- Lincolnshire Housing Partnership
- Longhurst Group
- Metropolitan Housing Trust
- Midland Heart
- Nehemiah UCHA
- Nottingham Community Housing Association
- Optivo
- Orbit Group
- PA Housing
- Pioneer Group
- Places for People Group
- Platform Group
- Riverside Group
- Rooftop Housing Group
- Sanctuary Group
- Stafford and Rural Homes
- Staffordshire Housing Group
- Stonewater Homes
- Trent & Dove Housing
- Trident Housing Association
- Tuntum Housing Association
- Walsall Housing Group
- WATMOS Community Homes
- Wrekin Housing Trust
- Your Housing Group

We'd firstly like to ask you a bit about your policy on stock that you excluded from the VRTB pilot

2. Did you know which of your properties would be excluded from the VRTB before applications were received? Excluded properties are those that you were not able or willing to sell via the VRTB. Tenants applying to buy these homes would normally be offered portability.

- Yes. We were able to identify properties that we would exclude from the pilot across our entire stock in the Midlands in advance of applications being received.
- We were able to identify some properties that we knew we would exclude from the pilot, but others were checked and identified only when an application was received.
- No. We only checked whether properties would be excluded from the pilot once an application was received.
- Something else.

(Display if able to identify some but not all)

2a. What proportion of the properties that were in the end excluded were you able to identify upfront? Please estimate if you do not have a precise figure.

(Display if not able to identify all upfront)

2b. What were the barriers to identifying excluded stock upfront?

(Display if not able to identify all upfront)

2c. Do you think you will be able to improve your information systems so that you can identify excluded stock in the future if the VRTB is rolled out?

- Yes
- No
- Not sure

(Display if answer 'Something else' to Q2)

2d. Please give details of what you knew about which of your properties would be excluded from the VRTB before applications were received?

3. Which of the following types of properties did you decide to exclude from the VRTB pilot?

- Properties where an S106 agreement or other legal agreement does not allow you to sell them

Stock that is in high demand or low supply

Flats/leasehold properties

Other (please give details):

4. Did you attempt to get any legal agreements (such as S106 restrictions) changed in order to be able to sell the affected properties?

Yes

No

Don't know

5. Why/Why not?

(Display if answered yes to Q4)

5a. How successful was this attempt to get legal agreements changed? How many times did you try and how many times did you succeed?

6. Did you make any changes to the types of properties you excluded during the course of the pilot?

Yes

No

Don't know

Display if yes, please give details of what you changed and why:

We'd like to ask a bit about portability

7. How many sales via portability do you expect to have taken place by the end of the pilot (please include any that are not yet complete, but you would expect to complete, even if this is after 31 March)?

8. In which of the following ways were customers who had been offered portability matched to suitable properties?

- They were able to bid via our usual CBL scheme
- They were encouraged to swap homes via mutual exchanges
- We made direct offers to them from newly-vacant properties
- We made direct offers to them of newbuild properties
- They were able to be offered a home via another HA

9. Why did you offer homes in these ways (and not others)?

10. How many of the customers that successfully purchased via portability found their home via:

Bidding via the usual CBL scheme	<input type="text"/>
Swapping homes via mutual exchanges	<input type="text"/>
Direct offers to them from newly-vacant properties	<input type="text"/>
Direct offers to them of newbuild properties	<input type="text"/>
Being offered a home via another HA	<input type="text"/>
Other	<input type="text"/>

11. How did you decide what size of home customers seeking portability would be eligible for?

- Properties that were the same size (ie number of bedrooms) as their current home.
- Properties that were the size they needed for their family size and composition.
- Other (please specify):

12. Were customers seeking portability able to be considered/bid for all suitably-sized properties in all locations within the VRTB pilot area?

- Yes
- No
- Don't know

Display if no, please tell us what restrictions you placed on the areas they could be considered for and why:

13. Were there any other restrictions placed on the types of homes that customers seeking portability could be considered for?

Yes

No

If yes, please give details:

14. Would you be able to estimate the total amount of staff time (in hours) that your organisation devoted to dealing specifically with portability (finding suitable homes, arranging viewings, liaising with customers, etc)?

15. Do you have any other comments about portability?

We'd like to ask you a bit about your policy on replacement homes

16. Do you envisage that you will:

Build the replacement homes yourself?

Work with another housing association to build the homes to replace ones that you sell?

Build homes to replace those sold by another housing association(s)?

Buy existing properties to replace the ones sold?

Other (please specify):

17. Do you have a written policy on one for one replacements?

Yes

Not yet

No, and have no plans to produce one

If not yet, when do you expect to produce this (month and year)?

18. When replacing the homes sold under the VRTB, how likely is it that you will replace like for like in terms of:

	Certain	Likely	Not sure	Unlikely	Definitely not
Rent level (ie social rented for social rented, or Affordable rent for Affordable rent)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tenure (ie rented rather than shared ownership)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Number of bedrooms	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Type (flat or house)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Location (local authority)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19. What are the main barriers to replacing like for like?

20. Please estimate the profile of the replacement homes that you think you would be most likely to provide in terms of:

Total number of rented homes (either social rent or Affordable Rent)

Number of shared ownership homes

(Display if number of rented homes is known and >0)

20a. Are you able to break down the number of social/affordable rented homes into estimates of:

Number of homes at social rents

Number of homes at Affordable Rents

20b. Are you able to break this down into estimates of:

Number of 4+ bedroom social/affordable rented homes

Number of 3 bedroom social/affordable rented homes

Number of 2 bedroom social/affordable rented homes

Number of 1 bedroom social/Affordable rented homes

21. Are you looking to put in financial resources of your own to combine with the VRTB receipts to fund the replacement homes?

Yes

No

Don't know

(Display if answered Yes to Q21)

21a. What do you expect the contribution from your own funds to be, in £s, to replace homes sold or expected to be sold under the pilot?

22. Has the VRTB scheme encouraged you to undertake developments that you otherwise would not have done?

Yes

No

Don't know

If yes, please give details:

Finally, we'd like to ask a bit about costs

23. Please tell us the costs that you have paid out for each of the following:(If these services are provided in-house please answer £0 here, and tell us about them below instead. Please give costs inclusive of VAT)

Solicitors

Surveyors

Others (please specify)

24. Please could you estimate for us the costs associated with setting up the VRTB pilot for your organisation? We would prefer a value in £s. But if that is not possible, please tell us the number of person-hours that were entailed in setup. Setup costs should include all the costs of writing new policies, setting up IT systems and everything else that would not be required on an ongoing basis if the VRTB were to continue.

25. Please could you estimate the ongoing running costs of the VRTB pilot that you incurred during the pilot? These are the costs of managing the process, including the costs of time spent on applicants who do not in the end go on to purchase their home. These are the costs that you would expect to remain similar on a per-sale basis if the VRTB was to be rolled out. We would like to know the gross amount – do not take off the £2,000 per sale that you receive from MHCLG. As above, we would prefer an answer in £, but if you cannot do that then please tell us the number of person-hours.

Concluding

26. What are the main lessons learned that you would like to share with other housing associations who may be running the VRTB in the future?

27. Do you have any other comments about your experience of running the VRTB pilot?

(Display if answered Yes to Q17)

28. You mentioned earlier that you had a written policy on replacing homes sold under the VRTB. If you've not already done so, please could you send your written policy on one for one replacements over to us at [contact].