

Written evidence submitted by Rentplus-UK Ltd [FPS 047]

1.0 About Rentplus

- 1.1 Rentplus is the leading provider of affordable rent to buy homes. This is a home ownership model which enables people to start the process of owning their home without the need for an initial deposit; removing one of the main barriers to getting on the housing ladder. Rentplus has a development pipeline of 20,000 homes across the country.

2.0 Summary

- 2.1 This response focuses on question 1 (***Is the current planning system working as it should do? What changes might need to be made? Are the Government's proposals the right approach?***) with particular regard to how the future planning system can better deliver home ownership for key workers and those on lower and middle incomes. We believe that there are three small measures which should be implemented which are within the spirit of the Government's overall ambition, but go further to ensure that home ownership can be expanded to those on lower incomes. These are:
 - 2.2 Under the transitional arrangements to the future planning system, ensure that the 50% of local authorities who do not have up to date local plans can introduce a range of affordable home ownership products immediately. This would address the fact that currently very few local plans include innovative home ownership tenures as they were prepared prior to the revised National Planning Policy Framework in 2018 which advocated for a wide range of affordable housing options.
 - 2.3 Following our legal advice that the 'affordable rent to buy' model counts as both affordable rent (given that this is what it offers for up to 20 years) and also a route to home ownership, we are seeking confirmation of this from the Government in planning guidance. This would make it clear for local authorities that the model can be included in either affordable housing category. It would also provide local authorities with flexibility to meet the different housing needs in their area. For example, many families may require an affordable rented home now, but have a long-term ambition to buy. This is no different from the Right to Buy or the new Right to Shared Ownership.
 - 2.4 If First Homes are not widely adopted by developers under the future planning system (as with Starter Homes) then there should be some flexibility introduced to enable local authorities to fill any shortfall in their 25% allocation with affordable rent to buy. This is an already tried and tested product that is popular with developers as it is more financially viable. This would still achieve the overall aim of increasing access to home ownership for families who otherwise could not afford it.

3.0 Is the planning system working as it should do for aspiring buyers?

- 3.1 As the Government itself acknowledges: *“although polling shows that 87% of people would prefer to own a home given a free choice, high prices, high deposits and difficulty accessing mortgage finance still mean that far too many people are denied this opportunity”*¹.
- 3.2 In September, the National Housing Federation estimated that there are 1.6 million households in housing need², 500,000 more than the 1.16m on the official housing waiting list.
- 3.3 Of these, it estimates that over 364,000 could afford an 80% market rent or rent to buy scheme and nearly 63,000 could afford shared ownership. This represents a total of some 427,000 households whose housing need could be met if affordable home ownership schemes were scaled up under the future planning system.

4.0 Are the Government’s proposals for first-time buyers the right approach?

- 4.1 The Government has set out that under the future planning system a quarter of all new affordable homes will be First Homes³; homes for first-time buyers at a discount of at least 30% of market value.
- 4.2 The lower price of First Homes will make home ownership more accessible; however a 10% deposit for the average First Home would still require buyers to have saved £14,000 plus money for legal fees and moving costs. This is based on the House Price Index from June 2020⁴ which found that the average first-time buyer paid £200,028 for their home. With a 30% First Homes discount, this would be reduced to £140,000.
- 4.3 In the current financial climate however lenders have reduced the number of mortgages available to buyers with small deposits and it is now more common for them to require a deposit of 15% or 20%. This would be £21,000 or £28,000 respectively under First Homes.
- 4.4 This is a lot of money to have in the bank for those on lower incomes and especially for the key workers in the care and retail sectors who have kept the country going through the pandemic.
- 4.5 Just 10% of private renters aged 16-34 have savings of between £5,000 and £15,999 according to the English Housing Survey⁵. **61% of private renters and 82% of social renters have no savings at all.**

¹ Paragraph 46, Changes to the Current Planning System, MHCLG, 2020:

<https://www.gov.uk/government/consultations/changes-to-the-current-planning-system>

² National Housing Federation, 2020, ‘The real ‘social housing waiting list’ is 500,000 more than official figures: <https://www.housing.org.uk/news-and-blogs/news/the-real-social-housing-waiting-list-is-500000-more-than-official-figures/>

³ Proposals set out in the consultation document ‘[changes to the current planning system](#)’, which will be implemented under the transition to the future planning system.

⁴ HM Land Registry, 2020, *UK House Price Index Summary: June 2020*, available at:

<https://www.gov.uk/government/statistics/uk-house-price-index-summary-june-2020>

⁵ MHCLG, 2020, *English Housing Survey 2018-19: Housing Costs and Affordability*, available at:

<https://www.gov.uk/government/statistics/english-housing-survey-2018-to-2019-housing-costs-and->

- 4.6 Given this, a large portion of aspiring home owners who are able to afford mortgage repayments will remain unable to access First Homes due to the deposit requirement.
- 4.7 The mortgage required is also a barrier for key workers on lower incomes due to the house price to income ratio.
- 4.8 We conducted an Opinium **survey of NHS and key workers⁶ which found that over two thirds experienced challenges in saving up for a house.** This includes over a quarter (28%) saying that their salary was not high enough for the mortgage needed.
- 4.9 **Example: Can a nurse access First Homes?** Using the figures outlined above for a First Homes house costing £140,000, if the buyer did manage to save a 10% deposit and secure a 90% loan to value mortgage this would be for the amount of £126,000. Based on an income multiplier of four and a half, this would require the first-time buyer to have a salary of £28,000. However, a newly qualified nurse starts on a salary of less than £25,000 and it would take 6-7 years' experience until they had reached this salary threshold⁷. The difficulty of accessing mortgage finance remains.

5.0 What changes need to be made? – Greater support for scaling up existing complementary home ownership models within the planning system

- 5.1 To increase the overall number of people that can be supported into home ownership there need to be complementary routes to home ownership that directly address this barrier. The future planning system needs to support the scaled up development of these.
- 5.2 There is a tried and tested solution which is already being delivered called 'affordable rent to buy', a model which helps tenants to save up to buy the home they are renting.
- 5.3 It is different from other rent to buy schemes as the tenants benefit from an affordable rent for a much longer period of up to 20 years compared to just 5, enabling them to save more each month than if they were renting privately. When they are ready to buy they uniquely receive a gifted, 10% deposit which they do not have to repay.
- 5.4 The model does not require buyers to provide any upfront deposit to access the scheme, removing the main barrier to home ownership. Instead, they undergo a financial assessment which looks at whether they will be likely to be able to buy in up to 20 years' time.
- 5.5 They choose to buy at year 5, 10, 15 or 20, benefitting from a long-term, secure tenancy for the whole of the rental period up until they buy. During the rental period the home is

[affordability](#)

⁶ The research was conducted by Opinium Research between 28 August and 2 September among 2,000 UK adults and 500 NHS/key workers.

⁷ Nurses.co.uk, 2020, *The Nursing Pay Guide & NHS Nurse Pay Calculator*, available at: <https://www.nurses.co.uk/careers-hub/nursing-pay-guide/>

managed by a housing association and tenants pay an 'affordable' rent, 80% of market rent (including service charges).

- 5.6 Tenants are 100% renters and then 100% owners. This gives them a clear and defined route to full ownership, unlike shared ownership where tenants can spend years in a half rent/half own state. It also means there is only ever one set of legal fees for the purchase, rather than having to pay administration and legal costs every time they buy a share as with shared ownership.
- 5.7 The model helps the significant group in the 'middle', who don't qualify for the Right to Buy but who can't afford Help to Buy, Shared Ownership or First Homes because they can't raise a deposit.
- 5.8 Nearly half of all our affordable rent to buy tenants are key workers, including 18% who work for the NHS or in social care, 9% who work in education and 8% who are from the armed forces. Affordable rent to buy tenants generally have below average incomes in sectors which are crucial to their local community such as retail, construction and transport.
- 5.9 The model is fully funded by pension funds and institutional investment so it does not use up any of the grant funding local authorities access from the Affordable Homes Programme to deliver homes for social rent.
- 5.10 There is significant interest from institutional investors in this tenure and an emerging market of SME competitors.

6.0 What changes need to be made? - Recommended planning policy changes to widen access to home ownership

- 6.1 By scaling up affordable rent to buy more families can be supported into home ownership under the future planning system in addition to those who will be able to benefit from First Homes. These are people who otherwise could not afford to buy.
- 6.2 To achieve this requires small planning policy changes under the Government's current proposals:
- 6.3 As highlighted in the Planning for the Future white paper⁸, half of all local authorities do not have an up to date local plan. One of the main constraints to delivery for affordable rent to buy is that so many local authorities are operating from historic local plans which pre-date the 2018 revisions to the NPPF, which advocated for a wide range of affordable housing options. This results in local authorities frequently obtaining external legal and planning advice to provide the assurance required that new models of affordable housing can be included as part of their affordable housing provision before choosing to accept it. This is costly, considerably slows down

⁸ MHCLG, 2020, *Planning for the Future*, available at:
<https://www.gov.uk/government/consultations/planning-for-the-future>

the delivery of new affordable homes and prevents competitors from entering the market, despite interest from institutional investors in the sector.

- 6.4 As part of the transitional arrangements (changes to the current planning system consultation paragraphs 56-58, question 12), the Government should issue planning guidance which makes clear that any Local Plans which stipulate a percentage of the affordable housing mix to be shared ownership can be interchanged for other home ownership tenures for any portion above the 25% required for First Homes. This should apply immediately and would address the fact that currently very few local plans include innovative home ownership tenures as they were prepared prior to the revised NPPF in 2018. This would enable local authorities to deliver a wider range of affordable home ownership homes now to start helping more people onto the housing ladder.**
- 6.5 There are currently four categories of affordable housing defined in the NPPF, including 'a) affordable rent' and 'd) other affordable routes to home ownership', which includes shared ownership and rent to buy models. We have legal confirmation that affordable rent to buy can be included by local authorities in **both** categories given that it offers an affordable rent for between 5 and 20 years. Whilst there is the opportunity to purchase, this does not apply until at a minimum year 5, and at the maximum year 20, compared to after just 3 years for social housing tenants under the Right to Buy. Rupert Warren QC concluded in a September 2020 report:
- 6.6 *"I have little doubt that the Rentplus model falls within the term "affordable rented" in part (a) of the NPF definition, for the reasons set out above, and also within the "rent to buy" aspect of part (d) of the NPPF definition. This is due to the characteristics of the model when seen from start to finish, and is in line with the NPPF's clear indication that a model of affordable housing may fall within one or more of the parts of the Annex 2 NPPF definition."*
- 6.7 He notes: *"the tenure is affordable, managed by an RP, and is restricted in time in a very similar way to (perhaps even more so than) traditional rented affordable housing."*
- 6.8 As part of the transitional arrangements we are seeking confirmation of this from the Government in planning guidance so that it is clear for local authorities that the model can be included both in the affordable rent category and the other affordable routes to home ownership category. This would provide them with flexibility to meet the different housing needs in their area. For example, many families may require an affordable rented home now, but have a long-term ambition to buy. This is no different from the Right to Buy or the new Right to Shared Ownership.**
- 6.9 Finally, if First Homes are not widely adopted by developers (as with Starter Homes) then there should be some flexibility introduced to enable local authorities to fill any shortfall in their 25% allocation with affordable rent to buy – an already tried and tested product that is popular with developers as it is more financially viable. This would still achieve the overall aim of increasing access to home ownership for families who otherwise could not afford it.**