

Written evidence submitted by Rentplus-UK Ltd

About Rentplus-UK Ltd

1. Rentplus is an affordable home ownership provider funded entirely by institutional investment. It does not access any grant through the Affordable Homes Programme.
2. It works in partnership with local authorities and housing associations to deliver home ownership for those who cannot afford to buy on the open market or through other schemes due to the difficulty in saving for a deposit.
3. Under the affordable rent to buy model, tenants rent their home from a housing association for 5 – 20 years at an affordable rent whilst they save up to buy it. When they are ready to buy, they receive a 10% gifted deposit and then own 100% of the house with a normal, high-street mortgage.
4. As the largest provider in the market, after the first 5 years of Rentplus' affordable rent to buy programme, 100% of the target number of homes to be sold to tenants have become owner occupied.
5. The average household income of those on the affordable rent to buy programme is £33,000. This compares with £54,000 for those using the Help to Buy: Equity Loan scheme. There are no official figures for the average income of those benefitting from Shared Ownership.

Executive Summary

6. Our response relates to the question of how the Affordable Homes programme is delivering new homes and whether it is supporting wider government commitments such as meeting housing needs.
7. The Department needs to ensure that it is collecting and publishing comprehensive data on Shared Ownership as to date this does not exist. This is a major omission given that the Government has said that half of homes delivered under the £11.5bn Affordable Homes Programme for 2021 to 2026 will be for home ownership, with the “vast majority” of these for the new model of shared ownership. Without information about the performance of the scheme it is hard to assess how effective it is, or will be, in supporting people who cannot afford to buy on the open market onto the housing ladder and meeting the Government's ambition to widen access to home ownership.
8. **It potentially means that the Government will be investing billions of pounds of grant funding into a home ownership scheme despite not knowing how effective it is at helping renters to become homeowners. This raises serious questions about whether the scheme is providing value for money.**

9. The publication of the National Audit Office's report into the Programme found that there is a forecast shortfall of 32,000 in the number of homes expected compared with published targets across the 2016 and 2021 programmes, as of May 2022. This is against a backdrop of a shortage of homes of all tenures nationally.
10. Institutional investment can deliver to meet this shortfall. Whilst the Chair of Homes England has said that he is "keen to hear" from institutional investors looking at the affordable housing sector, in our experience many local authorities are reluctant to accept affordable housing funded privately (rather than via grant funding) without clear guidance.
11. The Government should be actively encouraging local authorities to embrace alternative funding structures. This should be through the form of national guidance to instil confidence in councils to accept affordable housing provision funded outside of government grant.
12. Clarity on institutional investment will increase supply and by delivering more affordable home ownership through private funding, this will in turn enable local authorities to focus grant funding on the delivery of new homes for social rent; creating additionality. It is particularly pertinent given the current constraints on public finances.

Government Needs to Collect Comprehensive Information on Shared Ownership to Assess Effectiveness of Affordable Homes Programme in Meeting Home Ownership Ambitions

13. An FOI exercise we conducted in 2021 found that neither MHCLG (as it then was), Homes England, nor the Regulator for Social Housing collects specific information on how many and what proportion of shared ownership households staircase to full home ownership.
14. The only information collected is in aggregate form for all low-cost home ownership sales and is only collected for registered providers (housing associations) who own more than 1,000 homes each.
15. The Regulator of Social Housing outlined in response to the FOI request:

“The data contained within the tab entitled ‘Stock Information by LA’ covers all low cost home ownership (LCHO) units. More specifically, the LCHO category includes shared ownership, shared equity and shared ownership trusts. The data we publish is supplied in this aggregated form and we have no way to identify the shared ownership units from the other types of units.

“You should also be aware that the data for LCHO is only collected from providers who own 1,000 or more units of social housing each year which

means that any units staircased by a small provider (those owning fewer than 1,000 units of social housing) will not have been captured.”

16. Moreover, a response to a question from a member of the Greater London Assembly asking the Mayor of London in January 2020¹, *“Is there any data available on staircasing”*, confirms that the data collected is not comprehensive (our emphasis below):

“Data on shared ownership staircasing is provided by the Ministry of Housing, Communities and Local Government (MHCLG) in the Registered Provider Statistical Data Return dataset... **The Statistical Data Return does not provide data on staircasing sales to less than 100% ownership, on the length of time taken to staircase, or the proportion of properties staircased to 100% by year of original sale.**”
17. Unlike other home ownership schemes such as Help to Buy, there is also no official data available on the average household income of those benefitting from Shared Ownership.
18. That such data is not collected seems a significant omission given that the Government has said that half of homes delivered under the £11.5bn Affordable Homes Programme for 2021 to 2026 will be for home ownership, with the “vast majority” of these for the new model of shared ownership.
19. Without this information it is hard to assess how effective the Programme is in supporting people who cannot afford to buy on the open market onto the housing ladder and meeting the Government’s ambition to widen access to home ownership. It potentially means that the Government will be investing billions of pounds of grant funding into a home ownership scheme despite not knowing how effective it is at helping renters to become homeowners.
20. In response to a parliamentary question² in December 2020, the then Housing Minister said that *“from next year we will start recording some more detailed information on staircasing whilst implementing the new model of Shared Ownership”*. As far as we can see there have not yet been any publications to this effect.
21. We agree with the NAO’s recommendation³ that before the end of the year, the Department should detail how it will transparently report, at least annually, on the Affordable Homes Programme’s progress.
22. The Government publishes detailed statistics on its other home ownership schemes such as the Help to Buy: Equity Loan and Help to Buy: Mortgage Guarantee. This includes information on how many households are using the scheme, the price of the property purchased and the average household

¹ Question’s to the Mayor, reference 2020/0208 Shared ownership staircasing, available at: <https://www.london.gov.uk/questions/2020/0208>

² Written Parliamentary Question, UIN 123689, 2020, available at: <https://questions-statements.parliament.uk/written-questions/detail/2020-12-01/123689>

³ National Audit Office, 2022, The Affordable Homes Programme since 2015, available at: <https://www.nao.org.uk/press-releases/the-affordable-homes-programme-since-2015/>

income of those benefiting from these schemes, amongst other metrics. It should seek to do the same for Shared Ownership as a minimum, to better understand who it is supporting.

23. We would urge the Committee to ask DLUHC officials who will be responsible for collecting and reporting on the staircasing data under the new model of shared ownership, and to confirm that they will provide information on the following:

- **How many households are in shared ownership properties**
- **How many and what proportion have staircased to full ownership each year**
- **How many years has it taken them to staircase to full ownership**
- **What is the average household income of those buying through Shared Ownership**

To Meet Housing Need Government Must Address Deposit Barrier

24. In terms of whether the Affordable Homes Programme meets housing need, Nationwide⁴ finds that eight out of ten people aspire to become homeowners; a figure that has remained steady for decades.

25. High house prices mean that saving for a deposit remains the main barrier to home ownership, confirmed by the Building Societies Association's Property Tracker⁵ in which 62% of respondents cited this is the number one obstacle.

26. With DLUHC's own figures⁶ finding that nearly half of private renters have no savings at all, it is not surprising that the Joseph Rowntree Foundation⁷ finds that 80% of non-home owning 25-34 year olds "*completely lack the required savings and earnings levels to be able to buy a typical first-time buyer home in their region*".

27. The cost-of-living crisis will only exacerbate the difficulty for renters of saving for a deposit after paying bills and rent each month.

28. As such, to meet housing need, the AHP needs to address the deposit barrier.

29. In 2020-21 Shared Ownership still required an average deposit of nearly £18,000⁸. Whilst this is significantly lower than buying on the open market, it

⁴ Nationwide, 2021, The Future of Home report, available at:

<https://www.nationwidemediacentre.co.uk/news/four-major-action-groups-launched-to-find-new-ways-to-tackle-the-uk-housing-crisis>

⁵ Building Societies Association, 2022, Property Tracker – June 2022, available at:

<https://www.bsa.org.uk/BSA/files/70/70a5cc8e-5395-478a-bda4-d06589b8d010.pdf>

⁶ MHCLG, 2021, English Housing Survey 2020 – 2021: headline report.

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1039214/2020-21_EHS_Headline_Report.pdf

⁷ Joseph Rowntree Foundation, 2020, 2.5 million households worried about paying rent over winter, with 700,000 already in arrears and 350,000 at risk of eviction, <https://www.jrf.org.uk/press/25-million-households-worried-about-paying-rent-over-winter-700000-already-in-arrears-and-350000>

⁸ DLUHC, Social housing sales and demolitions 2020-21: Shared Ownership, available at: <https://www.gov.uk/government/statistics/social-housing-sales-and-demolitions-2020-21-england>

is still a substantial sum to work towards if you are a private renter with no savings.

30. The new model of shared ownership seeks to lower the barrier to entry by reducing the minimum initial share required to 10% and introducing 1% staircasing so that tenants can purchase additional shares of their property in smaller increments.
31. However, it remains to be seen whether it is then realistic and viable for tenants to staircase to full ownership and how long this will take. This again comes back to the need for comprehensive reporting on Shared Ownership under the AHP.

Government Should be Proactive in Encouraging Institutional Investment to Meet Affordable Homes Shortfall

32. The National Audit Office report into the Affordable Homes Programme⁹ found that there is a forecast shortfall of 32,000 in the number of homes expected compared with published targets across the 2016 and 2021 programmes. The report notes that there is also a risk that fewer homes are completed than currently forecast because of building cost inflation, a shortage of materials and labour and other challenges.
33. Last year, the Building Back Britain Commission found that in the areas the Government defines as most in need of 'levelling up', around 86,000 to 140,000 homes are needed per year over the next 20 years. This is around an additional 13,000 to 67,000 homes per year compared to the Government's current estimates for those areas. Around a third of this need is for 'affordable housing'¹⁰.
34. More broadly, there is a widely agreed shortage of all types of housing. Previous research¹¹ from a coalition of leading housing groups including the National Housing Federation, Shelter, the Campaign for Rural England and the Chartered Institute of Housing found that the Government needs to invest £12.8bn a year from 2021 for the next decade to end the housing crisis and meet its previously cited target of 300,000 new homes a year. In the 2020 Spending Review¹² the Government pledged £20bn in multi-year capital investment in housing from 2021-22 to 2024-25, including the £11.5bn Affordable Homes Programme, which runs from 2021 - 2026. This leaves a significant funding shortfall from what the sector says is required.

⁹ National Audit Office, 2022, The Affordable Homes Programme since 2015, available at: <https://www.nao.org.uk/press-releases/the-affordable-homes-programme-since-2015/>

¹⁰ Building Back Britain Commission, 2021, Levelling Up and the Housing Challenge, available at: <https://buildingbackbritain.com/wp-content/uploads/2021/11/Building-Back-Britain-211018-Web.pdf>

¹¹ National Housing Federation, 2019, *Capital grant required to meet social housing need in England 2021-2031*, <https://www.housing.org.uk/resources/capital-grant-required-to-meet-social-housing-need-in-england-2021-2031/>

¹² HM Treasury, 2020, *Spending Review*, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938052/SR20_Web_Accessible.pdf

35. The only way to deliver the amount of new affordable homes needed is with a significant injection of private sector investment in addition to government grants and loans. At a time of constrained public finances, more should be done to proactively encourage private funding into affordable housing.
36. In our experience, despite planning guidance to the contrary, many local authorities are still reluctant to accept affordable housing models that are funded privately. Often they are seeking legal advice before proceeding due to uncertainty, which is costly and leads to delays. In some extreme cases, decisions not to accept provision have been referred to the Planning Inspectorate and then overturned.
37. In some cases, the reason for this is that councils are operating from historic local plans which do not reflect the updated National Planning Policy Framework. Indeed, DLUHC itself has identified that half of local authorities do not have an up to date local plan¹³. In other cases, the challenge is inherently a cultural one. Even if council leaders are supportive, there is a tendency amongst those at officer level to favour sticking to traditional delivery models, i.e. grant funding, rather than accepting institutional investment for affordable housing. This means that the country is losing out on additional affordable housing that could be delivered at no cost to the Treasury.
38. We were encouraged by the previous Housing Minister's comments¹⁴ that the Government is keen for housing associations to explore new funding streams to support the supply of new affordable homes, and similarly remarks by the chair of Homes England that the agency is "keen to hear" from institutional investors looking at the affordable housing sector¹⁵.
39. To drive real change, government support for affordable housing tenures should be backed up by clear guidance that encourages local authorities to welcome institutional investment in their affordable housing provision to provide the certainty that local authorities require.
40. There needs to be a framework to which providers can refer to confirm that there is national level support for accepting institutional investment, instilling confidence to accept alternative provision outside of government grant. In turn, this will enable local authorities to focus grant funding on the delivery of new homes for social rent.
41. From our discussions with investors, we know that there is strong and widespread interest in investing in the affordable housing sector. There are billions of pounds waiting to be unlocked if local government was more amenable to accepting institutional investment and if the Government did more to encourage local authorities to do so and break down the existing cultural barriers. The Government should be actively encouraging local

¹³ MHCLG, 2020, Planning for the future White Paper, available at: <https://www.gov.uk/government/consultations/planning-for-the-future>

¹⁴ Written parliamentary questions, UIN 4573, May 2021, available at: <https://questions-statements.parliament.uk/written-questions/detail/2021-05-20/4573>

¹⁵ Peter Freeman's speech to the Development Summit, 2021, published by DLUHC at: <https://www.gov.uk/government/news/peter-freemans-speech-to-the-development-summit>

authorities to embrace and seek innovation and alternative funding structures to ensure that sufficient affordable housing is delivered and in the areas where it is most needed.

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