

## Consultation response: New Model For Shared Ownership – Technical Consultation

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### About the District Councils' Network

The District Councils' Network (DCN) is a cross-party member led network of 187 district councils. We are a Special Interest Group of the Local Government Association (LGA) and provide a single voice for district councils within the Local Government Association. District councils in England deliver 86 out of 137 essential local government services to over 22 million people - 40% of the population - and cover 68% of the country by area. District councils have a proven track record of building better lives and stronger economies in the areas that they serve. Districts protect and enhance quality of life by safeguarding our environment, promoting public health and leisure, whilst creating attractive places to live, raise families and build a stronger economy. By tackling homelessness and promoting wellbeing, district councils ensure no one gets left behind by addressing the complex needs of today whilst attempting to prevent the social problems of tomorrow.

### Response

As a general point, the District Councils' Network would like to see increasing social housing – particularly social rent - at the heart of the recovery, and consider this should be the priority for government. Social housing accounts for just 1/6<sup>th</sup> of total housing stock, and 1.1m households are on local authority housing lists (2018-2019)<sup>1</sup>. The introduction of affordable rent in 2010/11 has seen the proportion of those in the social rented sector spending more than a third of their income on housing rise, <sup>2</sup> with the number of homes for social rent diminishing. We urge Government to act on the conclusions of the government's own commissioned inquiry in building more social housing',<sup>3</sup> which concludes that England needs 'at least 90,000 net additional social rent homes a year, recognises that the evidence shows that spending on a long-term social housebuilding programme pays back to the Exchequer over time, and urges further grant funding from central government to deliver.

#### 1. What steps could we take to prevent shared owners from being exposed to unfair lending terms?

The Government in association with the Financial Standards Authority and Regulator for Social Housing should produce bespoke guidance for shared owners on how to go about obtaining loans in a way that protects them from unfair practice and excessive interest rates. Alongside this, major high street mortgage lenders need to be encouraged to deliver products at reasonable terms which will specifically meet the market for shared owners wishing to borrow sums equivalent to a low percentage of property value (i.e. as little as one per cent). Previous economic downturns saw some major lenders limiting their exposure to the shared ownership market and/or not lending at all. If major lenders do not make products available that meet the requirements of households who wish to buy under the new model

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<sup>1</sup> <https://www.gov.uk/government/statistical-data-sets/local-authority-housing-statistics-data-returns-for-2018-to-2019>

<sup>2</sup> <https://www.jrf.org.uk/data/housing-costs>

<sup>3</sup> [https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/17311.htm#\\_idTextAnchor040](https://publications.parliament.uk/pa/cm5801/cmselect/cmcomloc/173/17311.htm#_idTextAnchor040)

for shared ownership, then this will force buyers to go to lenders offering worse and possibly unfair terms.

Alongside this, it must be recognised that some households may be unable to afford to make an acquisition even with the smaller shares in the new model. A standardised approach to assessing affordability of potential purchasers should be considered to ensure continuity across shared ownership providers (eg Registered Providers, Local Authorities etc.) and the provider must be able to turn down a purchase if the purchaser fails to pass the affordability test. This will reduce the prospect of a low income household proceeding with a purchase on unfavourable mortgage terms (e.g. high interest rates) and facing financial problems at a later date.

**2. How will a smaller initial stake impact the relationship between lenders and providers and are there any steps we need to take to address this?**

As indicated in 1 above, the Government needs to be proactive in ensuring that major high street lenders offer a range of mortgage products at competitive rates which purchasers can access. Otherwise, some providers may face challenges in selling their shared ownership properties at an initial 10% share or helping their purchasers to staircase in 1% tranches.

**3. Do you agree that HPI valuations should be valid for 3 months, if no, then how long should they be valid?**

- a. Yes – 3 months
- b. No – 1 month
- c. No – 6 months
- d. No – 12 months
- e. No – Other

No specific response

**4. Please give your reasons.**

**5. Are there any specific circumstances where local authority HPI data may not be appropriate and regional HPI data or other would be preferable?**

No specific response

**6. Is there a risk that 1% gradual staircasing will conflict with housing associations charitable obligation to sell assets at best value?**

- a. Yes
- b. No

No specific response

**7. If yes, then please provide evidence.**

**8. Do you have any further views on how best to implement the 1% gradual staircasing model?**

It must be recognised that the implementation of 1% gradual staircasing is likely to lead to an increased workload for providers who may find themselves administering a much higher number of staircasing requests than is currently the case. Providers such as Registered Providers and Councils will require additional funding support in order that sufficient staffing resources can be put in place to manage the increased workload and turn over staircasing requests in a quick and timely manner

**9. Should any of the specified repairs, inside the home, not be within scope for this policy?**

- a. installations for the supply of water
- b. installations for the supply of gas and electricity
- c. installations for sanitation (including basins, sinks, baths and sanitary conveniences, but not other fixtures, fittings and appliances for making use of the supply of water, gas or electricity) pipes and drainage
- d. installations for space heating and heating water
- e. the suggested scope is fine

No specific response

**10. Please give your reasons.**

**11. Are there any further repairs, inside the home, that should be within scope for this policy?**

No specific response

**12. Do you agree with the maximum costs (£500) that can be claimed by a shared owner for essential repairs inside of the home? If no, then what should the maximum be?**

- a. Yes – should be capped at £500
- b. No – should be capped at £250
- c. No – should be capped at £750
- d. No – should be uncapped
- e. No – other amount

No specific response

**13. Please give your reasons.**

**14. Do you agree with the maximum roll over period (1 year) for unused repairs expenditure? If not, then what should the roll over period be?**

- a. Yes – you should be able to roll over 1 years' worth of expenditure (i.e. £500)
- b. No – repair expenditure should be used within the given 12 month period

- c. **No – you should be able to roll over 2 years' worth of expenditure (i.e. £1,000)**
- d. **No – you should be able to roll over for 3 years or more (i.e. £1,500 or more)**

No specific response

**15. What process should be put in place to enable shared owners to reclaim eligible repair expenditure from their landlord and resolve disputes?**

No specific response

**16. What steps should be taken to ensure claims are genuine?**

No specific response

**17. Do you agree that we should apply the same transitional arrangements to Shared Ownership as the one proposed for First Homes?**

a. Yes

**18. Please give your reasons.**

The proposal to have transitional arrangements is welcome. However, it would be helpful to have clear guidance on what is deemed to be “significant work (that) has already been undertaken” which justifies the local authority being able to have flexibility on accepting alternative tenure mixes. The transitional arrangements for first homes make reference to “significant pre-engagement with a local authority on the basis of a different tenure mix”. However, it needs to be recognised that this does not solely cover the formal pre-application process for planning applications. For example, there may be wider significant strategic negotiations that have taken place between the local authority and developers/registered providers to assemble sites and schemes that have not progressed as far as the planning stage but where viability will be adversely affected by the imposition of 10% shared ownership and 1% staircasing. Equally, developers may already have completed significant negotiations with landowners to secure sites at a value based on the traditional shared ownership model. Would these examples be deemed “significant work” that would allow flexibility? Greater clarity is needed on this point.

It must also be noted that transitional arrangements will increase the workload for local authority planning departments due to on-going negotiations and having to consider complex viability assessments. Consideration needs to be given to providing additional resources to planning departments to allow them to manage this increased workload.

**19. Are there any further delivery issues we should consider ahead of implementing this approach?**

In terms of Shared Ownership properties being delivered it has to be recognised that this will not be straightforward and is likely to open up the issue of viability on all applications, in order to balance First Homes and shared ownership. Therefore, it is likely that Councils will need to negotiate on each site, which invariably will take more time and resource to resolve. Further support for Councils in these efforts would be very much welcomed.