



House of Commons  
Communities and Local  
Government Committee

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# **Housing associations and the Right to Buy**

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**Second Report of Session 2015–16**





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**Second Report of Session 2015–16**

*Report, together with formal minutes  
relating to the report*

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## Communities and Local Government Committee

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## Summary

Following the 2015 General Election, the Government announced that it was seeking to extend the Right to Buy to tenants of housing associations. This policy, alongside others such as the 1 per cent reduction in social rents and a 'pay to stay' model which would charge differential rents according to tenant income, was likely to have a significant impact on housing associations. We therefore wanted to explore how their work and the services they provide might change, and what the impact might be for the wider social housing sector and the provision of affordable homes.

Shortly after our investigations began, a deal to implement the extended Right to Buy on a voluntary basis was reached between the National Housing Federation and the Government. We recognise that the voluntary deal is a way of delivering a key policy from the Government's Manifesto whilst maintaining the independence of housing associations. However there remains much uncertainty in the wording of the agreement, for example regarding whether associations which voted against it are bound by its terms and the extent of the discretion to decline sales.

The extended Right to Buy is designed to increase home ownership and increase housing supply. We support these aspirations and the principle of giving people the opportunity to buy their own home. Despite this, we feel that there are unresolved issues and remain concerned that the Government's policies could have a detrimental effect on the provision of accessible and affordable housing across all tenures, particularly affordable rented. We are also concerned that the extended Right to Buy could hinder the provision of specialist and supported housing schemes. Maintaining and protecting the provision of affordable housing in rural areas is also an issue that we believe needs to be addressed in order to protect our rural communities. The terms of the voluntary agreement allow for portable discounts to be offered in place of certain properties, but it remains unclear how this would operate.

We found that large numbers of homes sold through the statutory Right to Buy for council tenants had in a relatively short space of time become rental properties in the private sector. The private rented sector is often more expensive than social housing and the quality of homes can be much lower. Selling social housing assets at a discount, only for them to become both more expensive and possibly of lower quality housing in the private rented sector is therefore a significant concern. We believe that measures to restrict homes sold through the Right to Buy ending up in the private rented sector need to be explored.

The Government proposes to fund the Right to Buy discounts for housing association tenants with the proceeds from the sale of high value council homes. However we believe that public policy should usually be funded by central Government, rather than through a levy on local authorities.

The definition of 'high value' has not yet been announced, and we feel that this is long overdue and should take account of individual local circumstances. Irrespective of the methodology, the robustness of the funding model is extremely questionable. We have not seen evidence that the Government has fully costed the proposals and we call on it to do so as a matter of urgency.

The success of the extended Right to Buy will largely depend upon the homes sold being replaced and the housing supply maintained. We note the scale of the challenge of building more homes to meet demand, but seek more details from the Government of how it will meet its objective of at least a one-for-one replacement of the sold homes. In particular, factors such as the availability of land, the capacity of the building industry and the uncertainty of income from council home sales need to be addressed. We recognise the scale of the Government's policies regarding Starter Homes and the new legal duty on councils to ensure provision of 200,000 new Starter Homes across all reasonably sized sites, but it is important that homes for affordable rent are built where the need exists, particularly as Starter Homes can now count towards satisfying the affordable housing allocation in section 106 agreements.

Housing associations have also been required to adapt to the Government reducing social rents by 1 per cent a year for four years. We found that this reduction in their income is significant and could impact on the pastoral services provided, and could also impact on both housing associations' development capacity and the viability of supported housing schemes. The reduction has caused significant uncertainty in the sector. In the long term, housing associations should have the freedom to set their own rents.

We welcome the recent announcement that supported housing rents will be exempt from the 1 per cent reduction for a year while the Government reviews the situation.

We also considered the proposed 'pay to stay' policy and welcome the Government's announcement that this will be voluntary for housing associations. The suggested thresholds should be reviewed and we would support housing associations having local discretion, should they choose to adopt the policy.

It is clear that the housing association sector is undergoing a substantial change. We would encourage the Regulator to adopt a framework that is based on risk rather than factors such as size, and that recognises the sector's diversity. Regardless of how housing associations might change in future we believe that it is vital that they remain mindful of their social mission and philanthropic purpose.

The Government has ambitious plans to address the severe housing shortage and is seeking to do so by prioritising affordable home ownership. Nonetheless rented housing at full market rents and sub-market rents will continue to be essential to meet the needs of many in our society and should exist alongside other forms of housing.

# 1 Introduction

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1. Since 1980, tenants in council-owned homes have had the right to purchase their home at a discounted rate (the Right to Buy (RTB)). In 2015, the Conservative Party's Manifesto made a commitment to extend RTB to tenants of housing associations. In the Queen's Speech in May, the Government made a commitment to introduce legislation to "support home ownership and give housing association tenants the chance to own their own home".<sup>1</sup> There are 1.3 million housing association tenants who will be able to purchase their home under the policy and the potential impact on housing associations is significant. Other Government proposals, such as a 1 per cent annual reduction in social rents for four years and a 'pay to stay' policy that would require higher earning tenants to pay an increased rent, would also change how housing associations work. We wanted to explore how housing associations, and the services they provide for their tenants, would be affected, as well as how the overall supply of affordable housing might change in the context of a severe national housing shortage and the difficulties that many people face in accessing stable housing. We were keen to find out whether the ability of housing associations to build and develop would be improved or harmed by the Government's proposals. We also wanted to explore how the policy would be funded. The Government had announced that high value council homes would be sold with the proceeds being used to fund the RTB discounts as well as replacement homes for those sold. We therefore investigated whether this funding model was sufficiently robust, and what effect it would have on overall social housing provision.

2. We launched our inquiry in July 2015. We invited written evidence from interested parties over the summer and received 176 written submissions, including many from housing associations concerned at the potential consequences of the proposals.

3. At the National Housing Federation's (NHF) conference on 24 September 2015, the Rt Hon Greg Clark MP, Secretary of State for Communities and Local Government, announced that an agreement had been reached with the NHF, the principal representative of the social housing sector. This agreement involved the extension of RTB to housing association tenants on a voluntary rather than a statutory basis.

4. Following the announcement of the proposed voluntary deal, housing associations were given a little over a week to vote for or against the proposals. Our oral evidence sessions therefore started at a time of uncertainty. Throughout our inquiry the Government's policies have been revised and amended as the enabling legislation, the Housing and Planning Bill, has progressed through the Commons. Our evidence sessions have therefore provided an opportunity for public discussion of issues of fundamental importance to the social housing sector.

5. We are extremely grateful to everyone who contributed to our inquiry. The level of interest in our inquiry reflects the significance and scale of the challenges in meeting housing demand in this country and we thank everyone for their contributions. Our investigations were supported by our specialist advisor, Professor Christine Whitehead from the London School of Economics, to whom we are especially grateful. We also commissioned research from Professor Ian Cole from Sheffield Hallam University on the operation and impact of the original Right to Buy, for which we thank Professor Cole and his colleagues.

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<sup>1</sup> Cabinet Office, [Queen's Speech 2015](#), 27 May 2015

## 2 The statutory Right to Buy

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6. The Right to Buy has existed for council tenants since 1980, and we wanted to understand its impact so that we could assess the effects of the extended RTB for housing association tenants. We therefore commissioned Professor Ian Cole and his colleagues at the Centre for Regional Economic and Social Research at Sheffield Hallam University to undertake a review of the literature and data available on the statutory RTB. Their findings are available on our website and are summarised below.

7. Between 1980/81 and 2013/14, 1.8 million properties were purchased in England through the RTB, generating capital receipts of around £45 billion up to 2010/11. The number of homes owned by councils fell considerably during this time, from 5.1 million in 1980 to 1.7 million in 2014. This was due to the RTB but also the transfer of stock from the local authority to the housing association sector through a process called Large Scale Voluntary Transfer (LSVT).

8. The rate of RTB sales varied between the different parts of the UK. In the first five years, the proportion of properties sold in the North of England lagged behind sales in the more prosperous South-East and South-West, but these differences then levelled off. In the early years of RTB, sales were higher in smaller, rural district councils and new towns and lower in larger, urban authorities. This gap closed a little when the higher discounts were introduced in the mid to late 1980s. RTB sales were highest in areas where owner occupation was already at high levels and where the initial stock of council housing was relatively small.

9. The type of households which exercise the RTB has changed over the 35 years that the policy has been operating at national level. In the first phase, a relatively high proportion of RTB purchasers were older, reflecting pent up demand and the larger discounts for longer term tenants. During the 1990s the most common household type was a two parent family with children at school. The incomes of RTB purchasers were generally below average and most purchasers were drawn from lower middle class or skilled working class backgrounds. Only a minority of RTB purchasers had incomes in the lowest quartile of the income distribution. Around one in eight households exercised the RTB with external funding support. This kind of financial assistance from families or other sources allowed some households with lower incomes (such as pensioners) to purchase their property. In some cases companies offered special deals to sitting tenants, especially those receiving Housing Benefit, to purchase outside the formal mortgage market.

10. The research also found that a considerable amount of the sold RTB stock has now been 'recycled' into the private rented sector. A study in 1995 found that former council houses were being priced some 10 per cent lower than owner-occupied properties of an equivalent size, age and type. While this often made them accessible to first-time buyers it also made them attractive to private landlords. A survey undertaken in 2003 found that 21 per cent of properties in Lambeth and 31 per cent in Camden bought under the RTB three years earlier were no longer owner-occupied. This figure was much lower outside inner London: 7 per cent in Birmingham, 6 per cent in Havering and 3 per cent in Leeds. The rate could also vary widely among estates in the same city, with less popular estates seeing a higher transfer to the private rented sector. A study of changing tenure in Birmingham between 1981 and 2001 found that the private rented sector had increased on the Ladywood

estate by 43 per cent solely as the result of transfers from RTB property, compared to just 16 per cent on another estate, Falcon Wood. Evidence suggested that from 2011 onwards, the number of RTB homes that are now in the private rented sector has increased.

11. The research also found that average weekly Housing Benefit awards in the private rented sector are over £20 per week higher than in the social rented sector. This equates to over £1,000 per annum for each claim. The research also identified a study in Renfrewshire which found that 43 per cent of Housing Benefit claimants in the private rented sector were living in properties purchased under RTB. The authors calculated that in Renfrewshire alone, the higher cost of accommodation within private renting led to an additional cost of £3.2 million per annum compared to the equivalent within social renting.

12. RTB has contributed to a substantial shift in housing stock between different sectors, which—in the absence of countervailing new build programmes—has caused supply problems. In the short term there were no evident losers, as the same household continued to live in the same property. In the longer term, however, there is a shrinkage in the local supply of social housing and so in choice for social tenants.

### 3 Background and the voluntary deal

13. The Government’s commitment to extend the Right to Buy to housing associations was spelt out in its manifesto. However it was not universally welcomed. Some associations were in favour of extending the RTB, for example David Montague from L&Q Housing described to us the “great deal of overlap” between the objectives of his organisation and the Government’s.<sup>2</sup> However other associations had concerns, as shown in the evidence from the Radian housing association which operates in southern England:

“Radian’s experience of the RTB introduced in the 1980s was a significant loss of homes. The environment was more benign then for developing new homes, with higher grant levels and no rent regulation enabling the organisation to continue growing. If the level of sales in this iteration is similar it is likely the number of affordable rented homes we have available will decline in an area of high demand.”<sup>3</sup>

14. The National Housing Federation (NHF) highlighted a number of issues that would need to be addressed in order to avoid undermining the supply of affordable housing. Among the issues it raised was the importance of independence for association boards and the ability to manage their own assets. The NHF also stressed the importance of ensuring that sold properties were replaced quickly, and argued that this would be far harder to achieve in some places, such as rural areas with land and planning restrictions and in communities where property values were either very high or very low.<sup>4</sup>

15. The NHF proposed the voluntary agreement in an attempt to avoid the proposal to legislate in the Housing and Planning Bill. The Federation worked with ministers to create an arrangement which it felt would preserve the independence of housing associations and give them the flexibility to make the deal work for their local areas. The Chief Executive, David Orr, explained:

“We have been opposed to the imposition of a statutory Right to Buy for housing associations and remain opposed to the imposition of a statutory Right to Buy for housing associations. The reason that we had the conversation with the Communities Secretary and others, and made the offer that we made and have now reached the agreement that we have reached, is because, as an organisation, we believe that it is absolutely fundamental that boards should be the primary decision makers in organisations, not Government. A statutory Right to Buy would have imposed an obligation on housing associations to sell assets that would have been determined by Government, rather than by the board of the organisation. A statutory Right to Buy would have required independent private social enterprises to do something whether or not they wanted to do it because the Government thought that they should do it. We think that is the wrong relationship between sector and state.”<sup>5</sup>

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2 Q70 [David Montague]

3 Radian Housing Association ([RTB 019](#)) para 1d

4 National Housing Federation ([RTB 068](#)) paras 2.1-2.7

5 Q3

16. **We believe that in the circumstances a voluntary agreement was the best way forward for both the Government and the NHF, and that this decision was taken in order to preserve the independence of housing associations, as explained by David Orr in his evidence.**

17. Key features of the voluntary agreement are:<sup>6</sup>

- The RTB will be extended to all housing association tenants<sup>7</sup> with discounts at the same level as the statutory RTB.
- All sales will be at open-market value and the Government will compensate the housing association for the full value of the discount.
- The presumption is that tenants will purchase the property in which they live. However housing associations will have the discretion not to sell the home under particular circumstances. These circumstances will be similar to, but not limited to, the exclusions under the existing Right to Buy and Right to Acquire, such as;
  - where the property in question is particularly difficult to replace (such as in certain rural areas);
  - if the property is integral to the operation of a service provided (such as sheltered accommodation); or
  - if the property was built with exclusively charitable funds.

18. Under the terms of the agreement a housing association's discretion is not clear-cut:

“In discussion with the Government, this offer includes some broad circumstances where a housing association could exercise discretion to decline a sale...This does not mean that a housing association would automatically decline to sell the particular property in these circumstances but these are examples of where the case to do so is likely to be clear. There may be other limited circumstances where it would be reasonable for a housing association to decline a sale.”<sup>8</sup>

19. The default presumption is that sales would proceed, rather than that the circumstances listed above would be automatically exempt. The voluntary agreement contained no absolute or partial exemptions, only examples of possible scenarios when a sale might not proceed. It is unclear from the voluntary agreement whether individual housing associations will be able to create their own criteria for exemptions or to judge each sale on a case by case basis. The voluntary agreement did not address the issues caused in areas with very high property values or where there was limited land available for new development, although these might be included in the circumstances in which a housing association *might* be able to refuse a sale. Whilst the general principles are

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6 National Housing Federation, [An offer to extend Right to Buy discounts to housing association tenants](#), October 2015

7 This would only apply to tenants living in a social or affordable rented home.

8 National Housing Federation, [An offer to extend Right to Buy discounts to housing association tenants](#), page 2, fifth bullet point

understandable, there is a considerable lack of clarity on the detailed implementation. **It is important that all the provisions of the deal are spelt out, including the circumstances in which housing associations have the right not to sell, as detailed in the agreement.**

20. Other features of the deal are:

- Housing associations will be able to offer a portable discount to enable tenants to purchase an alternative property from either its or another association's stock.
- If a housing association chooses to exercise discretion and decline a sale, an alternative property will be offered to the tenant.
- If a tenant is unhappy with the alternative property offered, or with the time taken to process a sale, they will be allowed to appeal to the Regulator to arbitrate.
- Measures will be put in place by the Government to ensure that the cost of the sales does not exceed the income from the sale of high value council homes.

21. The agreement also covers the replacement of homes sold under the extended RTB:

- Housing associations will reinvest the receipts from sales in the delivery of new housing supply.
- All properties sold under the extended RTB will be replaced on the basis of at least one-for-one. New homes must be delivered within three years, but the target will be two years.
- The Government will pay full compensation for RTB discounts direct to housing associations. 70 per cent will be paid on completion of the sale and the remaining 30 per cent when there is evidence of a start on site or acquisition.
- Housing associations will have flexibility over the type, tenure and location of replacement homes, in order to use receipts to respond to market pressures and local housing need. They can replace the sold homes with Starter Homes, shared ownership or other part buy and part rent models.

22. The voluntary deal also included a commitment from the Government to review the regulatory burden on housing associations and to reform the disposal and asset management regimes to smooth delivery of the policy.

23. In order to meet Parliamentary timelines and the publication of the Housing and Planning Bill, housing associations were given only a little over a week to tell the NHF whether or not they supported the voluntary agreement as an alternative to statutory enforcement of RTB. *Inside Housing* reported the outcome of the votes as 323 housing associations backing the proposals, 37 voting against, and 11 associations formally abstaining; 213 did not reply. The ballot was secret, and the NHF did not release details of how individual associations voted. However, the NHF did announce that the 323 members who voted in favour of the voluntary agreement owned a total of 2.26m homes, which represented 93 per cent of the total housing association stock.<sup>9</sup>

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9 ['RTB deal vote result announced'](#), Inside Housing, 3rd October 2015

24. The voluntary agreement was proposed by the NHF and the Government agreed to it on the basis that it had support from the whole housing association sector. Those associations which voted against the agreement may therefore be expected to comply by its terms, but this has not been stated explicitly. It remains uncertain therefore how the voluntary agreement will be enforced for the 261 associations which did not vote in favour of it.

## 4 The Right to Buy

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25. The extension of the Right to Buy to housing association tenants is a priority policy for the Government and was included in the Conservative Party's manifesto for the 2015 election. The merits of the policy have been debated during the passage of the Housing and Planning Bill and we will not repeat the arguments. **We support an increase in home ownership and the principle of giving tenants the right to own their own home, provided that the homes sold under the Right to Buy are replaced on a one-for-one basis and housing continues to be delivered across all tenures to meet the country's housing needs. We also want the concerns identified in the research we commissioned to be addressed.**

### Compensation

26. The Housing and Planning Bill, which had its First Reading on 13 October 2015, contained provisions to give effect to the voluntary agreement. However some uncertainty remained since the Bill provided that "The Secretary of State may make grants to private registered providers in respect of Right to Buy discounts" and that these grants "may be made on any terms and conditions the Secretary of State considers appropriate."<sup>10</sup> This did not entirely reflect the agreement published by the NHF, which stated that housing associations would receive compensation for the full amount of the RTB discount and with only the agreed terms and conditions attached. When we asked about the wording of the legislation, Mr Orr explained "If there is full compensation, then the sales will happen and the agreement holds. If there is not full compensation and, for whatever reason, the Government change their mind about doing that, then the agreement will fall."<sup>11</sup> Brandon Lewis MP, Minister of State for Housing and Planning, assured us that the Government is "determined to make sure we deliver that extension of Right to Buy, and that means we need to deliver on our side of the bargain, which is making sure those housing associations do get the full value and full compensation for the discount on those homes."<sup>12</sup>

27. Given that the Government has made a public commitment to reimbursing housing associations the full amount of the RTB discount, the language of the Housing and Planning Bill could be clearer. If housing associations do not receive the full amount of discount given to the tenant, then their ability to build new homes will be severely compromised, and their status as independent organisations undermined as the agreement would not be upheld. Tony Stacey, Chief Executive of South Yorkshire Housing Association, described for us the challenges his organisation would face when replacing a sold property. South Yorkshire's average new build cost is around £125,000, while the average value of their stock is £80,000.<sup>13</sup> If South Yorkshire and other housing associations are to build at least one new property for every home sold through the extended RTB, then at the very least they should recover the full value of the home sold. The voluntary deal offers housing associations flexibility in how they replenish the housing supply following a sale, but this flexibility would be undermined if the public commitment to full reimbursement were reneged upon. The Minister argued that the language used in the Bill was normal

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10 [Housing and Planning Bill](#), Clause 62 [Bill 75 (2015-16)]. All citations of the Bill are of the text agreed by the Commons at Third Reading on 12 January 2016.

11 Q8

12 Q285

13 Q57 [Tony Stacey]

Parliamentary drafting.<sup>14</sup> *While recognising the Minister’s intentions, we believe that the issue of full reimbursement is of such importance that it should be clearly reaffirmed, in the Bill or elsewhere, to safeguard against any future policy changes.*

## Exemptions and the portable discount

28. The voluntary deal outlines circumstances in which housing associations would have the discretion not to sell. However when explaining examples of exemptions, it states “This does not mean that a housing association would automatically decline to sell the particular property in these circumstances but these are examples of where the case to do so is likely to be clear.”<sup>15</sup> We received a large number of submissions from housing associations arguing that specialist properties should not be treated in the same way as more mainstream homes (see for example Broadland Housing Association<sup>16</sup> and CESSA<sup>17</sup>). The submission from G15 explained that many specialist homes have been built to suit very specific needs of residents, and that as a result they are often both in short supply and more difficult to replace if sold.<sup>18</sup> We support the discretion afforded to housing associations by the deal but believe that there is a need for explicit exemption of some forms of housing from RTB. In particular, supported housing and specialist support properties should not be subject to the extension.

29. We heard from witnesses such as David Montague from L&Q Housing and Ian McDermott from the Sanctuary Group<sup>19</sup> that in the event of housing associations declining to sell particular properties, housing associations would offer a portable discount. However we were concerned at the impact on supported housing schemes. Diana Kingdon, Chief Executive of Greenoak Housing Association, told us that her organisation voted against the voluntary deal because it did not explicitly exempt specialist housing:

“We do not see why we should be giving a portable discount for people who are in the most suitable housing for them at the current time with the support that they need. The concern is that they could be persuaded by family members to move out of somewhere where they do have adequate support.”<sup>20</sup>

30. The Government is seeking to promote home ownership and improve the overall supply of housing in the country. We are concerned that including specialist and supported housing in the extended Right to Buy will affect the availability of such housing to those in need.

31. We received much evidence on the challenges of building new homes in rural areas and meeting the existing housing need, and we are concerned that an extended RTB might worsen the situation. Broadland Housing Association, which operates in Norfolk, outlined the challenges for people wishing to buy a home and for those wishing to build:

“Mean house price in Norfolk in 2013 was £191,453. Average earnings were just £22,324. The ratio of house prices to incomes was 8.6 and the average

14 Q285

15 National Housing Federation, [An offer to extend Right to Buy discounts to housing association tenants](#), October 2015, Chapter One, para 2

16 Broadland Housing Association ([RTB010](#))

17 Church of England Soldiers’, Sailors’ & Airmen’s Housing Association Limited (CESSA HA) (RTB003)

18 G15 ([RTB130](#)) para 4

19 Q71

20 Q120 [Diana Kingdon]

household income required for an 80 per cent mortgage was £43,761... [When building new homes] Exception sites are difficult to secure and frequently rely on the goodwill of local landowners. The reality must be that many landowners, whilst keen to help house local people, will be reluctant if social landlords cannot guarantee their long-term retention as affordable rent homes... There is a huge danger to local rural economies if potentially low paid employees cannot find suitable affordable housing locally.”<sup>21</sup>

32. Diana Kingdon from Greenoak also described how RTB could affect rural housing supply: “what we fear is, having identified these sites, which are often provided either free or at agricultural values, that land will not be made available if there is a risk of Right to Buy. Unless they are excluded, there will always be a potential risk”.<sup>22</sup> Similarly, Stephen Hills, Director of Housing for South Cambridgeshire District Council told us that:

“we have done an awful lot of really good work around rural exception sites. Often, there is a philanthropic aspect to landowners bringing those sites forward at all. Once they found out that the Right to Buy could apply, we have been hearing that they are thinking of withdrawing that land, because they want it to be affordable housing for local people in those rural communities. When they hear that it might be sold into the market, some of them potentially are going to withdraw the land.”<sup>23</sup>

33. Dr Mary Taylor, Chief Executive of the Scottish Federation of Housing Associations, told us that ‘pressured area’ status had been used in Scotland to protect areas where demand was already outstripping supply.<sup>24</sup> **We believe that people in rural areas have a right to access affordable housing and that, given the challenges of building new housing, we welcome the discretion that rural communities and specialist supported housing have in the voluntary agreement.** A formal exemption for rural areas would help reassure landowners who are considering providing land for rural housing that the supply of land for new homes would not be affected and they did not have to rely on the discretion of housing associations to preserve the land for local use in perpetuity. We would define ‘rural locations’ as per the terms of Section 17 of the Housing Act 1996 to reflect the existing exclusions under the Right to Acquire. *Provision of land for rural housing is important, and every care should be taken not to discourage landowners from releasing land. We also acknowledge the confirmation from David Orr<sup>25</sup> and from housing associations<sup>26</sup> that restrictive covenants on specific sites and properties built using charitable funds would take precedence over the extended Right to Buy, but believe that to avoid confusion or possible legal challenges, these should be explicitly exempt from the extended RTB.*

34. While the portable discount might mitigate the impact of extending the RTB to rural properties, the practicalities are unclear. Ian McDermott, Chief Operating Officer of the Sanctuary Group, told us that “we have stock in national parks, for example, which was built with covenants around selling. Those will not be for sale, but we will be offering

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21 Broadland Housing Association ([RTB010](#)) section C

22 Q135 [Diana Kingdon]

23 Q146 [Stephen Hills]

24 Q212

25 Q11

26 Q71

portable discounts to those residents.”<sup>27</sup> However given the size of national parks, tenants could find themselves having to travel many miles to find a suitable property that is available. **It is unclear to us how the portable discount will allow tenants the RTB given that they will have to move extended distances to exercise this right.**

## Geographical variances in impact

35. We note the finding from our commissioned research that the take up of the RTB varies in different areas. Sales under the statutory RTB for council tenants were initially highest in smaller, rural districts and areas where owner-occupation levels were already high. Given that such areas often have higher property values and the discounts available through RTB, it is likely that this pattern will be replicated for the extended RTB. We are therefore concerned that in such areas the provision of social housing would be reduced. This would be particularly harmful for rural communities if local people were not able to afford to continue living there. The Rural Housing Alliance and the Rural Services Network explain:

“The extension of the Right to Buy to Housing Association tenants would make this situation very much worse by reducing current supply and future delivery and in some cases lead to the complete lack of affordable housing in the parish. In so doing it will remove the opportunity for those on low incomes to live in rural areas, undermining the social and economic viability of rural communities. In short resulting in the ... exile of these people from their families, roots, shared history and each other.”<sup>28</sup>

36. The challenges of high-value property and a limited supply of land in rural areas can also be seen in large cities, especially in London. The disproportionate impact of the extended RTB also applies to more urban communities. Our commissioned research also found that RTB sales varied significantly within cities. The research cited a study of RTB sales in Edinburgh which showed that the most affluent council estates experienced most tenure change as a result of RTB. Less popular areas and tower blocks in the city, on the other hand, experienced high and increasing concentrations of deprivation. Another study identified the range with 82 per cent of the existing stock in popular areas in Edinburgh sold through RTB since 1980, compared to just 3 per cent in the larger and more deprived council estates in the city. **Geographical variances in the expected take-up of the extended RTB are a cause for concern as they could change the nature of social housing in some areas, severely limiting its provision in others.**

## Tenants’ awareness of financial and maintenance responsibilities

37. We heard more than once that tenants who had bought their home through the original iteration of RTB had not always been made sufficiently aware of their maintenance or financial obligations. The Scottish Federation of Housing Association told us that many purchasers had not realised that they would be liable for the repair and maintenance costs previously included in their rent.<sup>29</sup> Jenny Osbourne, Chief Executive of the Tenants Participation Advisory Service, described a “psychological shift”<sup>30</sup> for tenants when they

27 Q71 [Ian McDermott]

28 Rural Housing Alliance and Rural Services Network (RTB 008), page 1

29 Scottish Federation of Housing Associations (RTB175) para 31

30 Q57

had to become responsible for things previously covered by their rental payments. Home ownership is usually beneficial, but we noted with concern the written submission from the Joseph Rowntree Foundation:

“Home ownership is not a guaranteed route out of poverty. There are 4.5million people in poverty that own outright or with a mortgage. JRF’s research suggests above-average overall poverty rates amongst those who enter home ownership from social renting, a pathway suggestive of the Right to Buy.”<sup>31</sup>

38. The Government’s aim is to increase social mobility by extending the RTB and prioritising home ownership. However home ownership may not be the best option for everybody: tenants who are considering buying their home must have made available to them the full extent of their prospective financial and maintenance responsibilities to help them make an informed decision. The Affinity Sutton Housing Association submitted evidence which suggests that those considering buying their home are not always in the strongest financial position:

“Our 2015 resident survey shows few could afford the costs of meeting their aspirations. While 15 per cent said they were very likely to buy their home through RTB, 40 per cent of these are in receipt of housing benefit, 52 per cent are in arrears and 35 per cent are not in work.”<sup>32</sup>

***39. We therefore argue that associations should build measures into the RTB purchase process to support and advise tenants of their financial options, the implications of these options and the likely commitment going forward, and enable them to make an informed decision. This support and advice ought to be independent and its quality should be monitored. We welcome the work undertaken on this as part of the pilot scheme and we look forward to seeing the results from the pilot housing associations.***

## RTB fraud

40. We were also concerned by the possibility of RTB fraud. RTB fraud can occur in different ways, such as the tenant misrepresenting their circumstances (for example regarding the length of their tenancy to get an increased discount or attempting to purchase a property whilst not using it as their main residence). Other examples of RTB fraud include a third party purchasing a home on behalf of the tenant to take advantage of the discounts available. The NHF told us that:

“A report from the London Boroughs’ Fraud Investigators’ Group showed that there has been a sharp increase in cases of Right to Buy fraud, with cases in London more than doubling in the last year. This raises significant concerns that some tenants are being exploited by people who want to take advantage of the opportunity to purchase property at a substantial discount. It is essential that robust measures are introduced to prevent this both to protect tenants and to protect the taxpayers’ money that is funding the discount.”<sup>33</sup>

31 Joseph Rowntree Foundation ([RTB121](#)) para 2.5.1

32 Affinity Sutton Housing Association ([RTB052](#)) para 8.1

33 National Housing Federation ([RTB068](#)) para 2.7

41. When we asked the NHF Chief Executive about RTB fraud, Mr Orr told us:

“This is one of the areas that needs to be part of the continuing conversation that we are having with Government and officials, in DCLG and elsewhere... There is a proper concern about the potential for fraud and for bad behaviour, and that is one of the areas that we will have to look at. I do not have a complete answer to the question, at this stage.”<sup>34</sup>

42. *We welcome the NHF’s acknowledgement of the issue of Right to Buy fraud and the commitment to work with Government to address it, and expect the NHF and Government to issue a joint statement in due course setting out the steps they have agreed on. We believe that measures to tackle RTB fraud must be put in place as soon as possible.*

### RTB administration

43. We recognise that provision of advice to tenants and measures to tackle fraud may create an administrative burden for housing associations. Red Kite Community Housing, many of whose customers have an existing RTB as Red Kite is a Large Scale Voluntary Transfer (LSVT) organisation (see para 52 below), told us that between 2011 and 2016 they had 315 applications from tenants wishing to purchase their property, but only 132 were sold. They argued that “The administration of RTB can be frustrated by multiple requests for valuation by tenants who never then exercise their rights. This is an unnecessary cost and waste to housing associations and should be discouraged”<sup>35</sup>. Similarly, Eileen Patterson, Director of Housing Services at the Fold Housing Association in Northern Ireland told us:

“We do have a number who will register an application and then not proceed, and there are administrative costs associated with it, because we have to carry out a survey to get market value, and we have to calculate the discount. But within our scheme, we do charge a valuation fee towards the administration costs. That is refunded if they exercise the Right to Buy and it goes through. Associations can set that limit; it is a very arbitrary figure in Fold. We charge £100. It does not cover our costs, but it goes some way towards it. If the application proceeds to sale, we then refund that.”<sup>36</sup>

44. *To offset the administrative burden and reduce the number of speculative enquiries, housing associations should be able to follow the practice in Northern Ireland and charge a set nominal administration fee for property valuations and other administrative work, to be refunded on completion of the sale. Such a fee should be set at a level which reflects the costs incurred.*

### RTB homes in the private rented sector

45. It is clear that a significant number of properties sold under the statutory RTB are now in the private rental sector. In August 2015 *Inside Housing* published an analysis based on Freedom of Information requests to 91 councils, which found that almost 40 per cent

34 Q59

35 Red Kite Community Housing ([RTB039](#))

36 Q218 [Eileen Patterson]

of ex-council flats sold through the statutory RTB were now in the private rented sector.<sup>37</sup> There is a similar pattern in Scotland; Dr Mary Taylor from the Scottish Federation of Housing Associations explained that:

[Many of the properties sold through RTB ended up] “in the private rented sector at rents approximately 50 per cent higher than social rents for the exact same properties, in worse conditions. That has impacted on our ability to manage the assets of social landlords, and on the public purse in terms of the housing benefit bill, and has constrained access for aspiring tenants and for those needing to move.”<sup>38</sup>

46. We note also the finding from our commissioned research of increased housing benefit costs of over £1,000 per year per claimant in the private rented sector rather than in social housing (see para 11); this disparity will be even greater in London where rents are higher. Selling social housing assets, only for them to become both more expensive and possibly lower quality housing, seems to run counter to the Government’s objectives for RTB. In addition to concerns over the increased costs to the public purse as a result of increased housing benefit payments, we heard that communities were likely to become increasingly fragmented.<sup>39</sup> ***We believe that measures to limit homes sold through the RTB ending up in the private rented sector should be explored and ask the relevant stakeholders to investigate such measures as a provision that any RTB home re-sold within ten years should first be offered to local housing associations and the local authority, who could choose to buy it at market price, and a restrictive covenant requiring a minimum period of owner-occupation.***

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37 ‘Revealed: 40 per cent of ex-council flats now rented privately’, Inside Housing, 14th August 2015

38 Q205

39 Q32 [Jenny Osbourne]

## 5 Council home sales

47. The 2015 Conservative Manifesto provided that the extension of RTB would be funded “by requiring local authorities to manage their housing assets more efficiently, with the most expensive properties sold off and replaced as they fall vacant.”<sup>40</sup> Clause 67 of the Housing and Planning Bill enables the Secretary of State to require local authorities to make a payment at the start of each year, based on the market value of high value housing in that area which is expected to become vacant that year. Any debts or borrowing linked to the properties sold would be deducted from the payment to Government, which would then use the proceeds to fund the extended RTB discounts for housing association tenants and the Brownfield Regeneration Fund, with councils then using the remainder to fund the replacement of the local authority properties sold.

### Defining ‘high value’

48. What is meant by ‘high value’ has not yet been defined, with the only information being a pre-election press release from the Conservative Party, which is no longer available on their website. *Inside Housing* reported those indicative definitions of high value as follows:

	1 bedroom	2 bedroom	3 bedroom	4 bedroom	5 or more bedrooms
North East	£80,000	£125,000	£155,000	£250,000	£310,000
North West	£90,000	£130,000	£160,000	£270,000	£430,000
Yorkshire and the Humber	£85,000	£130,000	£165,000	£265,000	£375,000
East Midlands	£105,000	£145,000	£175,000	£320,000	£430,000
West Midlands	£100,000	£145,000	£180,000	£305,000	£415,000
East	£155,000	£220,000	£265,000	£440,000	£635,000
London	£340,000	£400,000	£490,000	£790,000	£1,205,000
South East	£165,000	£250,000	£320,000	£495,000	£755,000
South West	£135,000	£200,000	£260,000	£375,000	£535,000

Source: Inside Housing<sup>41</sup>

49. Without further information from the Government, it is difficult to assess the full implications of the policy. The mechanics of funding RTB through council house sales currently contain too many unknown and unclear definitions. **However we believe in the principle that public policy should usually be funded by central Government, rather than through a levy on local authorities, especially as the impact of this levy will fall only on some local authorities, yet will be applied nationally.**

50. Brandon Lewis MP, the Minister of State for Housing and Planning, told us that he was discussing with local authorities the appropriate levels for ‘high value’ but he was not able to yet say on what geographical basis values would be determined.<sup>42</sup> **We believe that**

40 The Conservative Party, [The Conservative Party Manifesto 2015](#), page 52

41 [‘Councils forced to sell expensive homes under Tory Right to Buy plan’](#), Inside Housing, 14 April 2015

42 Q305

**it is essential that definitions of ‘high value’ must not be based only on regional levels but take full account of local circumstances by being agreed in consultation with the local authority rather than through a blanket national approach. The definitions are long overdue: ideally, they should have been published at the time of the voluntary agreement.** The indicative regional levels from the April press release seem to us too broad, given that the housing markets within each region and within each local authority area vary significantly, as do the housing pressures and requirements of individual communities. Within many local authority areas, there are likely to be more high value properties in certain areas than in others, and the sale of such properties means that those communities will be disproportionately affected. Similarly, areas which have the fewest council homes are likely to be those in which the highest proportion of homes are sold. When we asked the Minister if he had a preference between a local authority or a sub-regional basis, he said “[o]nly in the sense that I want to make sure we are driving up housing supply.”<sup>43</sup> **We believe this will only be possible if the Government works with individual local authorities to determine what the local housing needs are and how best to achieve the aim of increased supply. Local authorities are best placed to understand their communities and know where specific pressures exist, and they must have the ability to act in the interests of their residents. Councils also need to be able to retain sufficient funding from the sales if they are to build new homes to replace those sold.**

### Local authorities’ upfront payment to the Government

51. We note the evidence from Mr Hills from South Cambridgeshire District Council on the upfront payment:

“It will be a problem for South Cambridgeshire. We are at the top of our debt. From the moment we took on the 2012 debt settlement, we had no room. We were at maximum there, so we cannot borrow any money on the [Housing Revenue Account] ... We expect that we are going to be asked for a fairly substantial contribution and we will not have that money in the HRA to be able to pay that up front. It is likely to exceed our ability to pay, so we would have to find alternative means of borrowing from the general fund or some such mechanism in order to achieve that.”<sup>44</sup>

52. Not all local authorities have retained housing stock with many having previously chosen to transfer their holdings to housing associations through a process called a Large Scale Voluntary Transfer (LSVT). Cllr Ferris Cowper, Leader of East Hampshire District Council, explained that “We do not own council houses at all. I do not know where the money would come from.”<sup>45</sup> Clause 67(4) of the Housing and Planning Bill specifies that only councils with a Housing Revenue Account would be subject to the payments, and LSVT councils such as East Hampshire would not therefore be affected. The Minister told us that this would be a national scheme and that the income from council home sales would not be ring-fenced locally.<sup>46</sup>

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43 Q306

44 Q149 [Stephen Hills]

45 Q149 [Cllr Ferris Cowper]

46 Q316

53. **If only councils which have retained some housing stock will be required to make the payment to fund the RTB discounts, then the effect on communities and the financial risk for local authorities will be far greater in some areas than others. This is another ground for our belief that a national policy should be funded nationally.**

54. We are also concerned that councils will be required to relinquish funding for the RTB discounts before the revenues from the sale of their assets are received. The Housing and Planning Bill allows the Secretary of State to require payments to be made at the start of each financial year based on assumed sales. However it is unclear how the number of assumed sales will be calculated. **We fear that councils will be exposed to the risk of properties not becoming vacant at the expected rate and of sales income being lower than anticipated. Housing markets can fluctuate throughout a year due to factors beyond a council's control, and we are concerned that this policy will make it harder for local authorities to plan prudently.**

### Selling homes to fund the policy and the income needed

55. The definition of 'high value' is also important because it may determine whether the revenue generated by the council home sales will provide the required income. The Chartered Institute of Housing (CIH) published research into the capacity of the sale of council assets to fund the extended Right to Buy discounts, the replacement local authority housing and the Brownfield Regeneration Fund.<sup>47</sup> The report used the figures from the Conservative Party's April press release and estimated that the sale of council assets would generate between £1.2 and £2.2 billion, whereas the assumption on which the Government's policy was based was £4.5 billion. At the higher end of the CIH's estimate of £2.2 billion virtually all of the proceeds would be spent on funding the extended RTB, leaving very little for the building of replacements for the sold-off local authority homes and the Brownfield Regeneration Fund. The lower estimate of the CIH would not cover the predicted costs of extending the Right to Buy.

56. When we asked the Minister for an estimate of how much income he anticipated would be needed to cover the RTB discounts, building of replacement council homes and the Brownfield Regeneration Fund, he said:

"I am not at the moment in a position to give you those kinds of figures, partly because we are still working with the sector around exactly how this will work. ...It will probably be towards the end of the first quarter of next year before I am able to give you some detail on the kinds of numbers we are talking about but, yes, it is obviously going to need to raise enough money to fund the Right to Buy, as we said we would do."<sup>48</sup>

47 Chartered Institute of Housing, ['Selling off the stock: An interim analysis of the proposals for sales of council houses in high-value areas to finance a new Right to Buy for housing association tenants'](#), October 2015

48 Q302

57. When we put to him the concerns of CIH and others regarding the capacity of one policy to fund the other and the variance in anticipated income, he told us:

“We have always said that the Right to Buy and the voluntary Right to Buy will be funded through the sale of high-value assets, and that is what we will do. I have also heard the range of numbers being quoted, which is why I do not want to give you my pitch as to whether it will be one figure or another, but, towards the end of the first quarter of next year, I will be able to give you a firmer position on that.”<sup>49</sup>

58. We would expect that a policy of this size and importance to have a more robust and fully-modelled funding mechanism in place given that it is to be implemented this year. The Government should know how much the extended RTB, the replacement of sold council homes and the Brownfield Regeneration Fund will all cost and be able to provide far stronger assurances that the sale of high value council assets is capable of meeting these costs. We welcome the Minister’s recognition of the challenges faced by authorities in areas with high property values and the flexibility allowed within the Bill to ensure increased housing supply is delivered, but we have not seen evidence that this delivery is possible. In the Autumn Spending Review the Chancellor announced increased funding for housing but we are concerned that this money may well be spent on meeting a funding shortfall of the extended RTB. ***The Government’s figures for the anticipated costs of the three policies of the Right to Buy extension, the replacement of sold council homes and the Brownfield Regeneration Fund, and its explanation of how they will be funded should have been published some time ago, preferably when the voluntary agreement with the NHF was reached. The Government should now publish these as soon as possible.***

59. The voluntary agreement makes clear that the costs of the extended RTB will not exceed the receipts from council home sales. There is therefore a risk that if the Government’s funding model is not sufficient, implementation of the policy will stall. In accordance with the pattern identified in our commissioned research, it can be expected that when the policy is first implemented there will be a substantial surge in demand. If this demand is to be met, the Government must have the finances in place. David Orr told us:

“That is going to be one of the challenges, and it is particularly going to be a challenge in the early days... There are techniques that you can use to manage demand, and Government will determine eligibility criteria, so they could say you have to have been there a long time or a short time. They could reduce the discounts or increase them. This is not fundamental to us. That is an issue that the Government are going to have to work through.”<sup>50</sup>

60. We agree with Mr Orr that this is an issue that the Government must address before the policy is implemented. Failure to do so could limit the number of people eligible to purchase their home and therefore restrict the revenue to build new homes that the country needs; this would also have raised expectations that would not be fulfilled. ***The Government should be clear about how the extended RTB will be phased in and what the eligibility criteria will be.***

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49 Q303

50 Q31

## Replacing sold homes and land availability

61. The asset base of local authorities is a finite resource and we are unclear how the RTB will be funded if and when the funding source—local authority homes—dries up. The Government expects local authorities to build new homes to replace those sold, but if they are then forced to sell them to continue to fund RTB nationally, there is little incentive for them to do as the Government wishes. The London Assembly’s Housing Committee gave an example from Islington:

“in London a two-bedroom property worth over £400,000 would exceed the threshold and would be sold when it falls vacant. The borough is currently developing a block of 20 new council flats on the edge of the Bemerton estate, a 1950s/60s estate of around 700 flats near Kings Cross. The new flats are due to be ring-fenced for older residents of the Bemerton estate, to encourage them to downsize and free-up larger properties for families on the council’s waiting list. The new homes are likely to exceed the £400,000 threshold when completed, and unless they are excluded from the Government’s policy, would have to be sold immediately. The larger homes that would be vacated on the Bemerton estate would also be above the threshold, so the council would have to sell those too. In this example, the Government’s policy will therefore hinder the local authority’s ability to manage housing need in the borough, and act as a disincentive to those boroughs that would otherwise have sought to build new housing.”<sup>51</sup>

62. Anna Clarke, Senior Research Associate, Cambridge Centre for Housing and Planning Research, also told us:

“It is very hard to build below the thresholds if you are in a very central London borough. You would have to build housing that is, in some way, very poor quality and very cheap in order to come below the high-value thresholds because almost all your housing is high value in that borough. There is a real issue for central London boroughs, and the same would go for the commuter-belt areas.”<sup>52</sup>

**63. We support the objective of encouraging local authorities to manage their assets more efficiently, but are sceptical that forcing councils to sell financially and socially valuable properties is a sustainable funding source for the RTB.**

64. Local authorities in areas of high housing demand and high property values face the particular challenge of meeting the needs of their residents, while being asked to dispose of a significant proportion of their housing stock. As the example from Islington illustrates, the problems are especially great in Inner London. We note the amendment<sup>53</sup> to the Housing and Planning Bill which will allow London councils to reduce the payment they make for assumed vacant sales in exchange for a commitment to replace every sold home with two new homes. The amendment will reduce the flow of funding out of the capital to fund the nationwide RTB and ensure more of the income from council disposals is spent addressing London’s acute housing need. Although it should be noted that London

51 London Assembly Housing Committee [RTB169], para 2

52 Q269 [Anna Clarke]

53 Housing and Planning Bill, Clause 72(4)

authorities would not be required to build their replacement homes in London so this may not be the case. However the reduced levies paid will reduce the overall funding for the RTB extension and add to our concerns regarding the robustness of the policy's financial modelling.

65. We support the building of more houses in London, but the availability of land is a significant issue. Cllr Lib Peck, Leader of the London Borough of Lambeth, told us:

“We are a very densely populated borough, so we do not have huge tracts of land yet to be built on, really. That is an issue, and we are working increasingly closely with some of the other public agencies where we think there is some potential—for example, the health service, the fire service and the police service—and looking at the public sector London estate.”<sup>54</sup>

66. **The evidence we received from local authorities, both in London and in other parts of the country, is that councils do not always have large reserves of available land with which to deliver housing. However across the public sector there is land available and we support giving councils the powers to enter into partnerships and other appropriate arrangements to use land held by public bodies to build affordable housing to increase supply. *More work should be done to encourage all public bodies, not just councils, to make surplus land available for housing and bring it into productive use. Ministers may need to overhaul the Treasury's value-for-money rules to create the right incentives.***

## 6 Building new homes

### Replacing the sold RTB homes

67. To a large extent, the success of the extended RTB will rest on its ability to add to the total housing stock and replace sold properties. When statutory RTB was introduced in 1980 there was no commitment to replace the sold homes. In 2012 the Government ‘reinvigorated’ the RTB by increasing the discounts available and reducing the qualifying period. The Government also introduced a commitment to one-for-one replacement of the homes sold. The Government argues that the extension of RTB to housing associations on the same basis will lead to increased affordable housing nationally. Some witnesses were concerned that social housing stock will be sold but not replaced, leading to a decreased housing supply. However the Government argues that homes built following a RTB sale are not replacements, but in addition to existing supply. Mr Lewis told us:

“I do not accept the terminology of replacements. They are not replacement homes. The home is still there and the family, or the people who have bought it, are in it. Bearing in mind they need to stay in it for a period of years, within those three years, the people who have bought the home are still in that home, by definition of the way the system works. When we are building the extra home, it is about creating an extra home for somebody.”<sup>55</sup>

68. Trudi Elliott, Chief Executive of the Royal Town Planning Institute, told the Public Bill Committee on the Housing and Planning Bill that:

“We are in a position now where, as a result of previous changes, planning permissions per year are up to 242,000, whereas completions or starts have got up to only between 131,000 and 133,000. So it is the other stuff in the system that will help us to deliver homes that we have to focus on.”<sup>56</sup>

69. **The need for new starts to keep pace with planning permissions underlines the challenge of building new homes, including ensuring at least one new home built for every RTB sale.** The Minister argued that some of the planning permissions in place were for large sites that would be built out over a number of years and that there could be a lag time between granting permission and finalising preconditions and other negotiations.<sup>57</sup> There should be a comprehensive plan put in place by the Government setting out how the homes sold through RTB and council home sales are to be replaced to ensure the housing supply increases. *The Government should publish more details on how it will achieve its objective of at least one-for-one replacement of sold homes, and address factors such as the availability of land, the capacity of the home building industry, including the shortage of skills, and the uncertainty of income from council home sales.*

55 Q325

56 Oral evidence taken before the Housing and Planning Bill Public Bill Committee on 17 November 2015, HC (2015-16) 94, Q224 [Trudi Elliott]

57 Q326

## Capacity of the home-building industry

70. England has a severe housing shortage with councils across the country faced with substantial waiting lists for homes. It is therefore vital that the objective of increased supply is realised. According to the National Housing Federation,<sup>58</sup> the country needs to build 245,000 homes a year to meet demand, while a report from KPMG and Shelter<sup>59</sup> puts the figure at more than 250,000 per year. According to the Department for Communities and Local Government (DCLG), England has not seen more than 250,000 completed homes in any year since 1977/78 and in 2013/14 just 112,330 were completed.<sup>60</sup> The Minister emphasised that housing starts have increased in recent years and highlighted the lag between planning permission being granted and work on site beginning. He also explained that there were many instances where planning permissions were in place on very large sites that would be built out over a number of years, or where permission had been granted but negotiation continued on final conditions.<sup>61</sup> Mr Lewis also outlined the range of measures being introduced by the Government to address the issue, such as the introduction in the Bill of planning permission in principle, the Builders Finance Fund and the direct commissioning of 10,000 homes.

71. **We do not believe that there is a single solution to the housing crisis in this country and we acknowledge the scale of the challenge.** We note for example reports that according to the National House Building Council, the number of new homes registered in the three months to the end of September 2015 was 2 per cent lower than the same period in 2014. Increased labour costs and a skills shortage in the construction industry are cited as reasons for this decline, with an estimated 300,000 people leaving the building trade in the 2008-10 downturn.<sup>62</sup> According to the Local Government Association (LGA), the skills shortage in the construction industry will threaten the Government's house building plans. The LGA argue that the construction industry's forecasted annual recruitment needs have increased for the last three years consecutively, up from 29,050 a year in 2013, to 44,690 a year from 2015. However the volume of construction-related training has declined: since 2012/13 vocational learning qualifications have dropped by 4 per cent and higher education by 17 per cent. Construction, planning and built environment apprenticeships have fallen 58 per cent from 18,850 in 2008/09 to 7,930 in 2013/14.<sup>63</sup>

72. Lord Kerslake described for us how the structure of the house-building industry has consolidated, with the number of SME house-builders dropping from 12,000 in 1990 to 3,000 in 2015.<sup>64</sup> We note with interest therefore the recent announcement<sup>65</sup> by the Government that it will be directly commissioning development at five sites which the Homes and Communities Agency is currently developing. The intention is that directly commissioning will make it possible to support into the market smaller building companies and newer entrants which are ready to build but lack the resources and access to land. We were told by Peter Schofield, Director-General, Housing and Planning at DCLG, that a key objective was to address the slow rates of build-out on sites by agreeing

58 National Housing Federation, '[A plan for homes: working with housing associations to end the housing crisis](#)', 2015

59 KPMG and Shelter, '[Building the homes we need: a programme for the 2015 government](#)', April 2014, page 4

60 Department for Communities and Local Government, '[Live tables on house building](#)', table 209 [accessed 15 January 2015]

61 Q326

62 '[Britain's biggest housebuilders slow home construction](#)', Financial Times, 20 November 2015

63 '[Skills to build: creating the houses and jobs our communities need](#)', Local Government Association, August 2015

64 Q271

65 '[PM: the government will directly build affordable homes](#)', Prime Minister's Office press release, 4 January 2015

the speed of development upfront.<sup>66</sup> The developments will still be subject to the usual planning permissions and infrastructure agreements, so we await their progress and will monitor whether the direct commissioning approach leads to quicker developments. When we asked the Minister whether the country had capacity to deliver the homes needed, he acknowledged the skills shortage and told us that he was discussing the issue with colleagues in the Department for Business, Innovation and Skills.<sup>67</sup> **The capacity of the home-building industry nationally is of cardinal importance: we intend to monitor it, and will launch an inquiry into it in due course if this seems useful.**

### The tenure of new homes

73. In addition to increasing the number of homes built, it is important to ensure that the spread of tenure available meets the needs of the population. Representatives of housing associations told us that as a result of Government policies such as the rent reduction (discussed in part 7 below) they expected to continue building homes, but that the profile of these homes was likely to change. For example David Montague, Chief Executive of L&Q Housing, explained that:

“I think there is a general shift towards more housing for sale among housing associations. If you look at G15, one third of us are predicting that we will do the same amount of affordable rent; two-thirds are predicting less; 80 per cent of us are saying that the thing we will replace it with is housing for sale.”<sup>68</sup>

74. Other witnesses said that their housing associations would maintain levels of overall building or decrease slightly, but all agreed that the profile of what they were building would change. We note that the homes that are built to replace those sold through RTB and the council home sales might be replaced in a different tenure, which could be a cause for concern in some areas.

75. Research commissioned by the Joseph Rowntree Foundation to explore the impact of the extended RTB and high value council sales reached significant conclusions. The research did not consider whether the homes sold could be replaced, but rather what they might be replaced with. It used three scenarios: the first where sold homes are replaced and let at the same rents, the second where the replacement stock was let at Affordable Rent levels (i.e. higher than social rent levels) and the third where the new homes were built for sale as shared ownership.

76. The report found that the first scenario would have a positive impact on poverty levels and would increase access to low rent housing. With the higher rents in the second scenario, poverty levels would be expected to increase. Under the third scenario, the research found that because only around 3 per cent of households currently accessing social rented housing could afford to buy shared ownership homes, and fewer still Starter Homes, many would be diverted into the private rented sector where rents are higher still, thus increasing both poverty levels and the national Housing Benefit bill. The report argues that not replacing sold stock at the same tenure will see:

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66 Oral evidence taken on 11 January 2015, HC (2015-16) 531, Q53

67 Q327

68 Q95 [David Montague]

“more than 20,000 working households ineligible for housing benefit who are having to pay higher rents—most likely within the private rented sector—as a result. Just under half of these would be classed as in poverty on the basis of their incomes and would be pushed into more severe poverty as a result of the higher rents.”<sup>69</sup>

**77. We believe that if the policy of RTB is to realise its objective of increasing social mobility, the tenure and rent levels of the replacement stock is of fundamental importance. The Government must take steps to ensure that the homes built to replace RTB and council home sales meet the needs of local communities and have a tenure mix that reflects local circumstances.**

### Starter Homes

78. The Housing and Planning Bill emphasises the role of Starter Homes, which are defined as homes costing up to £250,000 (£450,000 in London), to be available at a 20 per cent discount to first time buyers that meet qualifying criteria such as being under the age of 40. The Bill provides for a new legal duty to be placed on councils to guarantee the provision of 200,000 Starter Homes across all reasonably sized new development sites. In his speech to the Conservative Party Conference, the Prime Minister confirmed that Starter Homes would be counted as ‘affordable housing’ for planning purposes including s106 agreements for developer contributions. The classification of Starter Homes as ‘affordable’ has been criticised by many, including Lord Kerslake who told us “I think it is hard in London to see a property that requires a salary of £77,000 and a deposit of £90,000 as really meeting the definition of affordable.”<sup>70</sup> Cllr Ferris Cowper also questioned how affordable Starter Homes really would be, explaining that in East Hampshire the average income to house price ratio was currently 11.25, and that taking into account the 20 per cent Starter Home discount, this would still be a little under 10—meaning that the average purchaser would still need almost ten times their salary to purchase a Starter Home.<sup>71</sup> There is a risk that rather than providing a low-cost means of entering the housing market, Starter Homes will instead only allow people who could afford to buy anyway to purchase a more expensive home. Given that the discount will only last for five years, Starter Homes would likely be an extremely attractive investment for prospective buyers with an almost guaranteed profit if sold after five years.

79. In a briefing note for its members on the Bill, the NHF argued that:

“Starter Homes should not come at the expense of a high-quality, sub-market rented offer, for which there remains high need and demand. It is also important that Starter Homes are genuinely additional to homes that would otherwise have been built, either for outright sale or traditional affordable housing. The requirement to deliver a particular number or proportion of Starter Homes to be granted planning permission and the ability of developers to use Starter Homes to meet their section 106 affordable housing obligations, risks having a significant impact on the delivery of traditional affordable housing. Starter

69 [‘Understanding the likely poverty impacts of the extension of Right to Buy on housing association tenants’](#), Joseph Rowntree Foundation, November 2015, page 4

70 Q266

71 Q195 [Cllr Ferris Cowper]

Homes should give developers a higher return (80 per cent of market value) than traditional forms of affordable housing (closer to 60 per cent to 70 per cent).<sup>72</sup>

80. In 2013/14, 37 per cent of all affordable housing completions were delivered through s106 agreements.<sup>73</sup> **Home builders will understandably seek to build the products with the highest return, and we are concerned that the Government's policy should not lead to fewer truly affordable homes to rent being built. There is a finite amount of money available from developers to deliver affordable housing, and the duty placed on councils is likely to mean that building Starter Homes could be prioritised over other types of affordable housing. Local authorities will be under pressure to satisfy their legal obligations, and this could make negotiations with developers extremely difficult and could undermine Local Plans. Starter Homes should not be built at the expense of other forms of tenure; where the need exists, it is vital that homes for affordable rent are built to reflect local needs. The definition of affordable housing should better reflect individual and local circumstances.**

81. We were told by the Minister that if someone purchases a Starter Home, they must keep it at least five years before being able to sell it a full market value.<sup>74</sup> Several witnesses raised this as a concern, with some suggesting that this would make Starter Homes an attractive investment for those who can already afford to purchase a home,<sup>75</sup> and others that this could put them in competition with other housing products on the market.<sup>76</sup> ***We urge the Government to review the period of time over which the discount would operate.***

## The impact of Government policies on housing association development

82. On 25 November 2015, the Office for Budget Responsibility published its Economic and Fiscal Outlook. This looked at the impact on housing association activities of measures announced first in the July Budget and then in the November Spending Review. It found that the July measures (the 1 per cent rent cut and 'pay to stay', both discussed later in this report) would reduce the number of housing association new builds built up to 2020/21 from 220,000 to 140,000. The measures announced in the Spending Review (reduced funding in 2016/17 and 2017/18 followed by increases in subsequent years and a change in composition in funding towards affordable ownership including Starter Homes) would lead to further reductions in new builds in 2016/17 followed by increased new builds in the years following 2018. In total, the policies announced result in a forecast 185,000 new homes being built between now and 2020/21—34,000 fewer homes than were forecast before the July Budget, and with a different tenure mix.<sup>77</sup>

72 'Member briefing on the Housing and Planning Bill', National Housing Federation, October 2015

73 'Rethinking planning obligations: balancing housing numbers and affordability', Joseph Rowntree Foundation, 2015, page 5

74 Oral evidence taken on 9 November 2015, HC (2015–16) 529, Qq7-8

75 Q136 [Stephen Javes]

76 Q93 [Nicholas Harris]

77 Office of Budget Responsibility, [Economic and fiscal outlook: November 2015](#), Cm 9153, November 2015, paras B45-47

83. On 7 December 2015, the Equalities Statement on the proposed changes to national planning policy was published. The Statement anticipates that the Government's broadening of the definition of affordable housing to include Starter Homes will lead to less traditional affordable housing being built. The report explains that "We estimate that a developer on average could deliver 1.4 to 1.8 starter homes for every affordable home".<sup>78</sup> Using the data in Figure A3 of the report, for every 100 people moving into Starter Homes built using s106 funding, between 56 and 71 fewer people will move into new build affordable rented, social rented or low cost home ownership homes. **We note the emphasis on Starter Homes and the possible consequences for levels of affordable housing. Starter Homes will suit some people, but not all. We are particularly concerned that the requirement to include them in the homes that can be provided for through s106 agreements could change the balance of affordable housing and could put it out of reach for people on low or unstable incomes. Starter Homes should be built in addition to homes for affordable rent where the need exists locally.**

84. *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 stock.*

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78 Department of Communities and Local Government, [Consultation on proposed changes to national planning policy: equalities statement](#), December 2015, page 12

## 7 The 1 per cent rent reduction

85. In the Summer Budget 2015, the Chancellor announced that all rents in social housing would be reduced by 1 per cent a year for four years, with housing associations and local authorities expected to meet the shortfall in income through more efficient use of their grant funding.<sup>79</sup> The reduction in social rents is expected to lower the housing benefit bill by £165 million in 2016/17, rising to £1.45 billion by 2020/21, a total saving of almost £4.3 billion.<sup>80</sup> The announcement came within months of the start of a ten-year rent settlement, and caused significant concern to housing associations and their funders. Since 2013 they had been working on business plans and development programmes based on rental income including inflationary increases linked to the consumer price index plus 1 per cent until 2025. David Orr described the 1 per cent rent cut as being “an existential threat” for some housing associations and believed others would be forced to stop doing a range of work with community benefits.<sup>81</sup> David Montague, Chief Executive of L&Q Housing, told us:

“For L&Q, the annual loss by year four is almost £60 million. That goes straight from our top line to our bottom line. For g15 [a group of London’s 15 largest housing associations], the annual loss by year four is £500 million; for the sector, we estimate that the annual loss is £1.6 billion. Imagine what we could have done with that money if we had borrowed against it. That is a lot of homes. We have lost a very significant amount. The sector is determined to recover those losses to maintain its ambitions, and that means we will have to make some tough choices.”<sup>82</sup>

### The impact of the rent cut on lenders

86. The unexpected reduction in income for housing associations could adversely affect their capacity to develop. Nicholas Harris from the Stonewater housing association told us that his organisation was scaling-back its development programme from around 7,500 homes to 5,000 over ten years, as well as reconsidering the geographic spread of where development would take place.<sup>83</sup> We were also told by David Montague that other associations, such as his organisation L&Q, were seeking to maintain their development ambitions and to find savings elsewhere. Mr Montague told us:

“We have committed to £12 billion worth of investment over the next 10 years to deliver 50,000 homes. That commitment on 9 July is the same as it was on 7 July so we have maintained that ambition, but we have had to make some changes and compromises.”<sup>84</sup>

87. For some associations, such as Stonewater, the number of new homes being built could decrease as a result of the rent cut, and areas with higher costs will be especially affected. The abandonment of the ten year agreement has created significant uncertainty in the sector, not least among the lenders who facilitate the development. Mr Orr told us:

79 HM Treasury, [Summer Budget 2015](#), HC 264, July 2015, para 1.140

80 Summer Budget 2015, table 2.1, line 46

81 Q15

82 Q74

83 Q82 [Nicholas Harris]

84 Q81 [David Montague]

“CPI plus 1 per cent for 10 years was described by the Government as a fair settlement for housing associations and for tenants, which gave clarity, stability and confidence to go to the markets and borrow money. One year later, a 1 per cent per annum cut, which in comparison to that, is 14 per cent out of people’s expected income. That is not just a problem, a challenge, in terms of the lost income, but it is a real challenge in terms of the extent to which housing associations feel confident about future commitments made by Government. We have 1 per cent per annum cuts for the next four years and then CPI plus 1 per cent. I do not know anyone who is modelling for CPI plus 1 per cent in year five, because they are not certain that they can properly rely on that commitment and that is a problem.”<sup>85</sup>

88. David Montague of L&Q Housing said:

“There has to be an answer to what happens in year five. We have just been out to the bond markets. The first question everybody asked was, “What on earth is going on, and what is going to happen to your rents in year five?” At the moment we do not have an answer to that, so we need some certainty. We have limited choices.”<sup>86</sup>

89. Paul Smee, Director General of the Council of Mortgage Lenders, confirmed the lenders’ perspective:

“For lenders as well, the question that I am most often asked is what happens post 2020, because lenders are lending for 20 to 25 years, and they require to have that long-term perspective as well, much more than a knee-jerk reaction to the actual events of the next few years.”<sup>87</sup>

## The impact of the rent cut on services

90. We fear that the first consequence of the rent cut will be reduction of non-statutory services. A survey of housing association chief executives conducted by *Inside Housing* found that 72 per cent of 129 chief executives are likely to consider cutting back or scrapping non-core activity as a result of the rent cut. This activity includes all the extra non-housing services that associations provide, such as helping people into work, financial inclusion advice and health initiatives.<sup>88</sup> Jenny Osbourne, Chief Executive of the Tenants Participation Advisory Service, told us that:

“[Tenants’] immediate concern is a cut to the services they have come to know. Tenants are always concerned about repairs and maintenance. That is their big issue. You will know that. There is a real concern about that... [Another concern is] tenant involvement—that investment, that training, those skills and that worklessness agenda that has been happening so successfully in housing associations over the last few years. They are going to see jobs going, staff who they work with, and that is starting to happen now, and they are concerned about that.”<sup>89</sup>

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85 Q34 [David Orr]

86 Q115 [David Montague]

87 Q34 [Paul Smee]

88 ‘[Changing the mix](#)’, *Inside Housing*, 16 October 2015

89 Q34 [Jenny Osbourne]

91. Housing associations often do much more than simply build and provide housing for those in need. The work of many providers, in delivering training, support for those seeking employment and encouraging community cohesion, is hugely important to their communities. **We are concerned that the 1 per cent rent reduction could impact on housing associations' ability to provide services which help people find work and get new skills, in addition to their development programmes and delivery of new homes, while recognising that it will also mean a reduction in rent payments for some tenants.**

92. It does not seem likely that the 1 per cent rent cut will benefit tenants significantly. As Ms Osbourne explained:

“I do not think any tenant is really going to see the benefit of that. It might be a couple of hundred quid over the four years. I do not think that is going to be a benefit the tenants are going to see particularly, because of the other issues that might be happening to the finances that are coming into their home, and because of what they see as potential cuts to services that housing associations are going to make.”<sup>90</sup>

93. The Institute of Fiscal Studies (IFS) also found that the 1 per cent reduction in rent would result in a £2.3 billion reduction in rents nationally. However because many tenants receive Housing Benefit, and their entitlement to this would decrease as their rent decreases, £1.7 billion of the reduced rents would equate to reduced housing benefit expenditure by the Exchequer. The IFS therefore found that the reductions in social rents announced in the July Budget will be of little or no direct benefit to most social housing tenants. Most of those renting their home from councils or housing associations have low incomes and hence receive housing benefit to cover all or part of their rent and entitlement to housing benefit will typically be reduced pound-for-pound as their rent falls.<sup>91</sup>

94. This policy has caused significant uncertainty in the sector, and has the potential to restrict development.

## Housing association efficiencies

95. The Department for Communities and Local Government told us that as a means of reducing the national housing benefit bill, housing associations “have an important opportunity to find necessary savings and deliver a more efficient sector for social tenants and taxpayers.” The Department also notes that the housing association sector had a surplus of £2.4 billion in 2014.<sup>92</sup> We agree that, like all large organisations, housing associations can find more efficient ways of operating to save money. We noted for example the evidence from Ian McDermott from the Sanctuary Group that by 2020, his association expected to have a loss of around £55 million a year, but expected to be able to meet around 50 per cent of this reduction through efficiency savings.<sup>93</sup> David Montague from L&Q Housing also described the measures that his organisation is taking, including greater use of online services and a more agile officer structure.<sup>94</sup> However such measures alone are unlikely to meet the decreased income caused by the 1 per cent annual reduction in rents compared

90 Q40

91 Institute of Fiscal Studies, ‘[Social rents policy: choices and tradeoffs](#)’, 5 November 2015

92 Department of Communities and Local Government ([RTB 163](#)), page 2

93 Q75

94 Q114 [David Montague]

to the original figure of CPI plus 1 per cent. It was also suggested that housing associations should use their surpluses to meet any shortfalls. But as the G15 group of London housing associations argued, this was also not possible:

“The extensive commentary on the growing surpluses of HAs often does not recognise how they are derived, what they are for, or how our business models work. These surpluses were predictable because the accounting rules make HAs place any profits from development in their Revenue Accounts, but losses on rented homes are not crystallised. If, for example, an HA made £1m profit from housing for sale to compensate for a £1m loss on new social rented homes on the same site then the £1m profit would show in the accounts., The £1m loss would come through year by year, with an annual interest charge appearing in the accounts. When the housing market is buoyant this means the more you develop to cross subsidise your mission, the bigger your profits will show.”<sup>95</sup>

**96. It is important that housing associations which generate surpluses apply them to delivering new housing.**

### Supported housing and setting rents

97. Many of our witnesses argued that rents in supported housing schemes should reflect circumstances, rather than be subject to national rent levels. Tony Stacey from the South Yorkshire Housing Association explained that the rent cut was particularly harmful for supported housing schemes, because 80 per cent or more of costs in supported housing schemes arise from staff salaries.<sup>96</sup> Hugh Owen from the Riverside Group also emphasised the challenge for supported housing:

“If you look at our supported housing in purely financial terms, their operating margins are very slim to say the least. The rest of the organisation, effectively, cross-subsidise. We think that it is a really important part of what we do and we are dedicated to continuing to do that. However, when you apply the rent cut as well, effectively it becomes a loss making part of the organisation. We are going to have to make some really difficult decisions...We know a lot of other housing associations that probably have smaller supported housing businesses where I think it would be very tempting, looking for the less efficient areas of the business, to quietly stop doing supported housing. I think there is a real threat of death by 1,000 cuts and a real shrinkage in supported housing as a result of this.”<sup>97</sup>

**98. The costs of supported housing are different to those of more mainstream providers. Their income should not therefore be treated as comparable; nor should the same measures be applied without exemptions.** Smaller associations which only provide specialist housing are not able to cross-subsidise their work in the same way as providers such as Riverside. The effects of the 1 per cent rent cut therefore have the potential to force small, specialist providers to go out of business. *The Government should consider returning supported housing rents to the pre-Summer Budget rent agreement of CPI*

95 G15 (RTB 130), para 3

96 Q129 [Tony Stacey]

97 Q129 [Hugh Owen]

*plus 1 per cent annual increases. We welcome the announcement of 27 January 2015 that supported housing will be exempt from the 1 per cent rent reduction for 2016/17 while the Government carries out a review.*

*99. We believe that before the Autumn Statement 2016 Government should provide some certainty over rent levels post 2020, to assist long-term business planning and increase investor confidence. In the long term, housing associations should have the freedom to set their own rents, recognising that tenants' ability to pay rents will be limited by the future application of Local Housing Allowance rates to Housing Benefit and Universal Credit claimants living in social rented housing. The Government is committed to deregulating the housing association sector: freedom for housing associations to set the rents for their tenants should be the next step, since housing associations understand their tenants and the local market and are best placed to set fair rent levels.*

100. In the Autumn Statement 2015, the Chancellor announced that the amount of rent payable through housing benefit in the social housing sector would be capped to the relevant Local Housing Allowance, which is the level of rent paid to renters in the private sector.<sup>98</sup> We believe that this strengthens the argument for allowing housing associations to set their own rents, since this will not increase the national housing benefit bill, but would give associations the freedom to manage their assets as private providers.

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98 HM Treasury, [Autumn Statement 2015](#), Cm 9162, November 2015, para 1.125

## 8 Pay to Stay

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### Thresholds

101. When it was introduced the Housing and Planning Bill contained provisions for the Secretary of State to make regulations requiring registered providers, including both housing associations and local authorities, to charge higher rents (at market rate, or a proportion of market rate) for those tenants who had a high income, a policy known as ‘pay to stay’.<sup>99</sup> The Summer Budget 2015 defined high income as £30,000 household income, or £40,000 in London.<sup>100</sup> Many of our witnesses believed that this threshold was too low and that it would act as a disincentive to hard work and career progression. Jenny Osbourne cited an example:

“I will try to give you an example from a lady who I have just been talking to in London. Her daughter is a teacher earning £29,000 a year. She is retired and on benefits, so they will go over the £40,000 threshold. That is going to mean that the majority of their money would go straight out into rent if they were moved to full market rent, not leaving them anything around bills, etc.”<sup>101</sup>

102. We were also concerned that the complexities and costs of administration would be onerous for many housing associations, who would find it difficult to collect income data from their residents. Tony Stacey told us that it would cost South Yorkshire Housing Association far more to administer pay to stay than the additional income it would generate.<sup>102</sup> Hugh Owen from the Riverside Group of housing associations pointed out regional disparities:

“In Liverpool, for someone earning £30,000 and a penny, their rent will go up by about £38 a week. In Bromley, it would go up by £257 a week. It is hugely inequitable if that is the final scheme... for people who have done the right thing and who have got on but are not in a position to buy all of a sudden to be affected by what feels like punitive increases just strikes us as wholly wrong.”<sup>103</sup>

### Voluntary pay to stay

**103. We welcome the news from the Minister that pay to stay has been revised as part of a package of deregulation so that it would be voluntary for housing associations.** He told us:

“Housing associations will also be able to operate policy that sets higher levels of rents for those high-income tenants, and they will be able to set the level of rent for these households. We expect that the majority of housing associations will consider operating a policy, and we will continue to engage with the sector and the National Housing Federation on this. As far as possible, we will

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99 Housing and Planning Bill, HC 75, as introduced, Part 4, Chapter 4

100 Summer Budget 2015, para 1.154

101 Q41

102 Q119 [Tony Stacey]

103 Q137 [Hugh Owen]

encourage parity between the housing and local authority sectors to ensure fairness for tenants but, as I say, it will be voluntary for housing associations.”<sup>104</sup>

104. The measure was introduced to help facilitate a reclassification of housing associations as non-public bodies by the Office for National Statistics (discussed further at para 106). The Government is committed to securing the reclassification and is therefore giving increased freedoms to housing associations. When we asked if the Government would take steps to reduce rents in the private sector, the Minister said that they would not but added that “We are treating everybody who is on social rent the same.”<sup>105</sup>

105. We asked whether housing associations would have the flexibility to adjust the thresholds, introduce tapers or make other changes to the policy. Mr Lewis said that he did not want to prejudge what housing associations might choose to do, but implied that this was possible.<sup>106</sup> The version of the Bill agreed by the Commons states only that “A private registered provider of social housing that has a policy about levels of rent for high income social tenants in England must publish that policy.”<sup>107</sup> ***We believe that housing associations which choose to adopt pay to stay should have the discretion to set thresholds and taper mechanisms at levels which reflect local circumstances. However, we note that while it is clear that without some form of taper pay to stay may act as a disincentive to hard work, a graduated scheme would be difficult and costly for local authorities and housing associations to manage. In particular, the fact that information provided by HMRC will never be up to date means that there will always be over- or under-payments of rent. We note the serious concerns that have been raised about the household income thresholds, and ask the Government to keep them under review.***

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104 Q350

105 Q369

106 Q358

107 Housing and Planning Bill, clause 87(1)

## 9 The HCA and regulation

### The ONS reclassification and deregulation

106. The HCA (Homes and Communities Agency) has an important role to play as the Regulator for social housing. It works to ensure that social housing providers operate effectively to protect the public investment and ensure the provision of social housing. It monitors housing associations' compliance with a regulatory framework, which has been revised following the Government taking steps to deregulate the sector. On 30 October 2015, the Office for National Statistics (ONS) announced that housing associations would be reclassified as public corporations.<sup>108</sup> The judgement resulted from measures brought in by the Housing and Regeneration Act 2008 and effectively meant that housing associations, and their estimated £60 billion of debt, were now part of the public sector. The Government quickly made a commitment to deregulation of the sector to reverse the classification: in a speech on 5 November 2015 the Secretary of State said that the ONS decision was a technical matter and that the Government intended to restore housing associations' classification outside the public sector.<sup>109</sup> **The Committee welcomes the commitment by the Government to deregulate housing associations and return them to the private sector. Housing associations' strength is their independence and diversity. We encourage the Government to fully recognise housing associations' status as private bodies.**

### Lender confidence through regulation

107. Deregulation must balance the priorities of giving enough freedoms to secure a non-public classification from the ONS with sufficient regulation to give lenders the confidence to fund continued development. Before the ONS announcement on reclassification, Paul Smee from the Council of Mortgage Lenders had told us that "lenders take the view that the sector is a well regulated one, that it is one in which they have had a lot of confidence over the years, and I do not detect any change across the lending community in their attitude towards the sector in the light of [the extended RTB]."<sup>110</sup> However after the ONS announcement and the Government commitment to deregulate, there were some reports of concerns. For example the credit agency Moody's warned that any deregulation would likely reduce lender confidence:

"The government is now signalling that it will respond to the reclassification by diluting the regulatory controls...Moody's would view a weakening of these controls, if they diminished the strength of the regulatory oversight, as credit negative... [the reclassification] provides further evidence that the previously stable relationship between the HA sector and the government is becoming less predictable...which underpins Moody's current negative outlook."<sup>111</sup>

108 Office for National Statistics, '[Classification announcement: "Private registered providers" of social housing in England](#)', 30 October 2015

109 Department for Communities and Local Government and The Rt Hon Greg Clark MP, '[Housing associations and housebuilding](#)' speech to the Placeshapers Conference, delivered on 5 November, published 6 November 2015

110 Q17

111 '[Fears grow over deregulation of housing association sector](#)', Building, 4 November 2015

108. **It is essential that balance between deregulation and provision of assurances to the lending community is achieved. Deregulatory measures should not weaken the assurances provided by the regulatory framework put in place by the HCA to protect private investments and allow development to take place. In this context, we endorse the conclusions reached by our predecessor Committee in the last Parliament in its report on the HCA’s Regulation Committee, in particular conclusions 3, 4 and 5 relating to financial viability ratings and the case of Cosmopolitan Housing Association.**<sup>112</sup>

## The regulatory framework

109. Greater independence for housing associations should facilitate innovation and is to be encouraged. However it should be balanced by a proportionate regulatory framework that ensures that the governance of private bodies spending public funds is robust. Fiona Macgregor, Director of Regulation at the Homes and Communities Agency, told us that:

“First, at the moment we do distinguish for how we regulate for those organisations who own fewer than 1,000 homes, and much more actively those who own over 1,000 homes. Secondly, we are considering whether we need to review the under-1,000 and move to something that is a little bit more nuanced in risk terms. You can have fewer than 1,000 homes but still have a reasonably risky business, and you can have more than 1,000 homes and have a very stable, safe business, depending on the activities that you are undertaking. That is something that we intend to revisit with the regulation committee during the course of next year.”<sup>113</sup>

110. **The HCA must satisfy itself that its regulatory framework can take account of the multitude of different organisations that are encompassed by the term ‘housing association’. Smaller providers, such as almshouses, and larger, much more commercialised organisations place very different requirements on the Regulator. The Regulator should therefore adopt a framework based on judged risk rather than more arbitrary factors such as size.**

## Monitoring the RTB

111. Clause 64 of the Housing and Planning Bill sets out an obligation on the Regulator to monitor the RTB through compliance with the home ownership criteria. The Regulator would report compliance to the Secretary of State who may choose to publish details of any provider which was failing to meet the criteria. Beyond this ‘naming and shaming’ mechanism, it is unclear how the voluntary RTB will be enforced. Fiona MacGregor from the Regulator told us that “it will not be our role to enforce the Right to Buy, because clearly at that point it is not voluntary, but we will gather some information around sales rates and what individual organisations are doing.”<sup>114</sup> By contrast, the voluntary deal proposed by the NHF says that “If a tenant were unhappy with the alternative offered... they would be allowed to appeal to the Regulator to arbitrate.”<sup>115</sup> *The role of the Regulator*

112 The work of the Regulation Committee of the Homes and Communities Agency, Communities Local Government Committee, Second Report of Session 2013-14, HC 310

113 Q233

114 Q241

115 National Housing Federation, [An offer to extend Right to Buy discounts to housing association tenants](#), October 2015, Chapter One, para 2, seventh bullet point

*should be clarified especially with respect to monitoring the replacement of homes sold under RTB. The appeal process for tenants who are refused the Right to Buy should be spelled out so that all parties can follow an agreed process.*

### **The HCA facilitating the delivery of new homes**

112. The HCA's role is not only that of Regulator: it also has a major role to play in supporting development of all types of homes and, in particular, in ensuring the capacity exists to allow additional homes to be provided. *The HCA should explain how it plans to meet its responsibilities for supporting development of the new homes to be built as part of the policy, particularly in light of concerns over the availability of land and capacity in the construction industry, while taking into account the different needs of different areas.*

## 10 The future

### Lifetime tenancies

113. In the Summer Budget 2015, the Government announced that it would “review the use of lifetime tenancies in social housing to limit their use ... and ensure the best use is made of the social housing stock.”<sup>116</sup> Lifetime tenancies are known as secure tenancies and are granted by local authorities: such tenancies offer tenants a lifelong home which could be passed on to their next of kin in certain circumstances. Schedule 7 of the Housing and Planning Bill restricts the granting of secure tenancies to terms of between two and five years. Under the terms of the Bill, councils will be required to review tenancies regularly, with tenants potentially being required to move to an alternative property that better suits their needs. Stephen Hills described how this might affect South Cambridgeshire:

“We are 350 square miles, 103 villages. We have not got any towns at the moment. Those village communities are really important to people, and, if people have got caring commitments, local work or childcare commitments, they need to be able to live and to form part of that community. As to the thought that we would somehow have to move people on every few years, I cannot see how that would work. There are so few houses that come available in most of those villages, and if you move to the other side of the district, you might as well be moving to Mars for some people ... I think it would have quite a negative effect on the ability to sustain rural life in those areas.”<sup>117</sup>

114. Cllr Lib Peck, Leader of the London Borough of Lambeth, also argued that “we have talked a lot about housing as a building concept, but we are talking really about creating places and creating communities, and therefore you need an element of stability.”<sup>118</sup> We note the concern from some witnesses that ending lifetime tenancies may have a detrimental effect on community cohesion and make long-term planning for decisions such as school choice harder for some tenants. However regular reviews and conversations between tenant and landlord can lead to a more efficient use of housing stock and to the tenant having a home that better suits their needs. **We will continue to monitor the impacts of ending lifetime tenancies.**

### The housing association sector

115. There is a growing trend for housing associations to consolidate and merge to achieve greater efficiencies and reduced staff costs. David Montague cited the examples of Genesis and Thames Valley, and Circle, Anglia and Affinity Sutton as two instances of the rent reduction triggering consolidation.<sup>119</sup> It is likely therefore that in future there will be a smaller number of associations with bigger asset bases covering a wider area. However alongside the big commercial operations such as the proposed Affinity Sutton-Circle merger, which will become Europe’s largest housing association, smaller providers will remain and continue to deliver vital services to their tenants. Whilst diversity in providers can help to meet the diverse needs of the population, it is important that all housing

116 Summer Budget 2015, para 1.155

117 Q202 [Stephen Hills]

118 Q202 [Cllr Lib Peck]

119 Q74

associations continue to balance their social and development roles. **We believe that all housing associations should remain mindful of their social mission and not sacrifice philanthropy in pursuit of surpluses.** Lord Kerslake, Chair of the Peabody housing association in London, explained:

“[H]ousing associations have to start with their mission. What are they there for? In the case of Peabody, it is to ameliorate the condition of the poor and needy in this great metropolis, London. That is our mission. That is what we were set by George Peabody ... It is not that we do not build for sale; we do, and are quite happy to do that. However, we cannot only build for sale. We must be producing social rented and accessible shared ownership. For me, that is part of the deal of being Peabody. It is part of our mission. So we may shift the mix, but it should stay there. Almost as important as their charitable status—that is for them to examine—is their mission: why are they there?”<sup>120</sup>

116. Regardless of size, housing associations need to maintain their links to local communities and deliver high quality services to residents. We support measures to increase tenant participation and engagement to help deliver this, and believe that they should, where possible, be extended to housing association leaseholders. Providers should work with their residents to develop business plans, maintenance schedules and other initiatives. The Tenants Participation Advisory Service describe the role of involved tenants:

“As well as paying rent in return for housing services, these people help to scrutinise service delivery, agree and monitor maintenance contracts, prioritise and address neighbourhood issues, inform business priorities, and so on. We refer to them as ‘involved tenants’—because they engage with their landlords and understand how housing associations operate.”<sup>121</sup>

**117. We believe that the tenants of housing associations should have a say in how their provider delivers services and be able to hold them to account. As well as having the potential to deliver savings, tenant involvement can provide social dividends such as more cohesive communities.**

118. As some housing associations increase in size and become more commercial and ambitious in their development plans, it will be essential that corporate governance remains effective. National and regional associations should also ensure that they have locally based and responsive management arrangements. As discussed earlier in this report, the Regulator at the HCA must ensure that monitoring is nuanced enough to capture all types of provider. This must include the ability to understand the increasingly complex operating arrangements of bigger organisations. Housing associations enter into a range of working relationships with each other, developers and private finance, and these must be accompanied by robust governance arrangements. Governance risks can exist in big or small associations, but the failures of larger providers will affect more tenants and mergers therefore should be carefully monitored. For example if the Affinity Sutton-Circle merger goes ahead, the new body would become the landlord for 500,000 people in 127,000 homes, or 5 per cent of the country’s housing association sector.<sup>122</sup> It is

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120 Q274

121 Tenants Participation Advisory Service ([RTB 059](#)), para 1.2

122 ‘[Giant landlords enter talks over 127,000-home merger](#)’, Inside Housing, 22 July 2015

worrying that Circle was the subject of a judgement from the Regulator in April 2015 that cited “chronic failure” in its governance:

“In implementing its plan to rationalise suppliers and create fewer, larger contracts for responsive repairs and planned maintenance, Circle has failed to control delivery of a core service and respond effectively to serious underperformance. This is consistent with a systemic problem in the organisation’s risk management and internal controls.”<sup>123</sup>

**119. If mergers proceed, they must spread good practice, rather than spreading existing failings to more residents. The priority for mergers must be to deliver on housing associations’ social purpose, through improving services and enabling the building of more affordable homes. Increasing surpluses and saving money cannot be the sole motivator, and the Regulator and NHF have a role in ensuring this does not happen.**

**120. The Government has ambitious plans to address the severe housing shortage and is seeking to do so by prioritising affordable home ownership. We welcome their efforts to increase the supply of new homes and the increased funding to tackle the housing crisis. However it remains important to not lose sight of the need to deliver homes that are truly affordable. Home ownership is the aspiration of many, but homes for affordable rent must still be provided for those who cannot afford to, or do not want to, buy a home. Rented housing—at full market rents and sub-market rents—will continue to be essential to meet the needs of many in our society and should exist alongside other forms of housing.**

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<sup>123</sup> Homes and Communities Agency, ‘[HCA Regulatory Judgement on Circle Anglia Limited – LH4046](#)’, April 2015

## Conclusions and recommendations

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### Background and the voluntary deal

1. We believe that in the circumstances a voluntary agreement was the best way forward for both the Government and the NHF, and that this decision was taken in order to preserve the independence of housing associations, as explained by David Orr in his evidence. (Paragraph 16)
2. It is important that all the provisions of the deal are spelt out, including the circumstances in which housing associations have the right not to sell, as detailed in the agreement. (Paragraph 19)

### The Right to Buy

3. We support an increase in home ownership and the principle of giving tenants the right to own their own home, provided that the homes sold under the Right to Buy are replaced on a one-for-one basis and housing continues to be delivered across all tenures to meet the country's housing needs. We also want the concerns identified in the research we commissioned to be addressed. (Paragraph 25)
4. While recognising the Minister's intentions, we believe that the issue of full reimbursement [of the RTB discount] is of such importance that it should be clearly reaffirmed, in the Bill or elsewhere, to safeguard against any future policy changes. (Paragraph 27)
5. We believe that people in rural areas have a right to access affordable housing and that, given the challenges of building new housing, we welcome the discretion that rural communities and specialist supported housing have in the voluntary agreement. (Paragraph 33)
6. Provision of land for rural housing is important, and every care should be taken not to discourage landowners from releasing land. We also acknowledge the confirmation from David Orr and from housing associations that restrictive covenants on specific sites and properties built using charitable funds would take precedence over the extended Right to Buy, but believe that to avoid confusion or possible legal challenges, these should be explicitly exempt from the extended RTB. (Paragraph 33)
7. It is unclear to us how the portable discount will allow tenants the RTB given that they will have to move extended distances to exercise this right. (Paragraph 34)
8. Geographical variances in the expected take-up of the extended RTB are a cause for concern as they could change the nature of social housing in some areas, severely limiting its provision in others. (Paragraph 36)
9. We therefore argue that associations should build measures into the RTB purchase process to support and advise tenants of their financial options, the implications of these options and the likely commitment going forward, and enable them to make an informed decision. This support and advice ought to be independent and its

quality should be monitored. We welcome the work undertaken on this as part of the pilot scheme and we look forward to seeing the results from the pilot housing associations. (Paragraph 39)

10. We welcome the NHF's acknowledgement of the issue of Right to Buy fraud and the commitment to work with Government to address it, and expect the NHF and Government to issue a joint statement in due course setting out the steps they have agreed on. We believe that measures to tackle RTB fraud must be put in place as soon as possible. (Paragraph 42)
11. To offset the administrative burden and reduce the number of speculative enquiries, housing associations should be able to follow the practice in Northern Ireland and charge a set nominal administration fee for property valuations and other administrative work, to be refunded on completion of the sale. Such a fee should be set at a level which reflects the costs incurred. (Paragraph 44)
12. We believe that measures to limit homes sold through the RTB ending up in the private rented sector should be explored and ask the relevant stakeholders to investigate such measures as a provision that any RTB home re-sold within ten years should first be offered to local housing associations and the local authority, who could choose to buy it at market price, and a restrictive covenant requiring a minimum period of owner-occupation. (Paragraph 46)

### Council home sales

13. We believe in the principle that public policy should usually be funded by central Government, rather than through a levy on local authorities, especially as [in this case] the impact of this levy will fall only on some local authorities, yet will be applied nationally. (Paragraph 49)
14. We believe that it is essential that definitions of 'high value' must not be based only on regional levels but take full account of local circumstances by being agreed in consultation with the local authority rather than through a blanket national approach. The definitions are long overdue: ideally, they should have been published at the time of the voluntary agreement. (Paragraph 50)
15. We believe [increasing housing supply] will only be possible if the Government works with individual local authorities to determine what the local housing needs are and how best to achieve the aim of increased supply. Local authorities are best placed to understand their communities and know where specific pressures exist, and they must have the ability to act in the interests of their residents. Councils also need to be able to retain sufficient funding from the sales if they are to build new homes to replace those sold. (Paragraph 50)
16. If only councils which have retained some housing stock will be required to make the payment to fund the RTB discounts, then the effect on communities and the financial risk for local authorities will be far greater in some areas than others. This is another ground for our belief that a national policy should be funded nationally. (Paragraph 53)

17. We fear that councils will be exposed to the risk of properties not becoming vacant at the expected rate and of sales income being lower than anticipated. Housing markets can fluctuate throughout a year due to factors beyond a council's control, and we are concerned that this policy will make it harder for local authorities to plan prudently. (Paragraph 54)
18. The Government's figures for the anticipated costs of the three policies of the Right to Buy extension, the replacement of sold council homes and the Brownfield Regeneration Fund, and its explanation of how they will be funded should have been published some time ago, preferably when the voluntary agreement with the NHF was reached. The Government should now publish these as soon as possible. (Paragraph 58)
19. The Government should be clear about how the extended RTB will be phased in and what the eligibility criteria will be. (Paragraph 60)
20. We support the objective of encouraging local authorities to manage their assets more efficiently, but are sceptical that forcing councils to sell financially and socially valuable properties is a sustainable funding source for the RTB. (Paragraph 63)
21. The evidence we received from local authorities, both in London and in other parts of the country, is that councils do not always have large reserves of available land with which to deliver housing. However across the public sector there is land available and we support giving councils the powers to enter into partnerships and other appropriate arrangements to use land held by public bodies to build affordable housing to increase supply. (Paragraph 66)
22. More work should be done to encourage all public bodies, not just councils, to make surplus land available for housing and bring it into productive use. Ministers may need to overhaul the Treasury's value-for-money rules to create the right incentives. (Paragraph 66)

### Building new homes

23. The need for new starts to keep pace with planning permissions underlines the challenge of building new homes, including ensuring at least one new home built for every RTB sale. (Paragraph 69)
24. The Government should publish more details on how it will achieve its objective of at least one-for-one replacement of sold homes, and address factors such as the availability of land, the capacity of the home building industry, including the shortage of skills, and the uncertainty of income from council home sales. (Paragraph 69)
25. We do not believe that there is a single solution to the housing crisis in this country and we acknowledge the scale of the challenge. (Paragraph 71)
26. The capacity of the home-building industry nationally is of cardinal importance: we intend to monitor it, and will launch an inquiry into it in due course if this seems useful. (Paragraph 72)

27. We believe that if the policy of RTB is to realise its objective of increasing social mobility, the tenure and rent levels of the replacement stock is of fundamental importance. The Government must take steps to ensure that the homes built to replace RTB and council home sales meet the needs of local communities and have a tenure mix that reflects local circumstances. (Paragraph 77)
28. Home builders will understandably seek to build the products with the highest return, and we are concerned that the Government's policy should not lead to fewer truly affordable homes to rent being built. There is a finite amount of money available from developers to deliver affordable housing, and the duty placed on councils is likely to mean that building Starter Homes could be prioritised over other types of affordable housing. Local authorities will be under pressure to satisfy their legal obligations, and this could make negotiations with developers extremely difficult and could undermine Local Plans. Starter Homes should not be built at the expense of other forms of tenure; where the need exists, it is vital that homes for affordable rent are built to reflect local needs. The definition of affordable housing should better reflect individual and local circumstances. (Paragraph 80)
29. We urge the Government to review the period of time over which the [Starter Home] discount would operate. (Paragraph 81)
30. We note the emphasis on Starter Homes and the possible consequences for levels of affordable housing. Starter Homes will suit some people, but not all. We are particularly concerned that the requirement to include them in the homes that can be provided for through s106 agreements could change the balance of affordable housing and could put it out of reach for people on low or unstable incomes. Starter Homes should be built in addition to homes for affordable rent where the need exists locally. (Paragraph 83)
31. 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 stock. (Paragraph 84)

### The 1 per cent rent reduction

32. We are concerned that the 1 per cent rent reduction could impact on housing associations' ability to provide services which help people find work and get new skills, in addition to their development programmes and delivery of new homes, while recognising that it will also mean a reduction in rent payments for some tenants. (Paragraph 91)
33. It is important that housing associations which generate surpluses apply them to delivering new housing. (Paragraph 96)
34. The costs of supported housing are different to those of more mainstream providers. Their income should not therefore be treated as comparable; nor should the same measures be applied without exemptions. (Paragraph 98)

35. The Government should consider returning supported housing rents to the pre-Summer Budget rent agreement of CPI plus 1 per cent annual increases. We welcome the announcement of 27 January 2015 that supported housing will be exempt from the 1 per cent rent reduction for 2016/17 while the Government carries out a review. (Paragraph 98)
36. We believe that before the Autumn Statement 2016 Government should provide some certainty over rent levels post 2020, to assist long-term business planning and increase investor confidence. In the long term, housing associations should have the freedom to set their own rents, recognising that tenants' ability to pay rents will be limited by the future application of Local Housing Allowance rates to Housing Benefit and Universal Credit claimants living in social rented housing. The Government is committed to deregulating the housing association sector: freedom for housing associations to set the rents for their tenants should be the next step, since housing associations understand their tenants and the local market and are best placed to set fair rent levels. (Paragraph 99)

### Pay to Stay

37. We welcome the news from the Minister that pay to stay has been revised as part of a package of deregulation so that it would be voluntary for housing associations. (Paragraph 103)
38. We believe that housing associations which choose to adopt pay to stay should have the discretion to set thresholds and taper mechanisms at levels which reflect local circumstances. However, we note that while it is clear that without some form of taper pay to stay may act as a disincentive to hard work, a graduated scheme would be difficult and costly for local authorities and housing associations to manage. In particular, the fact that information provided by HMRC will never be up to date means that there will always be over- or under-payments of rent. We note the serious concerns that have been raised about the household income thresholds, and ask the Government to keep them under review. (Paragraph 105)

### The HCA and regulation

39. The Committee welcomes the commitment by the Government to deregulate housing associations and return them to the private sector. Housing associations' strength is their independence and diversity. We encourage the Government to fully recognise housing associations' status as private bodies. (Paragraph 106)
40. It is essential that balance between deregulation and provision of assurances to the lending community is achieved. Deregulatory measures should not weaken the assurances provided by the regulatory framework put in place by the HCA to protect private investments and allow development to take place. In this context, we endorse the conclusions reached by our predecessor Committee in the last Parliament in its report on the HCA's Regulation Committee, in particular conclusions 3, 4 and 5 relating to financial viability ratings and the case of Cosmopolitan Housing Association. (Paragraph 108)

41. The HCA must satisfy itself that its regulatory framework can take account of the multitude of different organisations that are encompassed by the term ‘housing association’. Smaller providers, such as almshouses, and larger, much more commercialised organisations place very different requirements on the Regulator. The Regulator should therefore adopt a framework based on judged risk rather than more arbitrary factors such as size. (Paragraph 110)
42. The role of the Regulator should be clarified especially with respect to monitoring the replacement of homes sold under RTB. The appeal process for tenants who are refused the Right to Buy should be spelled out so that all parties can follow an agreed process. (Paragraph 111)
43. The HCA should explain how it plans to meet its responsibilities for supporting development of the new homes to be built as part of the policy, particularly in light of concerns over the availability of land and capacity in the construction industry, while taking into account the different needs of different areas. (Paragraph 112)

### The future

44. We will continue to monitor the impacts of ending lifetime tenancies. (Paragraph 114)
45. We believe that all housing associations should remain mindful of their social mission and not sacrifice philanthropy in pursuit of surpluses. (Paragraph 115)
46. We believe that the tenants of housing associations should have a say in how their provider delivers services and be able to hold them to account. As well as having the potential to deliver savings, tenant involvement can provide social dividends such as more cohesive communities. (Paragraph 117)
47. If mergers proceed, they must spread good practice, rather than spreading existing failings to more residents. The priority for mergers must be to deliver on housing associations’ social purpose, through improving services and enabling the building of more affordable homes. Increasing surpluses and saving money cannot be the sole motivator, and the Regulator and NHF have a role in ensuring this does not happen. (Paragraph 119)
48. The Government has ambitious plans to address the severe housing shortage and is seeking to do so by prioritising affordable home ownership. We welcome their efforts to increase the supply of new homes and the increased funding to tackle the housing crisis. However it remains important to not lose sight of the need to deliver homes that are truly affordable. Home ownership is the aspiration of many, but homes for affordable rent must still be provided for those who cannot afford to, or do not want to, buy a home. Rented housing—at full market rents and sub-market rents—will continue to be essential to meet the needs of many in our society and should exist alongside other forms of housing. (Paragraph 120)

# Formal Minutes

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**Wednesday 3 February 2016**

Members present:

Mr Clive Betts, in the Chair

Bob Blackman

Julian Knight

Jo Cox

David Mackintosh

Helen Hayes

Mr Mark Prisk

Kevin Hollinrake

Alison Thewliss

Liz Kendall

Draft Report (*Housing associations and the Right to Buy*) proposed by the Chair, brought up and read.

*Ordered*, That the Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 120 read and agreed to.

Summary agreed to.

*Resolved*, That the Report be the Second Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

*[Adjourned until Monday 8 February at 3.45 p.m.]*

## Witnesses

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The following witnesses gave evidence. Transcripts can be viewed on the [inquiry page](#) of the Committee's website.

### Monday 19 October 2015

*Question number*

**David Orr**, Chief Executive, National Housing Federation, **Jenny Osbourne**, Chief Executive, Tenant Participation Advisory Service, and **Paul Smees**, Director General, Council of Mortgage Lenders

[Q1–63](#)

### Wednesday 4 November 2015

**Nicholas Harris**, Deputy Chief Executive, Stonewater, **Ian McDermott**, Chief Operating Officer, Sanctuary Group, and **David Montague**, Chief Executive, L&Q Housing

[Q64–116](#)

**Stephen Javes**, Chief Executive, Orwell Housing, **Diana Kingdon**, Chief Executive, Greenoak Housing Association, **Hugh Owen**, Director of Policy and Communication, Riverside Group, and **Tony Stacey**, Chief Executive, South Yorkshire Housing Association

[Q117–143](#)

### Monday 16 November 2015

**Cllr Keith House**, Deputy Chair, Environment, Economy, Housing and Transport Board, Local Government Association, **Cllr Lib Peck**, Leader, London Borough of Lambeth Council, **Stephen Hills**, Director of Housing, South Cambridgeshire District Council, and **Cllr Ferris Cowper**, Leader, East Hampshire District Council

[Q144–203](#)

### Monday 14 December 2015

**Nicola McCrudden**, Director, Chartered Institute of Housing Northern Ireland, **Eileen Patterson**, Board Member, Chartered Institute of Housing Northern Ireland and Director, Housing Services, Fold Housing Association, and **Dr Mary Taylor**, Chief Executive, Scottish Federation of Housing Associations

[Q204–220](#)

**Fiona MacGregor**, Director, Regulation, Homes and Communities Agency, **Jonathan Walters**, Deputy Director, Strategy and Performance, Homes and Communities Agency, and **Piers Williamson**, Chief Executive, The Housing Finance Corporation

[Q221–261](#)

**Anna Clarke**, Senior Research Associate, Cambridge Centre for Housing and Planning Research, and **Lord Kerslake**, Chair, Peabody Housing Association

[Q262–281](#)

### Tuesday 15 December 2015

**Brandon Lewis MP**, Minister of State for Housing and Planning, Department for Communities and Local Government

[Q282–387](#)

## Published written evidence

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The following written evidence was received and can be viewed on the [inquiry page](#) of the Committee's website. RTB numbers are generated by the evidence processing system and so may not be complete.

- 1 Accent Group Ltd ([RTB0133](#))
- 2 Adler Housing ([RTB0086](#))
- 3 Affinity Sutton ([RTB0052](#))
- 4 Anchor ([RTB0090](#))
- 5 Anthony Collins Solicitors ([RTB0132](#))
- 6 ARCO ([RTB0176](#))
- 7 Aspire ([RTB0085](#))
- 8 Aspire Group ([RTB0016](#))
- 9 Association of Retained Council Housing ([RTB0108](#))
- 10 Aster Homes ([RTB0066](#))
- 11 Barlborough Hospital (Almshouses) ([RTB0030](#))
- 12 Basingstoke and Deane Borough Council ([RTB0119](#))
- 13 BCHA ([RTB0098](#))
- 14 BMENational ([RTB0061](#))
- 15 Bolton at Home ([RTB0054](#))
- 16 Bolton at Home on behalf of Greater Manchester Housing Providers ([RTB0137](#))
- 17 Bournemouth Borough Council ([RTB0029](#))
- 18 Bournville Village Trust ([RTB0047](#))
- 19 Bracknell Forest Homes ([RTB0071](#))
- 20 Broadland Housing Association ([RTB0010](#))
- 21 Bromford Group ([RTB0106](#))
- 22 Building and Social Housing Foundation ([RTB0126](#))
- 23 Campaign to Protect Rural England (CPRE) ([RTB0131](#))
- 24 Canaccord Genuity ([RTB0078](#))
- 25 CESSA HA ([RTB0003](#))
- 26 Chartered Institute of Housing ([RTB0095](#))
- 27 CHP ([RTB0044](#))
- 28 City of York Council ([RTB0056](#))
- 29 CLA ([RTB0113](#))
- 30 Cllr John Moss ([RTB0007](#))
- 31 Coastline Housing ([RTB0027](#))
- 32 Confederation of British Industry (CBI) ([RTB0099](#))
- 33 Confederation of Co-Operative Housing ([RTB0084](#))
- 34 Cornwall Rural Housing Association ([RTB0069](#))

- 35 Council of Mortgage Lenders ([RTB0067](#))
- 36 Council of the Isles of Scilly ([RTB0005](#))
- 37 Cross Keys Homes ([RTB0105](#))
- 38 Curo ([RTB0096](#))
- 39 Debt Resistance UK ([RTB0128](#))
- 40 Department for Communities and Local Government ([RTB0163](#))
- 41 Disc Housing ([RTB0028](#))
- 42 District Councils' Network ([RTB0118](#))
- 43 East Hampshire District Council ([RTB0168](#))
- 44 East Thames Group ([RTB0107](#))
- 45 Eleanor Togut ([RTB0022](#))
- 46 Epic Housing ([RTB0087](#))
- 47 Evans Estates ([RTB0057](#))
- 48 First Choice Homes Oldham Limited ([RTB0156](#))
- 49 ForViva ([RTB0076](#))
- 50 Franklands Village Housing Association ([RTB0170](#))
- 51 Friary Park Preservation Group ([RTB0100](#))
- 52 G15 ([RTB0130](#))
- 53 Genesis Housing Association ([RTB0154](#))
- 54 Gentoo Group ([RTB0102](#))
- 55 GIPSIL ([RTB0065](#))
- 56 Glendale Gateway Trust ([RTB0025](#))
- 57 Gloucester City Homes ([RTB0018](#))
- 58 Golden Lane Housing ([RTB0073](#))
- 59 Grant Thornton UK LLP ([RTB0101](#))
- 60 Great Places Housing Group ([RTB0151](#))
- 61 Great Places Housing Group ([RTB0162](#))
- 62 Greater London Authority ([RTB0147](#))
- 63 Greenfields Community Housing ([RTB0058](#))
- 64 Greenoak Housing Association ([RTB0173](#))
- 65 Guinness Trust Unison Branch ([RTB0063](#))
- 66 Hanover Housing Association ([RTB0157](#))
- 67 Hastoe Housing Group ([RTB0153](#))
- 68 Highbury Group on Housing Delivery ([RTB0167](#))
- 69 Home Group ([RTB0165](#))
- 70 Homes and Communities Agency ([RTB0155](#))
- 71 Housing Justice ([RTB0037](#))
- 72 Incommunities Group Limited ([RTB0158](#))

- 73 Intergenerational Foundation ([RTB0014](#))
- 74 Isos Housing Group ([RTB0110](#))
- 75 Joseph Rowntree Foundation ([RTB0121](#))
- 76 Kent Housing Group ([RTB0135](#))
- 77 Leathermarket JMB ([RTB0124](#))
- 78 Lincolnshire Rural Housing Association ([RTB0033](#))
- 79 Local Government Association ([RTB0034](#))
- 80 London & Quadrant Housing Trust ([RTB0038](#))
- 81 London Assembly Housing Committee ([RTB0169](#))
- 82 London Borough of Hackney ([RTB0129](#))
- 83 Metropolitan ([RTB0148](#))
- 84 Midland Heart Limited ([RTB0062](#))
- 85 Million Homes, Million Lives ([RTB0112](#))
- 86 Moat ([RTB0104](#))
- 87 Mr Andrew Fordham ([RTB0060](#))
- 88 Mr Karl Horrocks ([RTB0004](#))
- 89 Mr Peter Youle ([RTB0015](#))
- 90 Mr Phillip Purves ([RTB0001](#))
- 91 Mr Simon Goulding ([RTB0081](#))
- 92 Mrs Angela Wood-Smith ([RTB0088](#))
- 93 Mrs Joan Marshall ([RTB0006](#))
- 94 Ms Caroline Starkey ([RTB0020](#))
- 95 Ms Okie Adebajo ([RTB0083](#))
- 96 National CLT Network ([RTB0117](#))
- 97 National Housing Federation ([RTB0068](#))
- 98 National Tenant Organisations ([RTB0172](#))
- 99 Northamptonshire Rural Housing Association ([RTB0031](#))
- 100 Northern Housing Associations ([RTB0116](#))
- 101 Northern Housing Consortium ([RTB0161](#))
- 102 Oldham Unison ([RTB0024](#))
- 103 One Manchester ([RTB0127](#))
- 104 Orbit Group Ltd ([RTB0115](#))
- 105 Orwell Housing Association ([RTB0174](#))
- 106 Peabody ([RTB0092](#))
- 107 Peak District National Park Authority ([RTB0045](#))
- 108 Peak District Rural Housing Association ([RTB0013](#))
- 109 Peter Hoyle ([RTB0089](#))
- 110 Phoenix Community Housing ([RTB0109](#))

- 111 Placeshapers ([RTB0040](#))
- 112 Plymouth Community Homes ([RTB0111](#))
- 113 Progress Housing Group ([RTB0026](#))
- 114 Radian ([RTB0019](#))
- 115 Raven Housing Trust ([RTB0050](#))
- 116 Red Kite Community Housing Limited ([RTB0039](#))
- 117 Riverside Housing Group ([RTB0159](#))
- 118 Rochdale Boroughwide Housing ([RTB0123](#))
- 119 Royal Borough of Greenwich ([RTB0125](#))
- 120 Rural Housing Alliance ([RTB0008](#))
- 121 Sanctuary Group ([RTB0072](#))
- 122 Scottish Federation of Housing Associations ([RTB0175](#))
- 123 SHAL Housing ([RTB0079](#))
- 124 SHOUT ([RTB0042](#))
- 125 Soha Housing ([RTB0002](#))
- 126 South Yorkshire Housing Association Ltd ([RTB0048](#))
- 127 Sovereign Housing Association ([RTB0055](#))
- 128 St Mungo's Broadway ([RTB0141](#))
- 129 Stoll ([RTB0114](#))
- 130 Stonewater ([RTB0171](#))
- 131 Stonewater Housing Association ([RTB0049](#))
- 132 The Abbeyfield Society ([RTB0091](#))
- 133 The Almshouse Association ([RTB0075](#))
- 134 The Extracare Charitable Trust ([RTB0166](#))
- 135 The Foyer Federation ([RTB0009](#))
- 136 The Hyde Group ([RTB0094](#))
- 137 The Investment Association ([RTB0122](#))
- 138 The Royal Institution of Chartered Surveyors ([RTB0145](#))
- 139 Totnes Town Council ([RTB0011](#))
- 140 Town and Country Housing Group ([RTB0041](#))
- 141 TPAS ([RTB0059](#))
- 142 UCATT ([RTB0021](#))
- 143 UK Cohousing Network ([RTB0120](#))
- 144 Unison ([RTB0164](#))
- 145 Unison Housing Association ([RTB0097](#))
- 146 Unison Stewards Committee WDH ([RTB0070](#))
- 147 United Communities ([RTB0082](#))
- 148 Viridian Housing ([RTB0136](#))

- 149 Walsall Housing Group ([RTB0146](#))
- 150 Warwick District Council ([RTB0080](#))
- 151 Warwickshire Rural Housing Association ([RTB0032](#))
- 152 Watford Community Housing Trust ([RTB0093](#))
- 153 WDH ([RTB0150](#))
- 154 Welwyn Hatfield Council ([RTB0053](#))
- 155 Wiltshire Rural Housing Association ([RTB0035](#))
- 156 Winckworth Sherwood ([RTB0149](#))
- 157 WM Housing Group ([RTB0036](#))
- 158 Wulvern Housing ([RTB0134](#))
- 159 Yarlington Housing Group ([RTB0023](#))
- 160 YMCA England ([RTB0017](#))

## List of Reports from the Committee during the current Parliament

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All publications from the Committee are available on the Committee's website at [www.parliament.uk/clg](http://www.parliament.uk/clg).

### Session 2015–16

First Report	Devolution: the next five years and beyond	HC 369
First Special Report	Child sexual exploitation in Rotherham: Ofsted and further government issues: Ofsted Response to the Committee's Ninth Report of Session 2014-15	HC 435
Second Special Report	Private rented sector: the evidence from banning letting agents' fees in Scotland: Government Response to the Committee's Eighth Report of Session 2014-15	HC 434