

Levelling Up, Housing and Communities Committee

Oral evidence: The finances and sustainability of the social housing sector, HC 1268

Monday 12 June 2023

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Members present: Mr Clive Betts (Chair); Bob Blackman; Ian Byrne; Mrs Natalie Elphicke; Kate Hollern; Mary Robinson; Mohammad Yasin.

Questions 1 - 59

Witnesses

I: Professor Tony Crook, Professor Emeritus of Town and Regional Planning, University of Sheffield; and James Prestwich, Director of Policy & External Affairs, Chartered Institute of Housing.

II: Kate Henderson, Chief Executive, National Housing Federation; Fiona Fletcher-Smith, Chair, G15; Paul Fiddaman, Group Chief Executive, Karbon Homes; and Kate Wareing, CEO, Soha Housing.

Examination of witnesses

Witnesses: Professor Tony Crook and James Prestwich.

Q1 Chair: Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Committee. This afternoon we are beginning an inquiry—taking our first evidence—into a very important subject: the finances and sustainability of the social housing sector. The Committee is looking at this because we are aware of the great challenges that housing associations and councils face around the need to keep their properties in good repair; concerns that have been raised around mould and dampness, for example; building safety matters post-Grenfell; making sure homes are more energy efficient; and, of course, trying to build some new homes as well. There are lots of challenges and we want to look at whether the money is available to perform all those very important functions.

We have two panels, and two witnesses on our first panel. I have been just reminded in my ear, very delicately, that Committee members need



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to put on record interests they have that may be relevant to this inquiry. I am a vice-president of the Local Government Association.

Kate Hollern: I employ a councillor—I don't know if that is relevant to this.

Chair: Yes, it probably is.

Bob Blackman: I am a vice-president of the LGA and I employ councillors in my office.

Mrs Natalie Elphicke: I am a vice-president of the Local Government Association.

Chair: Now we can come over to our two witnesses. I will first come to Tony Crook, who is online with us today.

Professor Crook: I am Tony Crook, Emeritus Professor of Planning at the University of Sheffield. I am a chartered planner, and a member of the RTPI board. I chair the Construction Industry Council's housing panel and the planning panel of the Construction Leadership Council. I have been invited by your Clerks because of the work I have done on planning obligations, including, I should declare, the modelling we did for the Department on the infrastructure levy, but I speak in a personal capacity.

Chair: Right, so you are not taking responsibility for the problems there. Okay, we will move on from that.

James Prestwich: I am James Prestwich. I am Director of Policy and External Affairs at the Chartered Institute of Housing. We are the professional body for the housing sector. We are across UK and cross-tenure, although the vast majority of our members, who are individuals and organisations, work within the social housing sector.

Q2 **Chair:** Let's begin with a very important question: where does the money to develop and maintain social housing ultimately come from?

Professor Crook: I am not fully up to speed on this, Chair, but fundamentally, given my experience sitting on the Orbit housing group for many years, although no longer, it comes from the rents that tenants pay, and then it comes from the borrowing that housing associations are able to do against their assets for capital purchases. It also comes from landowners and developers via planning obligations. A tricky question for all boards of housing associations, as I remember, is: how do you balance how much you spend on the existing stock—keeping it fit for purpose—and how much do you spend on acquiring new stock? It is a real tension.

James Prestwich: To add a little bit of extra context, housing associations, particularly in recent years, have increasingly used the bond market, either public or private placement, but loans remain a key part of the way in which a housing association sets out to fund its development



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and its business plans. Tony mentioned rent and the importance of rent. It is probably a good point to flag up the importance for the sector of a degree of long-term certainty over rental income, which helps for better business planning, but also helps in driving confidence in the sector from those who are looking to lend to the sector.

Q3 Chair: Has a lack of long-term confidence from the rent policies of the last few years been a problem?

James Prestwich: Yes. We had a rent cut imposed at quite short order in 2015, which took a significant amount of capacity out of the sector and caused some real bumps in the road there for business plans. Then we have had the recent rent settlement and the Government, after consultation, have imposed a rent cap—a cap on the amount by which rents can be increased. The Chartered Institute of Housing was supportive of that due to the once in a generation inflation pressures, but clearly missing from that rent settlement is any kind of mechanism to take account of those kind of rent inflationary pressures. Longer term, the existing rent settlement is coming to an end in 2025, I think. As far as business planning and investor confidence are concerned, it is important that a new rent settlement is agreed at some point pretty quickly.

Q4 Chair: How important is it not just for that income coming in, but to provide certainty to investors who might be lending money to housing associations?

James Prestwich: One of the things that is very attractive to investors is the certainty that you get in the sector from long-term, index-linked rents. That gives investors confidence when they are lending to the sector. It is pretty crucial.

Q5 Chair: Tony Crook, what is your view about the current situation of rents and the problems that have been reflected on, and the future going forward?

Professor Crook: I am not as familiar with that as I should be, Clive, but looking back at my experience on Orbit, which is now quite dated, I agree very much with what the other witness said about certainty. It was clear when we were borrowing in the bond market that it was an attractive deal for people who were lending us money at quite low interest rates at the time, and they were looking at the index-linked rents that we would get in the future. Also it is one of the reasons—I have done some work on this, as I think you know—why housing associations have found it interesting, shall I say, to invest in the private rented sector, borrowing against the rents that they could charge on that basis, and also they can cross-subsidise the social rental sector.

Q6 Mrs Elphicke: To clarify for people who might not be familiar with the business model, these are in many cases multibillion pound businesses, aren't they, who have sophisticated risk management processes?



James Prestwich: Yes.

Mrs Elphicke: Within that you would expect a sophisticated, responsible business to have risk management processes that anticipate and allow for different variations in the economic cycle as with other businesses. Indeed, that is what happens in housing associations, isn't it?

James Prestwich: Yes, I agree with that. I guess in business planning, when you have a rent settlement, it is right to base your business plan on that rent settlement.

Q7 **Mrs Elphicke:** But as part of risk management, political and other risk and uncertainty will also be factored into these businesses. I think it is important that we don't overstate the impact of what you have described in the sophistication of the business management tools, accepting that decisions become required. I think the implication was perhaps a more severe shock than the outturn.

James Prestwich: Yes, I think the key there is that there are always trade-offs, aren't there? It is the capacity of the sector to be able to do all the things that it and the Government would like it to do. If rental income is less, you do less.

Q8 **Mrs Elphicke:** If I may follow up briefly on the financing model, you mentioned a reliance on indexed rents, but that forms a relatively small part of the overall debt financing model that you have already described. Again, for clarity for those who might not be so familiar with the business modelling, I want to draw a distinction between the long-term business management and the certainty of the rents being Government-backed, which the bond agencies and others would say was the driving force behind the stability in the rates and the attractiveness of this as an investment sector, as opposed to the indexation, which is not one and the same, is it?

James Prestwich: You would need to speak to those who are looking to invest in the sector and get a sense of the order of importance that they attach to that, but long-term certainty is absolutely essential.

Q9 **Mrs Elphicke:** Yes, so not certainty in rent indexation, stability in rents and the assumed Government backings of rents. That is what the bond market would say in its reports, isn't it?

James Prestwich: Yes.

Q10 **Mrs Elphicke:** It is not something you feel comfortable discussing in specialist detail. I am very comfortable with that, Chair. I just wanted to draw out that we are not having financing and investment market evidence on that issue.

Chair: James probably wants to respond.

James Prestwich: No, that is fine, Chair.



Professor Crook: I will reinforce the point that James has made in answer to your colleague's question. My experience over many years is that housing associations of size are very good at stress testing. Certainly when I was on the board of Orbit we spent a lot of time stress testing what we were seeking to do. Of course the bond market assumed that the Government would back us whatever happened and that enabled us to get some quite good deals. I think it is the Government-assumed backing rather than the indexation of the rents, just to pick up the point your colleague made. I am speaking across her and I apologise.

- Q11 **Chair:** On cross-subsidies, you mentioned the private rented sector and housing associations moving into providing those sorts of properties but also market sales. There are some concerns that what seemed to be a way of subsidising social housing may in some cases be on the reverse now, and social housing may be subsidising some of the market developments. Do you have any information or evidence for the Committee in that area?

Professor Crook: No, Clive, I am not up to date on that but certainly I can submit the paper that Peter Kemp and I did on this, which shows the scale of the profits that associations were making and moving across to subsidise the social rented housing. That is the private rented sector.

James Prestwich: I don't have any specialist insight to bring to that.

- Q12 **Ian Byrne:** I am going to touch on the cross-subsidy elements of it. Since 2010 we have had the grants taken away and the cross-subsidy model has come in. Is it sustainable—is it working—or do we need a different model?

James Prestwich: I think what you have characterised is the world that the sector finds itself in, which is that post 2010 there was far less grant available to develop social housing and associations looked to borrow to try to make up that shortfall in grant to fund new development. There is an argument to say that the sector has become less countercyclical and more procyclical. We have seen that over the last couple of years with the straitened economic circumstances that we find ourselves in, with housing associations and local authorities looking to pare back on development. It goes back to the trade-offs that I spoke about.

- Q13 **Ian Byrne:** We are desperate for social housing. Almost every MP is getting absolutely inundated by people at the moment who are ending up on the streets homeless or in hotels. There has never been a greater need. That is why I am trying to ask whether the model we have now is fit for purpose for what we need as a country.

James Prestwich: I argue that we need greater grant rates to build genuinely affordable socially rented homes but, of course, there is also the wider point about sector capacity with those competing demands on associations and on local authorities. In that context there are the high inflationary pressures that we have seen, the impact that that has on



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prices, on supplier prices, and the impact on the cost of borrowing as well, which sit behind all of this.

Professor Crook: It is interesting, in response to your point, to refer, as I said to your Clerk I would, to the Scottish experience, if that is relevant to the Westminster Government. I have done some work with colleagues that shows that there is a different model in Scotland. It has the equivalent of section 106, but it provides genuine grants. If you look at the figures, the output of Scottish housing associations is 70% of social rented housing. That compares very dramatically with the picture in England. In Scotland you have the mix of Government grant with housing association borrowing, and the contributions from developers and landowners through what they call section 75.

Ian Byrne: That is interesting. Thanks for that.

Chair: Let's move on then to shared ownership.

Q14 **Bob Blackman:** One of the conundrums in how we define shared ownership is: is it affordable housing, getting people on to the housing ladder, or is it a source of income for housing associations? Which way should we look at it?

James Prestwich: I think that shared ownership is a product that has proven to be an important part of the mix and was certainly recognised by previous Governments that heavily weighted the affordable homes programme towards shared ownership. It is equally safe to say that it meets a very specific demand in the market in specific areas of the country. I think that is an important distinction to point out. It has been successful in getting people a stake in owning property. I don't have the figures at hand, but I think from the last time I saw stats on this—no surprise here—something like 89% or 90% of the British population want to be able to own a home at some point. That is a perfectly understandable aspiration, and I think shared ownership has been proven to assist there.

That does not necessarily mean that it is perfect as a tenure—I don't think anyone is arguing that it is. It is probably like a lot of things, it could do with reform and tightening up, certainly, with greater transparency around fees, tenant-landlord and shared owner-landlord responsibilities, lease extensions, and staircasing in particular. A lot of the criticism that you hear about shared ownership is that it is quite a difficult product to understand. To summarise, I think it serves a need. It is an important part of the mix, but it is by no means the—

Q15 **Bob Blackman:** Would it be better to move to a rent-to-buy process instead of having shared ownership?

James Prestwich: I am not an expert on rent-to-buy.

Bob Blackman: I am asking the question. If you are not an expert, that is fine. Unfortunately I think the expert on the panel was not able to



attend, so obviously you as witnesses are going to get the key questions.

James Prestwich: There is probably room for both, I guess, if that doesn't have me sitting on the fence too much.

Professor Crook: If I can add to what James has said in response to your colleague's question, it seems to me that many housing associations see shared ownership as part of the mix, as they now do private-rented housing. I think what is very interesting about shared ownership is the way it has contributed quite significantly to the mixed communities agenda. There are schemes in inner cities for regeneration projects where the availability of shared ownership has enabled some people to get a so-called foot on the housing ladder in areas that were seen as deprived. It has also enabled people to move out to more suburban areas and less deprived areas, and to get a foot on the housing ladder there.

I am not up to date with the stats—the colleague who has not been able to join us probably is—but my impression from looking at previous information is that people don't tend to staircase up. They tend to take the percentage that they bought at and sit there, so housing associations are not making the profits on it that they can redeploy for the social-rented housing that your colleague has rightly said is importantly needed. Of course, shared ownership is not without risk. I can recall sitting on a board feeling extremely worried about the number of shared ownership homes that we were not selling and it was impacting on the cash flow.

It comes back to your other colleague's question about whether we have the strategy and the risk mitigations in place to manage the wide variety of offers that associations are dealing with these days.

Q16 **Bob Blackman:** Do you think that a rent-to-buy model would be better than the current shared ownership model?

Professor Crook: I am not sure I know enough about it. I am sorry to be unhelpful, but it rather depends on how that offer sits with the circumstances of the individual as well as the housing association. What I am saying in answer to the question is it fits the idea of mixed communities and giving a range of people opportunities on some of the larger estates and smaller estates. I tend to see it in the kind of communities we want to build, as well as the financial aspects of it for the association and the individuals.

Q17 **Bob Blackman:** The other thing you mentioned was your previous experience of shared ownership not being taken up fully for what was on offer, or was it a case of the amount that was being sold?

Professor Crook: People tending not to staircase. They would buy it at 25% and get the benefits of the capital growth on that.

Q18 **Bob Blackman:** My experience is that every shared ownership scheme is oversubscribed in applications for a section of shared ownership.



Professor Crook: When the market was buoyant and I sat on a housing association board, there was no difficulty selling. The trouble was when the market died and we were stuck. If we had overbuilt, we were stuck. That was the problem with our cash flow.

- Q19 **Mary Robinson:** Many of our witnesses have expressed concern that the introduction of the infrastructure levy and removal of section 106 provisions may reduce the amount of funding available for new social housing. Legal and General, for instance, argued that there was evidence that the levy would reduce affordable homes saying, "As a comparable area, we looked at CIL. When we last reviewed the evidence, at any time, about 30% of CIL is held as cash and is not being spent on much needed infrastructure. There is nothing to suggest that the same problem will not apply to the levy." Professor Crook, do you agree with that summation? What changes could be made to the infrastructure levy to avoid a reduction in affordable homes?

Professor Crook: I am tempted to go on for length, but that would be discourteous. What the Government have done is to try to introduce a much simpler system than the current section 106 and CIL system. That has many attractions, but what they have now done is to introduce an infrastructure levy that inevitably has to be very complicated for local authorities choosing their levy rates and thresholds. On top of that, they have now decided to retain section 106, so we have the existing complex section 106 for large and complex sites running alongside—twin tracking—the introduction of the infrastructure levy. One of my big concerns is what this might put into the system for local authorities who will have to do a great deal of work to decide what the levy rates are and what the thresholds should be, taking it through the various rigours of assessment and inquiry.

The modelling we did for the Department suggests that the levy has some potential to raise more money, but largely on greenfield sites in southern England. I would not expect the levy to produce substantially more for affordable housing and infrastructure, but that largely depends on the assumptions that we made. On the other hand, one could say the levy now becomes mandatory and so local authorities have no alternative but to introduce it. Of course they could introduce zero rates and still cover a lot more development. That is on the upside.

The complexities of the right to require are quite horrendous. My summary of that rather complex and convoluted argument is that I am not convinced personally that the levy will secure at least as much affordable housing. My personal view—I emphasise "personal"; I am sorry to be slightly tight about that—is that it might be much better to retain section 106 and CIL, and undertake the reforms that are necessary, so that we can secure the affordable housing and infrastructure that we need. Many developers I know are saying that; I have been part of discussions. One of the things they are worried about losing is the contractual basis under section 106 where they sign an



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agreement to deliver the infrastructure, or the local authority agrees to deliver the infrastructure. I think we risk, in the time that it will take to introduce this and the complexity of it, the additional amount of affordable housing that we need.

Q20 Mary Robinson: Is an additional risk part of the twin tracking—in other words that the development might be held back and tied up in the extra planning implications?

Professor Crook: I think that is right. With colleagues, I have been tracking section 106 for more years than I want to remember. One of the things that we have observed over the years is that it takes a long time for new systems to bed down, but people do understand it and clearly there are problems. There are problems with the renegotiations, and one of the biggest problems is most local authorities don't have an up-to-date and adopted local plan, so that creates an additional layer of uncertainty. My personal view is that if we had adopted local plans that were up to date everywhere, we would have more chance of section 106 delivering the affordable housing that we need.

Q21 Mary Robinson: Speaking from my experience, Stockport Council does not have an up-to-date plan and we see developers coming in. Does the lack of a plan affect the way that affordable homes will be delivered?

Professor Crook: The lack of a plan creates a great deal of uncertainty for developers. Developers want clarity if they are asking that a percentage of housing should be affordable with a mix of that affordability on the sites in that borough, including your own one. That enables them to negotiate with landowners and landowners' agents on what to pay for the site. That clarity is really quite important. We know from recent court cases that the High Court has said that where the local authority has clarity in its plan and its policy, the developer has to take that into account, with no negotiations or renegotiation, if you are going to pay for the site—

Q22 Mary Robinson: Sorry, Professor Crook. Currently we still have section 106 being used and implemented. How much affordable housing is currently funded by the section 106 process and is that a problem in itself?

Professor Crook: Last time I looked, 43% of all affordable housing across the range that we have been talking about—shared ownership; affordable rent—is produced through section 106 on a zero-grant basis. That constitutes—this is from memory, but I can check and send your Clerk a note—about 26,000 homes. It is quite significant. It has gone up and down over the years. At one stage it was two thirds, but it is broadly producing about half. In effect, given the fact that we know from our work that it is the landowners who pay the costs because they pay for it in getting a lower price, we have landowners who benefit from planning permission effectively paying for the affordable housing we need. That seems to me to be justified because they are getting the benefits of



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planning permission often in very high-priced areas where low income people find it hard to buy a house, to get on the housing ladder or even to rent. In my view, it is an equitable way of dealing with this.

Q23 Mary Robinson: One of the issues sometimes is that a development can be agreed but the affordable housing does not take place in the area of the development. It is moved to a different area of the borough.

Professor Crook: I am not familiar with the circumstances you are quoting, but I can see that it does happen. In most of the studies we looked at—in 80% of the cases we looked at—this is delivered. Where it is not delivered it is often because the scheme does not proceed or another developer comes along and renegotiates. I am not sure I have seen many cases where the affordable housing is delivered on another site and not on the site where it provides the mixed community that people believe we should pursue.

Q24 Mary Robinson: Thank you, Professor Crook. James, do you have anything to add?

James Prestwich: Professor Crook is the expert and I certainly don't want to waste the Committee's time with repetition, but just on the stats that the Professor outlined, they align with 26,000 affordable homes in 2021-22—about 44% of the total supply. The key point for us, as we said in our submission, is the uncertainty that Professor Crook outlined. At a time where we need to be building more, not less, introducing an infrastructure levy that may result in fewer homes being built seems absolutely the wrong direction for us to be going down.

I have heard it categorised as a disruptive change and I think that is the other point here. At a point at which, again, the focus needs to be on how we drive delivery and a real uptick in delivery, the administrative process of introducing a new levy will add further impact on local authority capacity. People have talked a lot about the fact that what is needed here is a reform of section 106. I am not a planner, so I don't want to go into the technical details that might be needed to make section 106 perform better, but there is a real issue here about the speed of the planning process. We hear time and time again that greater investment in local authority planning departments and legal departments is absolutely called for to speed up the existing process.

Q25 Mary Robinson: Given that the infrastructure levy is likely to go ahead, what change would you make to it?

James Prestwich: There is a whole host of things that Professor Crook started to talk about. The right to require should probably be accompanied by a requirement to deliver so we can get some real hard targets in there. There are some technical issues there, and we have submitted that evidence to the Government, but the key point is it is probably not too late for reforming section 106 and I think that is where the industry would like us to get to.



- Q26 **Chair:** To pick up on something that is often said, social housing provision building is countercyclical. It helps when building is funded by grant and the private market may be a bit in the doldrums that there are alternative forms of development funded by grant. Is there historical evidence to show that is the case and this can be beneficial not merely to social housing providers who may find that costs go down at that time but also generally to the construction industry as a whole?

James Prestwich: Yes, and I think there is strong evidence—some historical evidence we can draw on from 2008 and the financial crash where grant rates were increased, which enabled social landlords, and housing associations in particular, to go out and often buy properties off the shelf that had remained unsold. It was two-pronged. It was looking to try to continue to deliver affordable housing, but there is also a key point about how we make sure we retain capacity within the house-building sector at a time where, for understandable reasons, sites were being closed down and people were looking to go and work elsewhere.

Professor Crook: Clive, if I could add to that point, we have not plotted the ups and downs, but one of the key things that has come across from the research we have done is that on the mixed community sites where there is a mixed market and social housing and shared ownership, very often the deal is that the builder builds that first and gets the benefit of the cash injection on that site from the housing association. That can be quite important in a downturn. You might have 30% of the site devoted to affordable housing and then the housing association comes and buys it as a job lot. That helps with the cash flow and protects the cash of the developers.

- Q27 **Chair:** We have talked about evidence, James. You have mentioned the financial crash. Is there evidence from any other points in time about countercyclical help?

James Prestwich: There are some historical precedents to draw on. When was the last time that we were building, as a nation, the homes that we needed? That was when the state played a significant role, large-scale local authority house building and preferable grant rates to enable us to develop as well as—Professor Crook will know more than I do about this—innovative approaches to planning with new town development.

- Q28 **Chair:** Tony, over to you; anything to add?

Professor Crook: James has mentioned the possibility of new towns and small villages but these have long timescales attached to them and that needs a return to a more strategic form of planning at the regional level, not necessarily the same kind of institutional framework we have. The big context here must be to have those plans in place within housing associations and lenders can play their part. Without that, we are faced with a more bit-by-bit approach to things, which does not work.

Chair: Thank you both very much for coming to give evidence to the Committee today on a variety of issues. I am sure they are issues that



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we will be putting to other witnesses as we go along this afternoon and in future evidence sessions. Thank you both very much.

I think the reality is that we will have to suspend the Committee for a time now as we are going to have some votes in the House and then come back as soon as those votes are over. Thank you very much. I will bring the Committee's public session to an end for the time being.

Sitting suspended for Divisions in the House.

Examination of witnesses

Witnesses: Kate Henderson, Fiona Fletcher-Smith, Paul Fiddaman and Kate Wareing.

Q29 **Chair:** Thank you very much and welcome to our second panel of witnesses this afternoon for this important inquiry. I will go down the table and ask you to introduce yourself, just say who you are and the organisation you represent.

Kate Henderson: I am Kate Henderson. I am the Chief Executive of the National Housing Federation. We represent the housing associations in England who are not for profit providers of around 2.7 million homes to about 6 million people. I am really grateful that the Committee is focusing on the financial sustainability of the social housing sector. The sector remains financially robust, strongly regulated and able to attract borrowing because we have a zero loss from default record. However, the current approach is not sustainable in the long term and we are now facing some tough trade-offs between investment in our existing homes and building desperately needed new homes. I welcome the opportunity to discuss that today.

Paul Fiddaman: I am Paul Fiddaman. I am the Chief Executive of Karbon Homes, which is a housing association operating in the north-east and Yorkshire, with about 32,000 homes. For full disclosure, Chair, I should probably point out that I am also the chair of the Northern Housing Consortium, a board member of PlaceShapers and a member of Homes for the North. I may intermittently drop into one of those perspectives as I go.

Kate Wareing: I am more straightforward. I come wearing one main hat. I am Kate Wareing. I am Chief Executive of Soha Housing Association. We are based in south Oxfordshire in Didcot. We own about 7,600 homes. We are a community-owned mutual association, an LSVT association.

Fiona Fletcher-Smith: I am Fiona Fletcher-Smith and I am Chief Executive of the L&Q Group, but I am here today as the new Chair of G15, which is the representative body of the housing associations operating in London.



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Chair: Thank you all very much for coming today for what I think we all agree is a very important issue. I will ask Kate Hollern to begin the questions.

Q30 **Kate Hollern:** Everyone is aware of the challenges that you are all facing currently but what are the main financial challenges for housing associations at this point?

Kate Henderson: As I said in my opening comment, housing associations are financially robust and we are very well regulated, and that is really important in our ability to attract finance into the sector. We are, as a sector, absolutely committed to everybody to have a home that they can afford, a safe, decent home, and that is our mission but we are dealing with competing priorities at the moment. Those priorities come in the form of uncertainty, the economic environment in which we are working and hugely increased pressures on the need for housing. We have 4.2 million people in need of social housing in this country and we don't have a national long-term strategy for meeting housing need. There is a big gap there.

At the moment we are seeing potentially a housing market downturn and so there are things we would like the Government to do in the short term to help to shore up our existing position, and then there are things that we would like Government to do in the medium term.

In the short term, there are five key areas where we think the Government could really assist us. The first is certainty and consistency in consultation on the next rent policy framework, including reintroducing a convergence mechanism. Secondly, it is setting ambitious but realistic and funded regulatory standards around energy efficiency and decency. We are committed to the environmental agenda. We want to invest in the quality of our homes and to work with Government on that, but it needs to be costed and funded. Thirdly, we need to make funding available for regeneration to be able to tackle the worst quality homes now. Fourthly, we need additional and ringfenced revenue funding for supported housing alongside proportional and deliverable changes to the regulatory regime. Bob has been bringing that through his private Member's Bill, which we absolutely support. Last but not least, it is providing some additional grants and flexibility to allow the sector to respond in a countercyclical way as it did in 2008.

They are five things the Government could do now to shore up the current position, but in the medium term, we need a long-term plan that looks at the country's housing need, that sets out a framework that is stretching but deliverable, and that thinks about the outcomes we want to see. We recently published some research on children living in overcrowding and it is absolutely shocking—2 million children living in overcrowding. An outcome could be that we want to target that children have a safe, stable home where there is space to do their homework, or an outcome around environmental standards, or an outcome around



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economic investment opportunities, locally and nationally, of investing in housing. At the moment, we do not have a strategy.

Paul Fiddaman: Without wanting to recreate everything that Kate has just said, for me there is: the accumulation of pressure coming from rent constraint and from the heightened safety regime that exists for the sector, post-Grenfell in particular; the need to decarbonise our existing portfolio; rising inflation and rising interest rates; and the challenges that go with trying to deliver against a range of competing priorities while still trying to deliver on our strategic objectives as an organisation. That puts us in a position where we have to make challenging decisions about what to do and what not to do and whether to prioritise existing tenants or future tenants. It is not a comfortable decision to have to make sometimes.

Kate Wareing: I echo what other people have said and I will give you a couple of numbers. We have £53 million a year of rental income and about £10 million of shared ownership first tranche sales, which has been our history. On that this year we are expecting a revenue surplus before those sales of £4.5 million. We are a pretty secure association in our operating margins. Every time interest rates go up at the moment that is costing us another £700,000 per percentage because we have quite a low proportion of variable rate debt. Once we are fully drawn down against our existing loans, that would rise to £1.2 million. One of the big challenges right now is how not to course correct too quickly. Last year we built over 300 new homes. We costed net carbon zero for our business plan at £140 million. If rates continue to rise, we will need to reduce development or reduce long-term investment in meeting net zero. That is the soft end of what people are looking at.

The other thing with rents is that in addition to the lack of security, our income will keep pace with inflation because particularly bill costs are running way ahead of headline inflation. That impacts on our valuation because our properties are valued on the basis of their future rental yield, because they are social housing in perpetuity. That also will impact on our ability to take on new debt. With the development pipeline, we are entering into contracts now for properties that will potentially be delivered to us in two years. We don't know whether we can rely on that shared ownership sales income any more. We need to live within our operating margins to be really secure. The question, therefore, is how long do we carry on doing all the things we want to do and how quickly do we turn those off?

Fiona Fletcher-Smith: I am not left with much to say here. I will repeat that we are a very financially sound sector. We have to be optimistic that the headwinds we are facing at the moment will not last forever, but they may leave some long-term tails for us. To give you three big issues that we are all dealing with: inflation; increased borrowing costs; and the constrained income that we have had.



To put some flesh on inflation—to give you some London figures and what that meant for us this year—the average inflation on materials that we buy to repair and maintain people’s homes is running at about 16.8%. Build costs where we are building new homes is about 25% inflation. Electricity is a 225% increase for London landlords. The one that is truly shocking, but will not be a surprise to anybody, is that gas has increased by 573% for our bills. Where we insure buildings, we are seeing a 100% increase in premiums. Inflation is real.

On borrowing costs, to give an example from L&Q, we have borrowings of about £5 billion. It has added £60 million on to our costs this year. With the constrained income, the biggest issue there is the difference between the income we have coming in and those inflationary pressures. That is real money that we don’t have to spend, but also it is undermining the confidence that the credit reference agencies have in us because they are seeing a divergence between rental income and cost.

What does all that mean for us? You have heard already from colleagues on the panel that it is about prioritising and getting back to basics in a lot of ways, which in the case of my own organisation was probably much needed. We are prioritising investment in existing homes’ safety. We will still continue to build, but at a much lesser rate than we have in the past. I will give you an example from L&Q. In the affordable housing programme that finished in 2021, we built 11,000 new homes in London. This year, in this programme, we are bidding for 1,000. It is a dramatic drop.

The other prioritisation that concerns me at a time of high cost of living—I am hoping that this is an issue that is short term—is as G15 we spent about £5.8 million last year helping the most vulnerable of our residents to access fuel vouchers, for example. We set up warm hubs, the equivalent of a soup kitchen in effect, to keep people warm during the winter. We also accessed an additional £44 million of income for our most vulnerable residents. I worry that, in the short term, reprioritisation may mean that some of those more marginal services could be cut or affected. They are not yet and, as I say, I have to remain optimistic and hope that we get through these headwinds.

Q31 Kate Hollern: It is interesting that you are optimistic on the future but recognise there are some real challenges coming forward. Do you think that the Government are doing enough to assist with the short-term challenges? What would you like to see them do as a matter of urgency?

Kate Henderson: I think that there is a big opportunity for the Government to shore up the existing position. First and foremost, as our model relies on investment and borrowing, our rent settlement is absolutely crucial for our ability to plan in the long term and to secure the best rates and to have the confidence of our lenders and our partners.

To set out the scale of debt that we have as a sector—and of course housing associations borrow against future rental income; that is our



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business model to be able to invest in our existing homes and to build new homes—we currently have £123 billion worth of debt facilities in place, of which we have drawn down about £93 billion. The vast majority of this debt is long term, three quarters of it is fixed over 10 years, and the ability to borrow for investment is at the heart of our model. Our ability to borrow cheaply and at scale is because of being financially prudent, strongly regulated, not for profit, and because we have a zero loss from default record. I think that investors absolutely recognise that the regulatory environment we sit within, and the Government-set index-linked rent formula, is part of why they work with us, why they are our partners and why they invest in the long term.

The first thing that the Government could do is to engage now on the next rent policy framework. That would give us consistency and confidence, but it could also include a convergence mechanism. There are also other things. We have the decent homes consultation in the mix. We are looking at new energy efficiency standards and net zero by 2050. We are committed to all of this, but we need certainty and we need to understand the cost of getting there. Again, having that mapped out clearly would be hugely beneficial.

We know as a consequence of having an unstable rent settlement over the last 10 years—in the rent settlement, we had a rent reduction from 2016 to 2020—that had a significant consequence for the sector. In real terms, rents fell by 8.5% between 2015 and 2021. This year we have a rent cap of 7%, brought in for the best of reasons over the course of the year. We have just had some figures from Fiona of the actual costs of developing and doing repairs and maintenance. In nominal costs to housing associations the rent cap is estimated at £3.2 billion for us, for housing associations, and £1.7 billion for local authorities. We need a convergence mechanism of how we might be able to catch up to equalise in future so that loss is not compounded.

Also the consequence of having instability of our income over that time and no regeneration funding for the last decade is that we have not been able to replace homes on the scale that is needed. We are committed to doing that. One of the ways we have done that, but not on the comprehensive scale we would have liked to, is through using cross-subsidy, but cross-subsidy does not allow you to do that wholesale regeneration. Also in an economic downturn as the market is getting increasingly constrained, doing cross-subsidy makes us more procyclical than countercyclical.

Again, the Government could do two things here. One is they could allow funding from grant through the affordable homes programme not to just be on less additions, but to be on regeneration as well. Secondly, they could introduce further flexibilities on how grant is used so that we can flip tenure; we can make sure development keeps going through a downturn.



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Last but not least—thank you for bearing with me through my long list of things Government could do right now—is restoring ringfenced funding for housing-related support. Supported housing is our services for people who have been experiencing homelessness, care leavers, older people with care needs, domestic abuse victims and their families. These services are so vital to our communities. We have some capital funding in the affordable homes programme, but it is impossible to make these schemes stack up without a return to ringfenced funding for local authorities for housing-related support. That is my list of things that Government could do in the short term.

Paul Fiddaman: I absolutely endorse Kate's view about rent certainty, but I also want to see that married with another look at the balance between rent and grant rates. I spent nine years on the board of a housing association in Belfast and in that time they were able to double in size through their development programme. That is a long-run average of 10% to 11% support growth per annum. No English association gets anywhere near that in the long run and that is because in Belfast there is an equilibrium between rent and grant rate that enables people to build new affordable homes without destruction of balance sheet value, which is what happens with us here. I think those two things are part of the same equation and need to be viewed in the round as part of any settlement.

I absolutely agree on regeneration and I wonder whether there is a way of looking at this so that we can be a bit more joined-up between regeneration and the decarbonisation agenda. The worst performing homes in energy efficiency are often the ones at the heart of regeneration considerations. If there is a way of perhaps building on Homes England's new strategic plan, which talks a lot about regeneration, it seems to me that we could perhaps be looking at something that gets round the additionality problem. This is Treasury's rule that they need to see additional homes being built instead of replacement homes.

I will give you an example from our portfolio. We have an estate where the average net present value—the value to us of the homes—is less than £10,000. They were built in the 1930s and they have significant needs in achieving net zero of about £40,000. The economics of that don't work. If there was a way of marrying up some of the social housing decarbonisation funding that supported regeneration, it seems to me we could replace moribund stock with attractive modern stock that people would like to live in. That would be a huge benefit to the work that we do in some of our more low value areas of operation.

Kate Wareing: I will keep my contribution on this short by adding two things to your list. Housing need will not be going down any time soon. It will be going up. Interest will be higher than we have had the luxury of living with for the last 15 years. Inflation will take a while to come back down again. I think it is the time for some serious conversations about



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the balance between revenue spend on housing, which the state picks up a lot of, and capital spend on housing. In my operating area I see more and more groups of people's housing costs being met by Government expenditure that is Home Office spend or it is about spend coming out of care leaver budgets.

It is all over the place and a lot of that is much higher than it would need to be if there was some capital funding available to housing associations to enable us to cover that gap between a rental yield within the local housing allowance levels and the cost of providing that accommodation. I am absolutely convinced that that would reduce public expenditure and there is some good modelling by the Joseph Rowntree Foundation, for example, on temporary accommodation costs in London of a £1.6 billion bill for temporary accommodation there at the moment. I think it is time to get under the hood of what is capital and what is revenue. That is the first thing.

The second thing is that there are powers already within the planning system that I can see being differentially used by our local authority partners. We work in an incredibly high-cost area; 80% of local market rent in Oxfordshire is a lot of money. It does not sit well with what you would call affordable housing. We want more social rent. We know grant is scarce. We have two partner local authorities who have written into their planning policies that all section 106 homes will be social rent and we have two that haven't. The two that haven't are really nervous that that will reduce supply. They are short on staff and they need to get their unit completion numbers up. With the two that have, we can still see section 106 deals are coming through. That suppresses the land value. If it is done with notice, it is not the building companies in the middle who are in a difficult position. All it means is they reduce the price that they would pay for their land. We pay less for social rent homes than we pay for affordable rent homes because we are all in a competitive market when we are bidding for those from developers and we all price to break even over 40-ish years.

By writing that into planning law, you can increase the supply of social-rent homes without needing to put in capital subsidy and the more that that can be understood, modelled and promoted the better the supply of social-rent homes in the system, which particularly in high-cost areas is radically more affordable for our residents than affordable rent homes. Our average social rent is about 50% of open market rent; affordable rents we cap at local housing allowance levels or 80%. If we don't charge that we don't bid enough to ever provide those homes that we need to.

Fiona Fletcher-Smith: I will add again to the list. Kate, Paul and Kate have covered it very well. Rents really do matter. The extra question I will ask is how do we involve residents in that conversation? It is a key conversation about how much money have we got to be able to do works to your home versus what will that do to your household income. Government need to engage with residents on this as grown-ups to have



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that conversation about rents and it is not just housing associations or Government making the decision.

I will go a step further than Kate on what we need to do. I got some shocking figures from London Councils today. In London one in 23 kids is in temporary accommodation. That is every primary school class has at least one child in temporary accommodation. There are 166,000 people in temporary accommodation in London. It is the size of one London borough. We need to do something about that, so my big ask of Government is I think we need to build nationally about 90,000 social-rented homes—no messing around with 80% of market or affordable or anything else—per year for a decade. That would save the Treasury £1.9 billion per year, and these are figures from Kate at the Fed. It would save local government £600 million per year.

If we even just took the £20 billion that was set aside for help to buy, which is a demand stimulus when we have got a supply problem, and put it towards building social-rented homes, surely that would help. I can't put figures on it yet—we have Harriet Wilkinson researching on this—for the educational attainment, the impact on physical and mental health of living in temporary accommodation. That is what we have to grasp—as well as fixing the rents obviously.

Ian Byrne: Everything you said is absolutely spot on. We were talking to midwives in Liverpool last week and they were saying, with mothers within temporary accommodation, that they were very worried about unborn children, and children after they are born. The impact it is having on the NHS is catastrophic. I couldn't agree more with everything you have said there; it is a very good point well made.

Q32 **Bob Blackman:** Let me follow up on rents. Kate, I will start with you and I hope you enjoyed the cricket while you were preparing for today's season. The current rent settlement expires in 2025, so how soon does the Government need to announce the rent settlement for housing associations and other bodies to plan for the future? Is it this year, is it next year? When is the drop dead date?

Kate Henderson: We would like to see Government come forward and consult on the next rent policy for the '25 framework this year. I think that will give us more confidence to be able to respond to that in an evidence-based way so we can see the direction of travel, and work with our investors, our lenders and the credit rating agencies, to give some confidence now, while the market is already in a fairly uncertain position. Ideally we would like to see it come forward now. We would like to have a long-term settlement—ideally a minimum of five years, but we would like to go longer, at 10 years. I think it is important as well that rent policy is aligned within a wider strategy for social housing and that needs to look at grant rates and the regulatory system in which we are working. That wider strategy would give residents, ourselves and investors more confidence, rather than just looking at rent policy in isolation.



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Q33 **Bob Blackman:** I am assuming that other colleagues on the panel agree with that. I don't think there would be much dissent. Does the rent settlement need to have a position whereby housing associations could get back some of the money that has gone during the rent cap?

Kate Henderson: Absolutely.

Q34 **Bob Blackman:** That means that rents would rise. We should be quite clear on that.

Kate Henderson: Rents would rise if you had a convergence mechanism but you could do that in a way that enables us to catch up on rents to where they would have been had we not had the 7% cap this year. We are also dealing with the impact of the rent reduction from 2016 to 2020. That would need to be done in a way where we engaged extensively with residents and that was manageable in a steady week-by-week way that was broken down.

It is around us being able to have the capacity to deal with the short-term challenges and the longer-term challenges. We are dealing with building safety costs over the next decade of up to £6 billion. We are dealing with the challenge of getting to EPC C by 2030 but also to net zero by 2050. We are ambitious about that. We did some costs on that pre the spike in inflation, which estimated that we would need an additional £36 billion on top of the £70 billion we are already putting in. We have "decent homes 2" coming forward, which we absolutely welcome but we have no idea how much that is going to cost.

That is why it is important to have a housing strategy that looks at all of this in the round, with rent policy as part of it and residents at the heart of it so that they understand—

Q35 **Bob Blackman:** There are two things that flow from that. First, how much do you estimate that rents would have to rise, percentage-wise? How then do you balance the need, as you were just about to say, of the residents versus the finances of housing associations?

Kate Henderson: What we would need from Government is certainty of the overall policy envelope for rents. Then it would be with individual organisations that would look at their priorities and their local rents. In some organisations rents will not have caught up already; they will be below average. It will be worked out on an affordability basis, dependent on the business plans and the priorities of individual housing associations as set by their boards. What we need from Government is an overall strategy.

Q36 **Bob Blackman:** One of the issues that we have heard about, quite rightly, from Fiona is the affordability of rents anyway. We are talking about increasing rents, we heard from Kate the position on the affordability to the Treasury, because the Treasury ends up topping up the rents that go on housing benefit or other related benefits.



Kate Henderson: When we are talking about social rents, they are typically 50% of a market rent. That is the most affordable type of accommodation in this county. In London they are around 30% of the market rent, and in parts of the north-east maybe 65% up to 70%, depending on the market area. It is important that we see it within that context, which is why individual housing associations will understand and know the affordability for their residents where they have housing stock. What we are asking from Government is certainty of an index-linked rent settlement that we can have confidence in with our residents, our investors and our partners.

Bob Blackman: I will move on.

Fiona Fletcher-Smith: Can I come in?

Bob Blackman: I will go through the panel to see who wants to come in.

Kate Wareing: I would like to add to that. Soha has not implemented the full rent increase we could have done for various groups of people for the last two years. Two years ago we held rents for people who were on affordable rents or shared owners who are charged an affordable rent on the part of the property that they rent from us. We held those at inflation. We could have put them up at inflation plus 1% because inflation was starting to climb then.

This year our board decided to hold the rent increase to 5%. That was a very, very expensive decision for Soha because we can never recover that difference. We judged that we could afford to do that because right now we are a healthy association with high operating margins. By giving individual boards the discretion to be able to recover, you also give them the freedom to be able to protect during times when things are really tough.

Q37 **Bob Blackman:** Would you like to see that built in?

Kate Wareing: I would. You would not necessarily see every association take that space in the same way. That is when the conversation between residents and landlords has teeth. It means that we can make different types of decisions than are easy to make right now, including those to not put up rents by the full amount in particular periods of time.

Fiona Fletcher-Smith: The conversation with residents is important at an individual level because there will be lots of individual circumstances. That is why, as G15, we spent almost £6 million last year working to support individuals. You cannot say that all of our residents are identical and homogeneous and the same. They have different issues.

The bigger macro conversation with residents is about the prioritisation. Do we take a little bit less rent this year and recognise that that means that we will slow down decent homes investment? We did it at L&Q this year. We had to take the £60 million of extra borrowing costs plus the £100 million impact of inflation—all of that—out of our services. We had a



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very sensible conversation with our residents board about the standards that we take our empty properties to and what compromises we could make there. It was very sensible and it has saved us about £20 million this year, because we put the facts in front of residents and they said what matters and what does not matter.

Q38 Bob Blackman: You were empowering residents to take a view, which is very sensible. Equally, Fiona, you were talking about the development of social and rented accommodation, which many members of this Committee have been privately and publicly talking about for a long time. However, the fact is that even if you started today with trying to build that number of homes, you would need a ramping-up process to get anywhere near the numbers that we are talking about. Are there any measures that your organisation can take to alleviate that challenge right now?

Fiona Fletcher-Smith: Lots of housing associations already have land. We have done a lot of stock transfers with the local authority and there is plenty of space for densification where we can do it. There is a lot more collaboration to be done with local authorities. I speak from the London point of view here. There are too many individual housing companies being set up, where if we pooled our resources we could do it better together, to coin a phrase.

I also think that we have to take housing out of the political cycle of local authorities and national Government. It has to be seen as a critical part of the national infrastructure. Without housing, if you are a child born into poor, unsafe, unhealthy housing, your impact on the state and your requirements of the state will be so much greater over your lifetime. We have to break into that by thinking of this as national infrastructure. Think of building social housing as adding to the national infrastructure rather than adding to the national debt. We have to change our mindset on this, because it is regarded as borrowing or grant and a drain rather than the creation of an asset that will reduce expenditure in lots of other ways. It is a flip of mindset.

Bob Blackman: Sorry, I passed you by because the other ladies were itching to answer the question.

Paul Fiddaman: It feels appropriate to take it in a different order, Bob, thank you. I want to emphasise that if we are thinking about a different rent settlement and we are thinking, as we ought to, about something that is a bit more focused on affordability, two things flow from that for me. One is that the current rents were never intended, when they were originally set, to cover £105 billion of retrofit expenditure, for example. If we are going to have a rent settlement that focuses on the affordability piece, which is absolutely defensible and, from a personal perspective, the right way to go, it needs to be associated with a review of how we can support some of that other activity that we know needs to be done but that we have already argued cannot be supported from the existing settlement that we see around us. Does that make sense?



Q39 Bob Blackman: Fiona, you mentioned the numbers in London of people who are unfortunately in temporary accommodation. We should be cautious about what is classified as temporary accommodation, because there is a massive difference, for example, from someone being stuck in a bed and breakfast hotel to being in housing that is temporary on the basis that that house or that property may not be available to a family living in it for a long period before they get permanent accommodation. It covers a lot of different shades, so we need to be cautious on that.

Fiona Fletcher-Smith: I agree, but another figure that they shared with me this morning was that they are increasing the use of bed and breakfast and hotel accommodation, and that is, first, costly and, secondly, terrible for the families.

Bob Blackman: It is very expensive and it is very unsuitable for families.

Fiona Fletcher-Smith: They quoted a figure to me this morning and there was an over 800% increase in the number of families staying in hotel or B&B accommodation, an over 800% increase since last year, who stay over six weeks. Six weeks in a B&B is fairly grim for anybody. I am back to let's build more and let's fix it.

Bob Blackman: Well, let's build family accommodation in London.

Fiona Fletcher-Smith: Yes, definitely.

Bob Blackman: Not two-bedroom, two-bathroom shared.

Fiona Fletcher-Smith: No. Three and four bedrooms, please.

Bob Blackman: Exactly.

Q40 Mrs Elphicke: Kate, I think that it is important to have that conversation with rents in the context of the size and the change in surpluses over the period for the sector. Going into that period in 2010, we have about £200,000 to £300,000 and now steady around £3 billion. It is the case that the social housing stock that everyone is referring to that they want to put rents up hugely on has been provided, with subsidy for that purpose, to keep rents down over many years.

It is important that we put the discussion around the financial strength—and I appreciate that different organisations are different—within the context of just how much money and what massive businesses we are dealing with here. The fact is that social housing was provided for a purpose, to provide low-cost housing. Every conversation that is a rent review is, "Let's put the rents up, let's make social housing tenants pay more for all these other things", but what about those social housing tenants struggling? I am not satisfied, because I have heard a number of conversations from board members over the years and they tell me that the conversations around the boardroom table are not about the individual and the impact on them, they are about how many homes they can build. What is the first thing? How many homes will we lose in the development cycle? What about those individuals who are struggling. I



am concerned about this rent convergence argument.

Kate Henderson: The question of surpluses is an important one in the overall financing of housing associations. Housing associations are not for profit. Those surpluses are already allocated in future investment plans, both into services for tenants, into investment into existing homes and into new supply.

Mrs Elphicke: Into commercial activities.

Kate Henderson: However, it is not an extraction of profit.

Q41 **Mrs Elphicke:** Kate, can I stop you there? It is a transfer of profit from the rents that are actually paid. Those rents are not all paid to support the social housing. If I am a social housing tenant and I am paying my rent, 100% of that rent is not going on 100% of investment and repair for my property. We need to be clear about that in the model: the housing association model is a cross-subsidy one, which means that if I am paying my social housing rent, it is going for other purposes—all these other things that you have described.

Kate Henderson: As social landlords who are governed by social objects, that money has to be either invested into services, into existing homes or into new affordable homes. That money is not being invested in market products. We have done cross-subsidies that then generate income so that we can do other things. However, on core income from social rent, housing associations have to comply with their charitable objectives. That is what we exist to do. That money might not all go on that person's existing property at that time, but overall in the mix there will be a well-planned business strategy to make sure that their home is well invested in and that they get the services that they need, and should rightly expect, for paying their rent.

When we talk about convergence, this is not about whacking up rents massively at all. This is about an incremental change to enable, in a manageable way, to get the investment that we need to deliver good-quality homes and services for that resident. We are working within the priorities of Government. Absolutely we work with residents around what they want for their homes and what they want from their landlords for their investment.

However, we also have to work with Government, and Government set those overriding priorities for investment through legislation, for example building safety. There is no funding for the remediation of properties where social tenants live. That money has to be found from housing associations' balance sheets, and we are absolutely committed to doing that.

Q42 **Mrs Elphicke:** Is that not the same as asking leaseholders to pay for the problems that have happened in their property, if you are asking social housing tenants to pay for defects in the repair and maintenance of their property through higher rents? That cannot be right and that cannot be



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fair. We know that there is a programme of repair and maintenance where the properties have not been to the right standard. Why should social housing tenants have to pay higher rents for failure of housing association landlords?

Kate Henderson: On the commitment that we have to improve our existing homes, this year housing associations are investing £7.7 billion into repairs, maintenance and major planned works. That is a 20% increase and an absolute commitment from us, investing in building safety defects, meeting the new decent homes standard, meeting environmental standards and complying with new regulation coming through the Social Housing Regulation Bill. We support all of that, but there is not enough money in the system from existing rents. We also had an agreement with Government over a 10-year rent settlement. It was agreed in April 2015. A year later there was a rent reduction.

Q43 **Mrs Elphicke:** Yet you are still £3 billion in surplus, up from £200,000 to £300,000. Therefore, it is not the case that there is not a lot of money going into the sector. There is a lot of money going into the sector and people rightly should ask why we should put the rents up again. Social tenants cannot keep having their rents put up; they cannot afford it.

Fiona Fletcher-Smith: Can I come in on the safety element? What Kate is explaining is that Government grant is available under the waterfall method, where first of all, through the great work of the Secretary of State, we chase the developer and we get them to pay. Secondly is the availability of Government grant under the building safety funds, but that is for blocks with leaseholders. If it is a block that is entirely social-rented, there is no funding available. It is not necessarily the fault of the housing association or their residents, but we are the ones that have to make up that shortfall in funding and we have to pay for it.

In the case of G15, out of the £6 billion, we will be paying just over £4 billion of I absolutely agree with you that it is not fair that the social-rented residents are facing that bill when leaseholders are not, because there is grant available, but that is just where we are on this. Therefore, we have to have an income stream to pay for it and one of the income streams, along with borrowing, is rent.

Kate Henderson: To add to that example on the cost of building safety, for some members it means that this has compromised their viability going forward. For example, Tower Hamlets Community Housing, because of those building safety costs and because there is not funding for remediation, is no longer viable as an individual organisation and it will need to look for a partner to merge with. There are huge pressures on the sector.

Kate Wareing: Could I add to that? In many ways I agree with your sentiment. When we introduced affordable rents as a way of enabling an increase in supply, that was all premised on us being able to charge higher rents, take on more debt and reduce capital funding so that the



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next generation of council housing and social housing is built on increasing the rents paid by the people who live in our properties.

As Fiona said, we have a broad group of people living in our homes but they are predominantly and disproportionately drawn from among the poorest in our communities. That flip from a capital subsidy model to a revenue-funding model has pushed the burden on meeting the cost of those homes from the general population through taxation on to the rents paid by our residents who are among the poorest in our communities.

There is no outflow from a charitable housing association's financial model. It is all staying within the system somewhere or other, but there is a resource transfer from our existing residents to our future residents. Why I think that that remains defensible within the system that we are living in right now is that the worst-served right now in the communities that Soha serves are the people in temporary accommodation or the people in the private-rented sector who have no security and who are paying well over £1,000 a month for anything, a two-bedroom flat.

Would I like to be able to keep the rents of our residents who are in social rented flats at £400 a month? Absolutely, and they would like that too. Many of them, though, have an experience of having been homeless and they are part of our constituents who tell us to maximise the number of new homes that we build. It is not that we are doing it for a business reason; we are doing it to enable us to meet housing need.

Paul Fiddaman: Can I make a couple of very brief points on this? The first and most obvious one is that the sector is a huge borrower of money from banks, building societies and financial institutions and that comes with an obligation to demonstrate the ability to pay that back, which ultimately boils down to a measure of financial performance that they will expect to see and build into loan covenants. There is a level of financial performance that has to be delivered to ensure that we are able to go on borrowing the money that we need to do these things.

My second point is that it would be incredibly challenging to try to disentangle which bit of rent belongs to which home and peg it at that. For example, you may believe that delivering new homes is an important activity for a housing association. I will give you an example from our geography, Natalie. It would typically cost us about £190,000 to build a new house. We will get maybe £60,000, in grant so we will have about £130,000 to fund. Current interest rates, if you go borrowing today, are about 6%, so there would be a £7,200 interest charge per annum to fund. That would equate to about £120 a week. Our average rent is about £84 a week. You can see that if you want to deliver a new home for an affordable rent, it has to be pooled with existing rents otherwise the sums do not work.

The final point is that if the sector had not generated surpluses, which are then embodied in reserves, those reserves are nothing if they are not the



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reinvestment that we have made in our existing portfolios. If we did not have those reserves available, we would have had to have borrowed that sum of money and that would have introduced an additional interest charge on the sector that would be unsustainable. Therefore, it is important that the sector is able to generate surpluses for a number of different drivers.

- Q44 **Chair:** We are going to have to move on. One simple question. Can someone give us a figure about a 1% increase in rent for how much tenants pay and how much DWP pays?

Paul Fiddaman: It depends on whether the tenant is fully, partially or—

Chair: Just generally overall? Perhaps we could have a figure. Let's move on to access to Government funding.

- Q45 **Ian Byrne:** A lot of this has probably been covered. The elephant in the room that we are talking about, with so many issues that we have now and that are coming down the line, is the destruction of grant funding in 2010 and the model that has been created and the pressures that are being put upon you.

Fiona Fletcher-Smith: The change reduced the grant levels by about 63% on the assumption that a rent deal would then step in and help on that financial modelling. However, the rent deal has not been in existence fully and we have only had it one year out of nine. That is part of the problem but then there are external headwinds. Also the fire safety Bill in London did hit us hugely at £4.5 billion.

- Q46 **Ian Byrne:** I will go back to the question. I will start with you, Fiona. What Government funding is available to address the current and future financial issues and how easy is the funding, if it exists, to access?

Fiona Fletcher-Smith: The first thing that we do on new building is accessing grants. I had a conversation with Steven Henderson, who is chief executive of the Wheatley Group north of the border. He does not have to do any private-sector building commercial activity to cross-subsidise. He gets mouth-watering levels of grant. On average I am getting about £29,000 per home that I am trying to build, so my prices are slightly different to Paul's in that the gap is even bigger.

I have to say, though, that both Homes England and the Mayor's Office in London have been exceptionally good during this period. They have been very flexible in helping us renegotiate. I will make a small plea for recycling revenue grants and allowing us the same flexibility there as they are with general grants. Grants for new building are available but they are not big enough, simply not big enough.

What has been very useful recently is the social housing decarbonisation fund. At L&Q we will get about £26 million, which will be very helpful. It does not quite—

Ian Byrne: That is a drop in the ocean, isn't it?



Fiona Fletcher-Smith: I was going to say probably something less polite than that. However, every little helps, to be honest, and we will take money from wherever we can.

The other side that is slightly difficult for us is that a lot of us are involved in the care business as well, and local authorities simply are not able to keep up with the inflationary demands that we have. Therefore, we are having to pull out of care contracts because we simply cannot subsidise them from our charitable income. It is a charity and we have to use it on social purpose and this is not core to our social purpose. I worry that if not us, who is going to do this. I am sure there is lots of other money available. Paul is an ex-finance director.

Paul Fiddaman: In addition to the things that Fiona has talked about, it is worth reflecting on some of the things that are available to support some of the community investment activity of housing associations. My own organisation has funding, legacy European funding and also neighbourhood renewal general funding to support some of our employability activity. That is important where we are trying to support the economic and social regeneration of a community. It is relatively modest in scale but it is very important in supporting some of those programmes, and therefore very valuable to us.

Kate Henderson: The affordable homes programme, the Government's core programme for investing in new social homes and other affordable tenures, is massively important and very welcome with strategic partners that are doing larger-scale delivery and through the continuous market engagement that is available. They have introduced some flexibilities more recently with that programme as well, again increasing some of the grant rates, being more flexible in the delivery on sites. However, what we need is not just a conversation about grant and the amount of grant; it is thinking about this in the mix. It is thinking about the future rent settlement, the welfare reform, planning reform and grant together.

I should say that the social housing decarbonisation fund is massively welcome but one of the things that would be great for the Committee to ask is for the next two waves of funding to come forward. We get funding in a year or a two-year tranche, but to retrofit a street or a community is going to take us many years and having that certainty over a long time period would be welcome.

Q47 **Ian Byrne:** Kate, I will come back to you for this one. What changes could the Government make to help smaller or specialist housing providers access funding?

Kate Wareing: We really value the section 106 system. That is the bread and butter of a lot of smaller associations' development programmes. Smaller associations are very well placed for delivering good-quality services to communities that we know, with strong bonds of trust. We are a bit small for large-scale market cross-subsidy risk. At the moment one of the problems that we find is that partnering between



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associations is tricky because of things like VAT rules, for example. There are things that could be done in other systems that would make it much easier for smaller and larger associations to be able to collaborate more effectively to take some of those risks away.

Regeneration is a real issue for many associations, regardless of size. For smaller associations it tends to rely on a cross-subsidy model and it can be hard for a smaller association to take the degree of financial risk involved in a very large regeneration project. That is either around access to subsidy or capital funding, or it is around how you can enable partnerships to be created that enable organisations to work together to deliver those projects. That is both the capital costs and decamp accommodation, because if you are suddenly going to try to regenerate a reasonably large area, a smaller housing association is going to struggle to provide accommodation for those people to move into while that is happening.

Q48 **Chair:** On the no additionality rule, is that on regeneration?

Kate Wareing: Yes, it is, absolutely.

Q49 **Chair:** Is there no sign of the rule being changed at this stage?

Kate Wareing: There is a chink of light in that we have a Homes England strategy that is reframing Homes England as a housing and regeneration agency. There is a huge amount of nice content in that on regeneration but we need that progress on regenerating homes by doing demolition and rebuild as part of the mix, focusing on the worst quality first.

Paul Fiddaman: There is something within Homes England's gift, which if developed and built upon, could be helpful here. It is allowed to show some flexibility for what is called moribund housing, which I guess does what it says on the tin. However, that provision is generally not available to people who are strategic partners and it generally does not trump the additionality requirement. It seems to me that with a little bit of flexibility in interpretation of that, we probably have enough in our locker to be able to do something about it.

Chair: Looking at potential failures and mergers.

Q50 **Mohammad Yasin:** We understand that housing associations are under serious financial pressure and there is a greater risk that some of them might fail. In your view, Kate—if I start from the left—are the Government and the housing associations prepared to face that situation?

Kate Henderson: The regulator of social housing has extensive plans in place to monitor finance risk, to respond proactively and to intervene if necessary, including through the powers to act as a last resort. The regulator would be best place to talk through the detail of that. We do have confidence in the regulator on this, and it is important to note that the regulator's role in financial regulations and powers is important in



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giving confidence to our lenders, our partners and our residents as well to have that regulatory framework.

However, I did mention that there are stark challenges being faced by some housing associations due to costs, particularly of building safety. Therefore, we will see more mergers in the sector. Housing associations are independent organisations. They have their own boards and those boards set out long and complex business plans. Where we see mergers happening, it is not just where an organisation might be getting into distress. There would be huge consultation around that from a very early stage. It is also where there is that potential to unlock capacity and to be able to do more both for existing residents in services and investment in homes, but also investing in desperately needed new homes. Then there are other forms of collaboration as well. We have confidence in the regulator to be monitoring the situation that you describe where there are real challenges,

With mergers, these things take a long time. They do not just happen overnight. There is a huge range of stakeholders involved when a merger might potentially happen. That involves residents, local partners, lenders and the regulator in those conversations. That is really important. They need to be handled carefully, there needs to be a strategic relationship between the organisations of shared priorities and shared vision. There is a lot of experience on the table of doing these. They can be done for the benefit of residents. That is absolutely the focus in unlocking capacity, but we are likely to see more mergers.

Q51 Mohammad Yasin: Do mergers happen only if one association is failing or are there other reasons as well?

Kate Henderson: Not at all. Mergers happen for a variety of reasons. It might be that an organisation has huge development ambition but does not have the capacity, the staff of the financial balance sheet. It might be that a merger happens because they have building safety challenges and they are merging with an organisation that has capacity and expertise because they have been doing remediation work. A merger might happen because it makes sense to have an economy of scale of housing in a particular community and a particular area and you are able to get more efficiency by merging back-office staff but deliver and have presence still in that community. There are a variety of reasons; it is absolutely not just because of financial distress.

Q52 Mohammad Yasin: Can I ask you my initial question, Paul?

Paul Fiddaman: I have been involved in 10 or 11 mergers during my time in the sector. I have been in the sector a long time, I should point out. Its circumstance is generally unique but there are some common elements to that as well. It is usually about trying to generate additional capacity through efficiency.



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I will give you the second most recent example. We welcomed an organisation called Byker Community Trust into Karbon just over two years ago. It has 1,800 homes in the east end of Newcastle. It had done extensive consultation with its residents to talk about what investment in the physical look and feel of that estate would be appropriate and what would residents want to see from it. When it ran that through its business plan, it concluded that it simply did not have the resources to be able to deliver on its residents' ambition. Therefore, it approached us with a view to being more efficient and using our balance sheet capacity to generate that level of investment. We will be spending about £36 million over the next five or six years on that estate to deliver for residents the investment that they are hoping to see. They are each different, I think.

Kate Wareing: We have never merged with anybody, so you are talking to a non-merging chief executive here. We are quite geographically concentrated, so we have economies of scale where we operate. Our board once a year, as does every housing association board up and down the country, looks at our future business plan and looks at whether or not there is a case by which we think that we could do more were we to reconsider our organisational structure and what partnerships would best support that for merger to other sorts of partnerships that can be delivered.

Right now we are partnering with three community land trusts that have access to land and grants that we do not have. We worked with a very small local association to enable them to access wave 2 funding. It would not have coped with the process around that on their own; it would not have been worth it doing. We have had conversations with landlords much bigger than us about whether or not we enter into joint ventures to undertake development that would have a bigger market sales risk than we could cope with.

One thing that our board has identified is that if we had an approach by an association that was financially weaker than us that would unlock its development potential, that would be the sort of thing that we would want to look at. However, back to Natalie's point, that is taking money out of the balance sheet that is otherwise going to be used for new homes. That is how it looks from the perspective of my association.

We value being 150 staff, 7,600 properties. It is small enough that we feel that we know each other. That sounds very abstract, but that brings efficiencies of its own. The evidence base on whether big or small organisations are more or less efficient is totally inconclusive. We are good at doing different sorts of things at different scales. We are looking at the future of how we deliver services. There are some services that it would be great to be jointly procuring or jointly providing with a neighbouring association on cost-effectiveness grounds. We are a bit small for major IT investment, for example, so I am interested in piggybacking off a bigger association that has already developed much



more effective housing management systems than we have, because we are not going to do it all on our own.

It is about partnerships, about understanding the value of organisations of different scales. CLTs are precious to their communities because they are going to deliver homes for their village. They can unlock opportunities that we cannot, for example. That applies the whole way up the spectrum in size.

Q53 **Mohammad Yasin:** If a housing association in your patch is failing or at risk of failing, what would you do to protect homes other than merger?

Kate Wareing: It would depend on the scale and the nature of what they were involved in. We are quite unusual in that we are owned by our residents and our staff. We are a mutual organisation, so any choice about merger is not a choice for our board, it is a choice for our shareholders, and they are our residents and our staff members who have chosen to take up shareholding. That is not common in the sector, though, so most boards can make those decisions themselves.

An example is that we have on-lent to a smaller organisation that needed cash-flow support to get through a development programme. The extent to which an association can do that depends on the conditions it has with its own lenders, but on-lending is certainly something that is possible for us to do if we can see that an organisation needs that support in the short term. We have, as I said, pulled people in. A different association that I was involved with as chair in the past joined a development consortia. They were sharing the administration and the grant process around bidding for development finance. There are all sorts of partnership around.

Chair: I will have to interrupt you for a second, because we have about 10 minutes and then we have to wind everything up, otherwise we will have to come back. We do not know how many votes there are going to be. Is there anything further to follow up on this section that we have not covered?

Mohammad Yasin: No, I am fine.

Fiona Fletcher-Smith: Another way that we help in London is the Build London Partnership, where we will work with small, particularly black and minority ethnic associations such as the North London Muslim or Ekaya to help it build so that it can develop its own capacity and become financially stronger so that the risk of failure is lessened.

Chair: Moving on to the issue of shared ownership.

Q54 **Ian Byrne:** To begin with, Fiona, do housing associations regard shared-ownership housing as a source of revenue or part of their mission to provide housing to vulnerable people?

Fiona Fletcher-Smith: I am not sure about the “vulnerable” word but we absolutely see it as part of our mission. At L&Q we have been building



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shared ownership now for 30 years. The reason that it is interesting to us in London is that the average house price in London at the moment is £476,000. Your deposit on that—a 10% deposit—is somewhere between £47,000 and £48,000 to get a mortgage. Not everybody has that lying around or has the bank of mum and dad that they can call on.

Shared ownership in London gives us an access point. If you buy a 25% share of that, the deposit that you are trying to come up with is still a staggering £19,000, but you have more chance of getting to that than you have saving up £50,000. Therefore, what we see in London is a lot of people accessing at the first tranche of 25% and then staircasing up as their incomes increase. I have been having a look with the sales team at who we sell to. We serve to a lot of public sector buyers—nurses, teachers—so we see it as vital part.

There are difficulties with it, but the difficulties with it relate to leasehold, they are not simply shared-ownership problems. Shared ownership is something that we could do a lot more on if we sort out leasehold ownership and the issues with that and we also move into the new model leases about the equitable division of repairs and maintenance charges. If you own 25%, you should pay 25% of the bill, rather than in major works you could get the full bill for your flat. We are huge fans of it.

Does it give me an income? It does not at the point of sale, generally, because we often do not hit our hurdle rates for it, and even that income is dropping. Two years ago we had £60 million income from staircasing. Last year it is down to £40 million, so we are seeing that slowdown and that is very much related to retail mortgage lending, which is tightening at the moment. However, we think that it is great because it allows people with smaller deposits to get on the ladder if that is what they choose to do.

Q55 Ian Byrne: Do you find that a better option than rent to buy?

Fiona Fletcher-Smith: Rent to buy is still working its way throughout the system for us. We are in about year five of our rent-to-buy products. We do not know whether those people are going to buy. We are seeing people leave the rent to buy and go and buy somewhere else rather than buy that particular home. I do not know who said it, but there is enough housing crisis to go around and we need to do more of everything. We need to work out what is not working and stop doing that.

Kate Wareing: It is part of our core purpose. Our summary of who is in housing need in our operating area is that it is everyone under the age of 40 who does not have millionaires for parents. Most of those people are not even going to get on to the local authority's waiting list. They are not going to get one of our rented properties and their alternative is insecure accommodation in an expensive sector. Anything that provides that cohort of people with more housing certainty and security, knowing that they can stay, and ideally that that is cheaper than they are going to pay in the private rented market, we have a lot of people who want that.



Paul Fiddaman: Money or mission? A bit of both, I would say. It is an important part of creating balanced communities so that you have some variation in tenure and you are not creating mono-tenure areas, which is important. We did go big on the rent-to-buy product and we found it to be very successful in our geography. It appeals directly to people who would have been first-time buyers in 2007, who now struggle with the deposit end of that. Rent to buy enables them to move directly into a home, and hopefully the difference between the affordable rent that they pay and the full market rent that they would have paid enables them some financial capacity to save up for a deposit and buy the house in four or five years' time.

We did some non-grant-funded rent to buy in 2008-09. The conversion rate is quite slow, it is about 6%, but it does mean that there is a safe haven for people who would have been first-time buyers back in the day and who do need a high-quality offer that is not necessarily the private rented offer.

Kate Henderson: Shared ownership is a tenure that housing associations have supported and pioneered and been delivering to help people into ownership, who otherwise would not have been able to access it, for decades now. Demand at the moment for new shared ownership remains relatively strong.

Housing associations' mission is to serve people in housing need. To be able not to access a home on the open market means that prospective shared owners are in a type of housing need. It is a different type of housing need to somebody who is at the very sharp end of the housing crisis but nevertheless it is a need. We see that very much as legitimate benefits of charitable not-for-profit housing associations.

It is important that housing associations—just for clarity on this—are not for profit. We do not extract any profit, including from shared owners. The cost a shared owner pays will reflect the costs of building the homes and providing services to shared owners. We have been working with Government over the last couple of years about improving that experience for shared owners. We are working through the delivery of that, we are committed to that and making further changes for residents where we can see where that would be beneficial, but also working with lenders and Government on that.

The finances of shared ownership homes play an important role in the development of mixed-tenure schemes. We heard about that from the previous witness, Tony Crook, on getting that onsite mix. The reason that it helps the finance of the scheme is that the part sale brings in some cash but it also means that we need to borrow a bit less, so it reduces the amount of debt that we have on the scheme. That is absolutely not the same as a shared owner subsidising a social home. That does not happen, it is just a feature of overall scheme financing.

Q56 **Kate Hollern:** Fiona, how do you ensure you are properly accounting for



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the preferences of residents when you make decisions about refurbishment and development? From what we have heard today, can you afford to listen to residents or must you meet other priorities?

Fiona Fletcher-Smith: I cannot afford not to listen to residents. They are why we are there. Residents are not a problem, they are the reason the housing association exists.

We have been on a bit of a journey and we are continuing on a journey. There is a publication and I will send a link to the Clerk. We published a piece about two weeks ago called "A Partnership of Equals", which is talking about where we have gone on our journey with residents and where we think we might want to go, which is about how we properly involve them. Many of us will have residents sitting on our board and have residents' committees, but that is not enough. It is about how that voice is heard all the what through the organisation and how you turn it into practical work.

We look to recognise that our residents are volunteers and, to do that, properly support them as volunteers through working with them about their roles and responsibilities, that they are not simply representatives of areas, although that is important, but they are also sharing their life experience of being at the receiving end of L&Q. It is about helping us to make sure that as a big association we are landing our services in a way that is local and responsive.

There are three practical things that we have done. First, colleague recruitment. When we recruit frontline staff we have a pool of residents who will sit on the interview panels. To get my job as chief executive, the hardest bit of the interview to get through was being interviewed by residents. I came out of there shaking. If the residents had said no, I was not getting the job, simple as that.

The other thing we have been doing is business improvement. Service-charge bills are the bane of leaseholders' lives because they are complicated and often the figures are wrong. We got about 16 of our residents involved in redesigning the process that was far more responsive.

Then the big one for me is on procurement. We went to the market last year with a £2.9 billion programme of investment with nine big players like Wates and others, and got the residents involved in how you make that decision, where they are prioritising social purpose as much as they were value for money. As I say, I cannot afford not to have them at the heart of it because otherwise it is just me and my patriarchal or matriarchal way telling them how it should be and that does not suit any of us.

Kate Wareing: I have already talked about being mutual and the sense of how that embeds accountability back to residents and staff. The board are accountable to the shareholders of the organisation, and those are



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800 of our residents and staff who have chosen to become shareholders. We also have residents on our board, we involved residents in setting service standards. We spend time with them, helping them to how to best hold us accountable for our services.

However, your question might have been focused more on regeneration and locality. At the heart of that is recognising that we are providing people's homes. If someone comes along and wants to suggest to you that they might need to move you out of your house, that is massively difficult for them—incredibly difficult. It is not just the walls; it is also their neighbours, the history in the place, or whether or not they are going to be able to move into a property at the same rent. Often when we are looking at a regeneration scheme, one of the ways in the mass of that work is that you cannot necessarily re-provide the properties at the rent levels you were charging to people in the original homes. You have to understand that someone is losing their home if you are going to regenerate.

Those decisions have to be made carefully and respectfully with the people they impact on most, and that is the people who live there. As much as possible they have to be made with their active consent. It has to be about it being their choice. People want to live in decent, quality homes, but they also want to live in the middle of towns, on pieces of land that may be difficult to redevelop on, and they want to be able to afford their rent. That can only be done through really good relationships and time spent with those communities at local level.

Q57 Kate Hollern: It must be very difficult to convince people to leave their home.

Kate Wareing: Absolutely. We have done a lot of redevelopment, particularly of our older, sheltered homes, which had a lot of bedsits in. Almost universally—I cannot say universally, otherwise at least one resident will tell me that I am wrong—what we have put back is perceived by people who have moved back in as radically better than what they left. However, that process is difficult for people, particularly if it is going to take a couple of years. That is two years out of someone's life; it is two moves potentially that they do not want. We need to bear that in mind.

Q58 Chair: Do Paul and Kate have anything to add to this, because there will be a vote in about five minutes?

Paul Fiddaman: In the interests of keeping it brief, I will say that colleagues have given some great examples of ways in which we can make sure the customer voice is heard in the big decisions that organisations make. For me there is a formal structure to all of that, where you have your committees and your engagement forums and all the rest of it, but there is also a necessarily informal piece to that. You have staff who engage with people going about their daily round while they are out and about on the patch, and getting a good understanding of



what an individual community needs and use that information to feed back into the debate as well. That informal stuff is important.

Kate Henderson: You have just heard some different ways that housing associations engage with residents and it is extensive on a day-to-day and in a strategic sense. However, housing associations are also responding to the priorities that Government set in legislation, regulation and funding. It is important that there is engagement not just with us as a sector, but with residents around things like the Social Housing Regulation Bill and what that means, building safety costs, building safety regulation, and the decent homes standard, which is why we need a long-term strategy. That is why it is so important and that strategy should be built with residents at its heart, and with investment in their existing homes, but also meeting future housing need, working with us, working with partners and working with Government.

Q59 **Kate Hollern:** Does that include rent increases?

Kate Henderson: Absolutely. Rent should be part of that strategy, of course, and a discussion of what rents are spent on alongside grant and regulation.

Chair: Thank you all very much for coming in. There was a wide range of issues there, but we can all see that there is a wide range of challenges that the sector is facing up to that do need addressing. That is why we are having this inquiry as a Committee to try to look at those and see if we can find a way forward. Thank you very much for coming today, all of you, and for answering our questions.