



Communities and Local Government Committee

Oral evidence: Housing Associations and the Right to Buy, HC 370

Monday 16 November 2015

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Watch the session

Evidence from witnesses:

Members present: Mr Clive Betts (Chair); Bob Blackman; Jo Cox; Helen Hayes; Kevin Hollinrake; Mr Mark Prisk; Alison Thewliss.

Questions 144 – 203

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

Q144 Chair: Good afternoon and welcome to this evidence session of our inquiry into housing associations and the Right to Buy. Thank you very much for coming. At the beginning, I will ask members of the Committee if they have any interests they want to put on the record. I am a vice-president of the Local Government Association.

Helen Hayes: I note that I am a councillor in the London Borough of Southwark, that I employ a councillor in my parliamentary team and that part of my constituency covers part of the London Borough of Lambeth, where Cllr Peck is leader of the council.

Chair: Thanks for that. For our records, could you say who you are and which organisation you represent?

Stephen Hills: I am Stephen Hills. I am the director of housing at South Cambridgeshire District Council.

Cllr Cowper: I am Ferris Cowper. I am the leader of East Hampshire District Council.

Cllr House: I am Keith House. I am the leader of Eastleigh Borough Council in Hampshire, a Hampshire county councillor, and I am here representing the Local Government Association collectively.

Cllr Peck: I am Cllr Lib Peck, and I am the leader of Lambeth Council.

Q145 Chair: Thank you very much for coming to see us this afternoon to talk about this important issue. In a nutshell, what do you see as your role, at council level, in terms of housing, the wider strategy and the overall delivery of housing for your communities?

Stephen Hills: I see the role as having a number of quite distinct strands that interweave. As a stock-owning council, we are the largest affordable housing landlord in our district. We have a very clear role in providing directly affordable housing for the residents of the district, and we believe it is our role to be proactive in supporting the development of new housing, both direct delivery from the council but also working with housing association and private sector partners to improve the delivery of new homes—not just affordable homes but homes across the piece. There is a strategic role in that, and then there is a direct delivery role as well, as part of the council's work.

Cllr Cowper: In East Hampshire District Council, we have a number of important roles. First of all, we are a council that has no housing stock. Ours was sold to the housing associations back in 1996 in its entirety. Nevertheless, we work closely with our housing association partners to set the strategy for affordable housing in our district. That is the first key thing.

The second thing is, of course, we then manage our local plan to deliver the housing strategy that we have articulated with our partners through the various numbers of plan, the allocations and so on. Thirdly, we deal directly with residents who require housing, and it is part of our job to facilitate their acquisition of the appropriate affordable dwelling as and when we can, through my own housing department, which works very closely with the associations. There are three main aspects to the role.

Cllr House: The sector's role has changed over the years. If we go back perhaps even as recently as 10 years ago, before the recession, the sector would have seen its role as to be a planning authority to manage the planning system, and classically to manage housing stock where the council was the stock owner or in partnership

with housing associations. The change in more recent times, and I suggest that the LGA sees this as a post-recession responsibility, is to understand housing need and then work to achieve the right housing supply across the country. Particularly at the moment, that very much includes increasing housing supply. Across the political groups on the Local Government Association, there is a commonality of view that increasing housing supply in the round is a critical and vital objective that all sign up to.

Cllr Peck: Lambeth has just over 300,000 residents. Very broadly, a third are in private rented accommodation, a third are in social housing and a third are owner-occupiers. Our role as a council is obviously as a direct landlord to about 24,000 council-tenanted properties and a further 10,000 where we have a responsibility, where there are leaseholders who have exercised their Right to Buy still in council stock. We need to maintain those homes and fulfil our landlord responsibilities.

Secondly, we want to make sure we are answering the many needs of people in the borough, which is essentially to increase the supply of housing. We work very hard through our planning system to make sure that investment coming into the borough sees a 40% target of affordable housing and 50% with grant. We see ourselves also as a council that is listening and responsive to all residents, regardless of tenure and the housing situation they find themselves in. Therefore, we work closely with housing associations and in some instances private landlords as well. We would like a greater role over those private landlords.

Q146 Chair: I will pick up, fairly obviously, on the issue of relationships with housing associations. I heard some fairly choice words uttered by some councillors about the deal that the NHF did with Ministers. What do you think about that deal? Has it affected or damaged your relationship with housing associations going forward?

Stephen Hills: Locally, we have very good relationships. We have a monthly subregional housing board, which I chair, and that covers the whole county plus part of Suffolk as well. We have housing association representatives on that board. We work very well and closely with them. Some of them sent us their reasons as to why they did not vote for the deal, so there was some clear positioning of some of the local players.

I do feel, however, there has been some damage done to the overall ability to work with housing associations. I have certainly heard some politicians locally saying, "Why would we want to give them our land now? Do we really need to do this?" It is tied up with the

extension of Right to Buy itself, particularly in an area like South Cambridgeshire, where we have done an awful lot of really good work around rural exception sites. Often, there is a philanthropic aspect to landowners bringing those sites forward at all. Once they found out that the Right to Buy could apply, we have been hearing that they are thinking of withdrawing that land, because they want it to be affordable housing for local people in those rural communities. When they hear that it might be sold into the market, some of them potentially are going to withdraw the land. It is not just the relationship with housing associations. There are wider repercussions for how we develop new homes in our area.

Cllr Cowper: As a quick bit of background, East Hampshire is a rural district council. It is 200 square miles, 112,000 people, with a very high average house-price-to-earnings multiple of 11.25 last year, and it can rise as high as 25. You can already begin to appreciate some of the issues that we are facing, and you have probably worked out already that, as a council, both politically and through the paid officer team, we are very uncomfortable with a number of the proposals we have seen. My officers, in particular, are keen that I make four key points to you this afternoon, if I may, very briefly.

First, as I said earlier, we have exceptionally high-quality relationships with our housing associations—18 across the district. They have asked that I do not make any statements about the housing associations themselves. They prefer not to do so. They have asked me to do that—not all of them, but some of them—because they feel in an invidious position because of the choice between having a statutory directive applied to them or the option of a voluntary agreement. They are so sensitive about the voluntary agreement that they are making no comment, and, as a council, given that we have had many years of excellent and open co-operation with them, we feel that is a damaging step to take. We would like to see some improvements in the Government's attitude toward the associations, so that could be a much more open dialogue. That is point one.

Secondly, we transferred in 1996, as I mentioned earlier. Nearly all of that housing stock is now in private ownership—almost all of it. That was fine, because then along came the housing associations and 20 more years—21 to be precise—since then of new affordable housing stock. We now have, once again, an excellent record of delivering affordable housing. I do not know if there is a 20-year cycle at Westminster for these things—I am not quite sure, really—but 20 years on, it is under threat again.

Then, in 1996, there was the alternative, which was the housing association. Here the alternative is unclear. It is unclear how these

affordable houses will be actually replaced. There is some talk about high-value property assets, and it is unclear to us how that will be executed. We do not have any high-value property assets to deploy, so we are unsure how we are going to be doing that. Maybe in South Cambridgeshire they have quite a lot—I believe they do—and they will be kind enough to channel their cash to us, but I somehow suspect not. We are worried this will create homelessness. We do not have a homelessness problem at all, because people are in affordable housing. This could create a homelessness problem. That is the second point.

Thirdly, in the last three years, since 2011-12, when the Right to Buy was reinvigorated, 86% of all Right to Buy has not been replaced. If you like, 14% has been, but our focus is what has not been replaced. The history of Right to Buy is not replaced. The assurances under the policy statements in the budget are it will be replaced. Excuse me for being a little cautious on that.

The last point is this. I live in a little village called Grayshott, of 2,500 people. That is my district council ward. For the last 16 years, since I became a councillor, I have been trying to get affordable housing in there. I still have 35 families to go; I am not quite there yet. Under the proposals as we currently understand them, if a house is sold under Right to Buy, it will be replaced—I am not quite sure how—but not necessarily in Grayshott. I can watch all of my painstakingly accumulated affordable housing stock in my village—and I mean painstakingly—built up and then, under these proposals, sold off and replaced in Fareham or Gosport or even Eastleigh; who knows? Those are our four key worries. Thank you very much, Chair.

Cllr House: I endorse the comments that have just been made. To go back to your original question, Chairman, inevitably there will be some fractured relationships as a result of the announcement and the way the deal was done between the NHF and Ministers. If I was in shoes of David Orr at the NHF, I would probably have done the same thing, but I am not, so I would not. Most relationships between councils and housing associations are pretty mature and capable of weathering storms. I am sure those storms in this case will be weathered, but that does not undermine the issues that have arisen as a result of the policy.

From the sector's perspective, we have concerns, as has been explained by Ferris, that replacement stock will not relate to the place that the stock has been lost from and that replacement stock will not be of the same size. Classically, as we have seen with the effect of Right to Buy in the past, where we have had, say, a three-bedroom family house, it has been replaced by a two-bedroom apartment, creating more debt, which the housing association is expected to lever

off. We are also concerned fundamentally about the funding methodology that has been suggested behind the Right to Buy proposals for housing associations in terms of effectively a tax on councils to levy that.

Chair: We will come on to that issue fully, Councillor, in a second.

Cllr Peck: There are about 80 housing associations operating in Lambeth. We work closely with them and particularly the top 10 providers. We have regular forum meetings with them. We have enjoyed a good relationship and they have been critical in the delivery of affordable housing in our borough, which we think is absolutely critical to the housing balance within London in general.

We were very disappointed, angry and dismayed by the deal that was done. There are questions around its transparency and issues of accountability. Essentially, the proposal that is on the table, with a lot of the details yet to be worked through, is we are taxing a public authority like a council to pay for a private individual to enjoy the right to their own home. Now, I have no problem with people exercising their Right to Buy, but I do have a problem with a formula that takes away our ability, as a local authority, to build or negotiate around affordable housing, and actually makes the situation of supply even worse.

To go back to the relationship, it is bridgeable, because we are in the game of being pragmatic and we want, obviously, to continue in whichever way we can to supply housing in Lambeth. We will end up getting over this and working with housing associations, because we are a mature authority.

Q147 Chair: Before I come on to the issue of a levy on councils, have any of you started talking to your housing associations about how they might implement this deal, in terms of what properties might be excluded?

Stephen Hills: We have not had those conversations. We have had a number of conversations locally about the 1% rent reduction. I can't help but mention that at this point.

Chair: We will come on to that as well.

Stephen Hills: That got us talking initially around what we are going to do here to work together to try to mitigate any negative impacts from that. We have started on that journey, but we do not have the detail on how this is going to work yet. Without that detail, it is difficult.

Cllr House: Fortuitously, a couple of weeks ago, I was at a meeting with a group of housing association chief executives. We were talking through some of these issues. There are clearly quite different responses from different types of housing associations. There are some housing associations that are still quite small and locally based and therefore have a footprint that says, "We are interested in our place." Increasingly, as housing associations have merged to gain economies of scale, we see a different type of housing association emerge.

The larger housing associations inevitably are already beginning to think, "If we are seeing stock released in high-value areas in wealthy authority A but we operate across a number of authorities, our interest in how we provide the maximum number of homes, often where there is higher demand or need, means moving or shifting stock from high-value authority A to low-value authority B." There are a series of knock-on implications from that, depending on how this is worked through in practice and whether any restrictions are put on how replacement stock is provided.

Cllr Cowper: We need to be clear in our own minds—certainly I do, as a council leader—about the difference between the effect of the Right to Buy proposals and the effect of capping and reduced rents. Both of these are in a complicated mix that we and the housing associations are seeing bound up as one, but each causes different things. There is a challenge here and a questioning opportunity, which is: are we talking about the aggregate of the measures, or are we talking exclusively about rights? Rent capping has its own consequences.

Chair: We will come on to rent capping, but I take the point. It is a fair point that they are not in isolation in the end; there is a collective impact.

Cllr Cowper: Very quickly, leaving the rent capping bit to one side, as I said earlier, some of our housing associations are uncomfortable with my making a statement to the Committee because of their concerns about the risks. I can tell you they have read the evidence you received on 4 November, and, off the record—and I cannot tell you who said it, but I am just going to tell you, because at least you should know—they find some of the submissions you received hard to follow.

Q148 Chair: I am not sure that clarifies it.

Cllr Cowper: I will do the best I can. I am a politician, so I should be able to manage that. They felt the statements were cautious, diplomatic and protecting as yet undiscussed positions. My commentary to the Committee would be that, if I were in your shoes—I

know I am not—there is a lot more I would want to hear from the housing associations before concluding the debate.

Cllr Peck: There are lots of different discussions going on. Lambeth plays its role within London Councils, and I know there are some discussions going on at a London-wide level. Specifically, we are waiting for some more of the detail around the Bill in terms of how we are meant to fund the Right to Buy for housing associations before really engaging in any more constructive conversations. As I said, we will be open to those.

Chair: Let us move on to that point now.

Q149 Helen Hayes: The Housing and Planning Bill will require councils to make a payment at the start of the financial year based on the number of high-value properties they expect to become vacant. Will councils have enough money to make this payment up front?

Stephen Hills: It will be a problem for South Cambridgeshire. We are at the top of our debt. From the moment we took on the 2012 debt settlement, we had no room. We were at maximum there, so we cannot borrow any money on the HRA. Again, without the detail, it is difficult to know, but, if you look at some of the modelling that has been done by Shelter and others, Cambridge is one of the most affected parts of the country, with South Cambridgeshire not far behind. We expect that we are going to be asked for a fairly substantial contribution and we will not have that money in the HRA to be able to pay that up front. It is likely to exceed our ability to pay, so we would have to find alternative means of borrowing from the general fund or some such mechanism in order to achieve that. There is a lot more I could say, but that is a very practical point.

Cllr Cowper: That is not that different from us. I took a look around the other day, looking for these high-value assets the Government think we have, and I could not locate any. We have some commercial property investments, which are used to fund our expenditure profile. If we sold those, we would be broke. I do not think that is the Government's intention. We do not have any others. We do not own council houses at all. I do not know where the money would come from.

Cllr House: We have a fear that, as set out in the Bill, the proposal to look forward based on broadly a formula is likely to result in a whole series of unintended consequences. The ability of Whitehall to properly understand what is happening in individual market areas is not going to be sophisticated enough to do that job properly. That is the first concern: that there will be some areas that are undertaxed and

some areas that will be overtaxed. If you take it from the principle that we think the process is wrong anyway, that would be the effect of that.

If you look at the cumulative effect and the total sums likely to be involved, the effect on many councils would be quite extreme. I think the point made by Stephen is that some councils simply would not be able to afford it. You then have to open up the question of, "Well, if they are not going to fund it from the sale of their own high-value assets, where is that going to come from?" The logical consequence of that will be a reduction of grant into housing in the round. There will almost certainly be a wider effect on the capital programme, and potentially on revenue and expenditure.

Clearly, not one size fits all on this, and, for a number of councils, the effect could be quite dramatic. Without having an understanding of the numbers, it is really impossible to project at this stage, but, on the basis that it is a forward-looking tax rather than a backward-looking tax and that it is based on a methodology rather than actuals, you cannot see a situation where you could actually get a fair outcome on that basis.

Cllr Peck: I would add to the points that have been made. There is a limited pot of money in councils to deal with housing. If we are taking money from that pot, we have less to use in other ways.

One of the things I did not mention at the beginning is that we, as a council, are committed to building 1,000 new council homes in the course of our administration. That is going to become much more difficult while we are trying to find upfront money to pay, effectively, the discount back to housing associations. There is an issue there. There is generally an issue around phasing of money and how much upfront investment you need in housing that this Bill, at the moment, seems not to have taken into account. The point you made around valuation and the accuracy of how many voids you think are going to become available in a particular borough, how you assess that, how you build that into the calculations and whether that is in fact the case is also going to be complicated.

Q150 Helen Hayes: It has been mooted that some councils could choose to pay that money in advance and then hang on to their council properties. Do you think that is at all realistic?

Cllr House: In many cases, councils will be forced to look for other sources of funding to fund this new tax on them. They simply will not be able to achieve it from projections of future income from disposals. The LGA has taken a different approach and suggested that, if Government are minded to stick with this clause, the funding

methodology needs to be significantly different. That includes looking at options such as, for example, using proceeds from the wider disposal of public land. Councils are really up for the wider disposal of public land, which is why we as an association back the proposals for the power, which was in the Conservative manifesto, to force public sector land on to the market where it is not properly being used. We would like the Government to raise their game to the level of local authorities' in terms of actually bringing asset disposal forward. If that were to happen, you could start to see a route to make more of this affordable.

Stephen Hills: I agree with those points. It is also worth noting that different markets and different circumstances apply across the country. One of the problems with some of the legislation at the moment is it tends to be too broad brush across the piece. For example, South Cambridgeshire District Council does not own any land other than that which our council housing stock sits on. We would not be in a position to fund activity of that sort. However, we did have a very good, well-thought-out asset disposal strategy, where we were selling the right property based on an asset management strategy. We were already doing that in order to improve the overall housing stock and reinvest that money. These proposals get in the way of carrying out a properly-thought-through asset management strategy. But we do not have land as a district council.

The point I am making is that, across the piece, you are going to get these differences. We are absolutely keen on getting new growth, but it has to come from land others own and bring forward, and that is where the partnerships are so important.

Q151 Helen Hayes: Notwithstanding some of those uncertainties, do you think that the proceeds from the sale of the high-value homes that you are able to identify will be enough to cover both the costs of the extended Right to Buy and the replacement of those council homes?

Cllr Cowper: Not remotely. From the point of view of a rural district council, that is what I know of it. I do not know about others—metropolitan or unitary. I do not know anything about those, but, for a rural district council, let me just say it again: there is not any money. As to this high-value asset stock that we have to sell, if we had it, we would have done something with it by now. We have not got it. It is not there. It is not available to dispose of. Were we to be taxed in whatever way is thought through, we would have to borrow to pay for the tax. I do not know how many people borrow to pay their annual tax. It is not a good idea. I do not think that is the right way for a council to behave, and I do hope the Government reconsider that. There is no money.

Cllr Peck: There is a particular problem in London as well. If you use, for a moment, the way the Right to Buy receipts of council homes have been used and our ability to replace those sold within council stock, that has been very limited. I think it is 4,000 across London and 600 replaced. There is a real problem with matching that, and I think that comes from several things, one of which is the fact that, obviously, of any new build, only 30% of the receipts can be used. There is the fact that the receipts have to be used within a three-year period, and obviously there is the price of London housing, which is a problem. I think it is going to be extremely difficult to get this like-for-like replacement. There seems to be a principle that we are all signed up to, because we know we have a London housing crisis, but, when you start interrogating these proposals, you cannot quite see how it is going to happen.

Stephen Hills: We have been modelling the cost to provide a new home in our district. As a rule of thumb, it is about £180,000. We have about £33,000 to £35,000 debt on each property. If you put those two sums together, it does not leave a lot of money to give to the housing association to reimburse them for the Right to Buy sale. You would have to use a portion of that to go towards it, but we have nothing to match it with. Our new-build funding—this is why the 1% is so important—is stripped out entirely and we have no other money to match with it. We cannot borrow. We cannot even now use our Right to Buy receipts, because we cannot match fund the money. We also had a 1,000-homes-built programme up until recently, and that is now in serious jeopardy, because we cannot match all the funding together any more. I cannot see how you can generate a new home on the back of the receipt with those sums.

Cllr House: The figures cannot add up. If we look at the typical reduction in cost of £67,000, that is simply not going to build a new home. That is one of the reasons the LGA has come forward with a series of ideas around exemptions to put some caveats around the policy. For example, for stock that has been recently built, which will typically have grant and debt attached to it, the discount is not going to give a contribution to make any real valid effect on replacement stock. If we then move that forward to talk about replacement of stock within individual districts, which we would expect in individual communities and which is clearly the aspiration from the Government, the figures add up even less so.

Q152 Helen Hayes: The Government are talking about one-for-one replacement. The Mayor of London is talking about two-for-one replacement of homes lost under Right to Buy. What would it take to achieve that level of replacement in your respective authorities?

Cllr Peck: Without trying to avoid the answer to your question, another dynamic that needs to be put in is where you are replacing the homes, even before you enter into that discussion. One of the fears I have, as the leader of a London borough where there is a lot of need and there is a high cost to build homes, is the fact that understandably housing associations, if they were business-minded and operating at a national level, might well think, "Well, we will take that money, and it is a lot cheaper to go and build five homes in Grimsby than it is five homes in Lambeth." I understand that, but that gets us no nearer to solving the London housing crisis. For me personally, that is an important component of the whole Bill.

Cllr House: There are probably too many variables to give a really simplistic answer to the question, but, if we try to make it as easy as possible, looking at historic receipts from Right to Buy, something like three disposals equals one replacement. Those are going to be the sorts of numbers we are looking at for many districts. Even then, it would not really be like for like, because classically we have been seeing apartments built to replace houses. That means the number of bedrooms provided goes down. If we look at it from a bedroom-replacement perspective, as opposed to a homes-replacement perspective, the figure is going to be further skewed.

Cllr Peck: If I may add one other thing, another issue is the flexibility of the Right to Buy receipts we are getting at the moment in terms of the council. Again, that does not quite answer your question, but greater flexibility in terms of the period in which we are able to spend those and in terms of the percentage we are able to use on new build would also greatly help.

Q153 Helen Hayes: Do you think that the sale of vacant council assets will make it harder to house particular groups? If so, could you comment on that?

Stephen Hills: Absolutely. One of the things I forgot to mention earlier, but it comes in very well here, is that, as councils, we have statutory duties towards homelessness as well, which is a really important part of what we do. In South Cambridgeshire, we have an excellent track record of providing preventative services and a very low use of B&B. We had some years where we had no B&B use at all. When people go into temporary accommodation, which is very high quality, they are typically housed into permanent accommodation within the year, so we have a good track record, but that is really put into jeopardy by this proposal.

We are the biggest social landlord in our district, as are Cambridge City in theirs, so collectively we have over 12,000 homes.

Something like 75% or 80% of our lets go to people in band A and sometimes band B, which means they are in the highest need. They are our homeless households. That is how we are achieving that move on. Depending on the detail of the proposals, it could be that we are looking at 25% to 50% of our voids having to be sold to meet the payments. When you strip out that amount of homes from what we have, we will not have enough to rehouse the people whom we have a statutory obligation to house. There will be immediate and cumulative effects felt as a result at that local level.

Cllr House: This is another area where policy exemptions potentially come into play. A significant amount of both housing association and local authority stock is housing for specific groups of vulnerable people. There must be a risk that, unless there are clear exemptions built into the policy, forced sale of high-value assets regardless of type of home will have a series of knock-on effects. Now, if we talk about homes that have been adapted and people with particular needs, if we consider issues around people whose particular needs are about their place rather than the type of housing that they happen to be in, often people with mental health issues that need to be dealt with, then the knock-on effects of that could be quite substantial and very difficult to cost. The unintended consequences are probably things like pushing up adult social care budgets, which are already under significant stress now.

Cllr Peck: From a London borough perspective, we have 1,800 people in temporary accommodation at the moment. We have a bill that is going up, which is very difficult to manage, particularly as we are looking at 50% overall cuts in our budget. Taking out those empty and void properties from the market in which to house those people is going to have knock-on effects elsewhere, as well as, obviously, a personal cost to them.

Q154 Helen Hayes: You mentioned exemptions, which I think are important. Do you have views about specific exemptions? Adapted properties is an obvious one, but are there other exemptions that might be helpful, such as larger homes in an area where there is significant family need?

Cllr House: You picked some of those up in your question, really. I made the point that often a need is something that relates to a person, rather than a type of home, and those are very difficult to draft rules for. The consequence of that is that the looser the policy is, in terms of the requirement on local authorities, the better the outcomes are likely to be. Local authorities are about trying to avoid unintended consequences as a result of a one-size-fits-all policy approach, so, in

the round, looking across the whole issue, the fewer caveats that are put on the legislation, the better, in terms of making the process work.

Q155 Helen Hayes: Finally from me, could you say a little bit about what impact this proposal has had on your development plans? Lib, you mentioned the Lambeth 1,000 homes commitment. How are you reprofiling the plans for the future in the light of this legislation?

Cllr Peck: I cannot give you any precise details, because, in a sense, there are so many uncertainties in the Bill that we have not yet gone into that level of detail. But we can look at our need: 21,000 on a waiting list and 1,800 in temporary accommodation. We can look at our ambition, which is to build 1,000 council homes, and our work with developers to make sure that, when developments take place in Lambeth, we are getting 40% affordable housing from them. We know that the definition of affordable is already stretched. We know there are multiple challenges in this Bill, from seeing the pot of money we have to invest in those new homes being complicated.

The need, which we are trying to answer from some of the void properties that we have, is difficult. If you add in the 1% rent decrease—and I know you want to come to this later on, Chair—and you start looking at pay to stay as well, the whole combination is quite a difficult one to disentangle. Crudely put, by trying to answer an issue around home ownership, this Bill is going to make a situation around a far greater problem—i.e. housing supply—much more critical.

Cllr House: The housing supply point is perhaps worth saying a bit more about here, because it applies here, but it equally applies in the other themes as we get to them, so we might end up mopping some of these things up as we go along. What we have found with the series of announcements we have had that have affected the way that housing associations do their business planning is that they have each injected a degree of uncertainty. The effect of uncertainty tends to have the effect of slowing down development, and it does not then just apply to housing association stock itself; it applies to the market as a whole. The effect of uncertainty, where a housing association is redrafting its business plan, is classically that, when the housing association is working with a developer on a large site, where perhaps the affordable housing is going to be 25% or 30%, or whatever, is that the housing association says, “We need to press pause on these discussions to re-plan our business profile, and therefore work through what the implications are.”

The knock-on consequence, typically, then, is that the section 106 agreement that is being worked through between the local authority and the developer equally gets put on pause for that period of

time. The result therefore is not just to slow down the delivery of affordable homes, but a slowdown of the delivery of all housing. We have seen that effect with each of these policy changes that have been announced over recent months. I am sure it was an unintended consequence. I am sure that the last thing that Ministers wanted was to see housing delivery slow down. My concern, and the association's concern, is that the effect of this will see quite a substantial drop in starts on site in 2016. Whether there is the potential to catch that up again later is a moot point, but anything that slows down housing delivery must have an effect on overall housing supply over a longer period of time.

Stephen Hills: It has definitely had a damaging effect on our HRA business plan, and I will leave aside the 1% rent thing—we are going to come to that—but, aside from that, this strips out homes, which we do not anticipate being replaced. We have done a lot of national benchmarking of our housing service. We know how good we are at being very cost effective and offering real value for money through the service we offer. Stripping out these homes damages that value for money, because it reduces our economies of scale and our efficiencies of practice, so we end up with fewer homes for homeless households and others in housing need, but it worsens the HRA business plan. The combined effect is that we currently do not have, in that sense, a viable business plan. We cannot pay back the £205 million worth of debt in full, as we were able to do until these changes were proposed, so we have to work a way around doing that, but, in effect, it has spoiled the business plan. We do not have a viable business plan, long term, any more.

Cllr Cowper: There are just a couple of observations from me. One is that, in terms of exemptions, which you were referring to earlier on, there is something that sits right above this discussion about exemptions, which is that, when I hear the debate, I hear a very city-centric debate going on, and this is why I keep saying we do not have the money. I think there is an opportunity for a rural area discussion about the extent to which these policies apply fully, partially or not at all to rural areas, where the house price multiples are colossal, because they are big houses in the countryside; you know the sort of syndrome. There needs to be some discussion around that, because some of these things simply do not fit into the 200 square mile curtilage of my council. They simply do not fit.

The second thing to say is that I notice Cllr House's remark about the delays to the rest of planning consent. That is a very important point. I have that, as driven by the rents issue, which I have deferred for the time being, but it is to do with the adjustments in tenure.

Chair: We will get there.

Cllr Cowper: I know, and I have pages of it. But the adjustments in tenure are largely, in our view, triggered by the rents issue, and the adjustments in tenure force you back to the 106s. Yes, I note the Minister's letter on 9 November, which asks me to be extremely helpful and co-operative in pushing forward renegotiations of 106, but it is not just that. Affordable houses do not occupy the same space as market houses. You have to redraw all the site plans. It goes right back, not just to the council, not just to the developers and solicitors; it goes back to the architect who has to redraw the map and start the process all over again. Now, we are on 6.71 years of supply as a planning authority. We are very, very proud that we are rattling through consents. This is just going to slow us right down.

Q156 Kevin Hollinrake: On that subject of rural housing and the concern about philanthropic landlords, as you put it, Cllr Hills, will the fact that there is discretion within these proposals and, obviously, that these properties can be covenanted not reassure the landowners that those properties will not be sold back into the market?

Stephen Hills: I am not sure that they are convinced about that. We have not heard that the covenants can be put in place in an effective way. It is a little unsure in the detail here. Certainly, as a council, when we have tried to build new council homes, we have already come across this problem and there was not offered to us a legal option to exempt those homes in some way from Right to Buy.

Kevin Hollinrake: It is clearly stated in the voluntary agreement that there is the discretion that they do not have to sell those properties, for example, in rural areas.

Stephen Hills: Okay. That may go some way, in that instance, to assuage it, but the detail is really important to that. Just for the record, by the way, I am not a councillor. I am an officer, in this instance.

Q157 Kevin Hollinrake: My apologies. Cllr Cowper, you mentioned about you not holding any stock. This would not apply to you if you do not hold any stock. That is quite clear again, in clause 62. If you are not a stock-retaining authority, then this would not apply, in terms of you having to make a payment to central Government.

Cllr Cowper: That would be my assumption.

Kevin Hollinrake: It is in the clause.

Cllr Cowper: If we are both correct on that, then somebody in CLG needs to rethink the arithmetic, because those sums do not add up initially.

Q158 Kevin Hollinrake: But that should reassure you on that point.

Cllr Cowper: It does indeed do that, yes, exactly so.

Q159 Kevin Hollinrake: Finally, Cllr House and Cllr Peck, you mentioned you felt that this is a levy or a tax on councils. These are public assets. This is public money. Is this not about releasing those public assets to build more homes?

Cllr House: The sums do not add up, so in that sense it is not. This goes to one of the fundamental issues around the debt settlement from several years ago, where councils and HRAs were given the opportunity to work through all the issues around their historic debt and to come to a settlement, with a new 30-year business plan based on future projections of income based on rental increases. To come back on that after a very short period of time and say, "Actually, we are going to totally change the parameters of that debate" undermines the debt settlement that was reached in the past. Clearly, if councils dispose of stock, that money is going to go back into the system somewhere. The issue is whether that is the best way of getting value for money through the process. The evidence, we would contend, is that it is not.

Cllr Peck: I would agree with that. Essentially, yes, we are a public body; yes, I have no problem with this being taxed. I would like that to be done in a transparent way, but I would like that to be done to actually find solutions to one of the biggest problems we face, and that is housing supply. It is not individual home ownership, and, in a sense, that is the bit we are funding. It is addressing a small problem at the expense of making a bigger problem even more difficult. That is my issue with it, really.

Q160 Bob Blackman: This probably applies to Cllr Peck and Mr Hills more than our other guests, in relation to the alternative routes that you seem to be pursuing. Can you just explain why you have gone for a council-owned company to develop housing in your two particular areas?

Stephen Hills: Ermine Street Housing, which is the company we are just getting off the ground, is primarily there to generate income for the council, so it is a financial mechanism rather than a housing one. We chose housing because it is something we do well as a council, so the councillors had confidence that the staff could make that particular business work, and the market was good locally for us to do that. But it was really predicated on the fact that, since 2010-11, we had about £7 million of rate support grant coming to the council. It is down to about £1 million now. We are modelling having zero in the

very near future, in about a year's time, so there will be rate support grant coming in to South Cambridgeshire. Councillors were modelling how we could start to use the skills and assets we have locally to generate an income stream for the council, and the housing company was established purely for that purpose.

We have been able to run it as an ethical concern and to achieve some social goods along the way, but it is there, primarily, to make money to help support wider council business. We are looking at other housing company options, but we are a little further back in the development stage of those. We are setting up a housing development agency, for example, with Cambridge City and the county council as partners, to try to be proactive in the market in actually delivering new homes, so there is another company being developed that way.

Q161 Bob Blackman: Can you just explain how it works? Are you borrowing money against these potential assets? What are you doing in this particular vehicle?

Stephen Hills: The council—South Cambridgeshire, for Ermine Street—is borrowing the money and then on-lending to Ermine Street, and Ermine Street is acquiring homes into a portfolio.

Q162 Bob Blackman: Sorry, can I just stop you there? In an earlier answer, you said you had no capacity to borrow any more money, but you are borrowing money now.

Stephen Hills: We have no capacity to borrow under the HRA, so the HRA is at the top of its debt cap. The council, of course, can borrow prudentially into the general fund, so, using the prudential borrowing powers, it is able to borrow money from the Public Works Loan Board in the first instance and then invest into the company, which, as I say, acquires homes, rents those out at market rents and is able to generate an income return for the council.

Q163 Bob Blackman: Who are the tenants in this?

Stephen Hills: The tenants are first come, first served market tenants. The properties are not all in South Cambridgeshire. We are operating across a wider market area. It has been a mixture of people, but broadly speaking it is a first come, first served market company.

Q164 Bob Blackman: Just to be clear, you are not discharging your homelessness duty through this business.

Stephen Hills: No. One of the nice stories that we have is about a family with eight children, who could afford a market rent but no

landlord would look at, at all, for properties. We were able to find two houses that had been knocked into one, happy to rent to the family at a market rent. The homeless team were happy, because we had found permanent accommodation through the company, and we could still charge the market rent to the family. You get individual instances of that sort where we are fulfilling a social purpose, but that is not the primary aim of the company.

Q165 Bob Blackman: Cllr Peck, you have a scheme whereby you are going to develop housing. I think your figure was 1,000 houses.

Cllr Peck: Yes. Basically, the motivation behind our scheme is that we, as I have mentioned several times, want to build our own stock. We think it is important to build as much social housing as we can. Affordable housing is positive, obviously, but it is still a stretch for many people in Lambeth, particularly where smaller units are 80% of market rent. That is a high cost in London. We are very determined to preserve that mix within Lambeth and see the importance of social housing. For us, it is really around making sure that the 20% that at the moment goes to a developer in the way of profit, through a viability test, comes back to the council to enable us to reinvest in our housing stock and in our housing build programme. It is, again, a totally council-owned company and we think that is very, very important, because it is also about the local accountability. That is really the motivation for us.

Q166 Bob Blackman: So these are homes for rent and not for purchase.

Cllr Peck: At the moment, what we are looking at is that these are homes for rent, yes. That is right.

Q167 Bob Blackman: Are these council tenants?

Cllr Peck: Yes.

Q168 Bob Blackman: Who has the right, then, to nominate?

Cllr Peck: We would have the right. We have full nomination rights. We have a programme of estate regeneration and some of that programme of estate regeneration will essentially go into this council-owned company, so we have been working with tenants to make sure they enjoy exactly the same rights.

Q169 Bob Blackman: Do any of those tenants have the Right to Buy?

Cllr Peck: Not as it is currently set up, no.

Q170 Bob Blackman: Why is that?

Cllr Peck: That is the way that it is. They are basically the rules that govern that kind of an organisation. It is not unusual to Lambeth. Enfield has got one. Greenwich has got one. We are not pioneers in this area. But, for us, the key motivation is around trying to use this 20% in an innovative way.

Q171 Bob Blackman: Someone more cynical might say that this is just a way for a local authority, through their own particular means, to avoid council tenants having the Right to Buy.

Cllr Peck: Yes, but I am not a cynic. I am an optimist and I want to create as much housing as is of need in my borough.

Q172 Bob Blackman: But you are preventing your tenants from purchasing the homes in which they are living.

Cllr Peck: No. What I am doing is making sure that we are able to provide social housing, which is really important and at a premium in a place like Lambeth.

Q173 Bob Blackman: If someone is in one of those tenancies, how would they then acquire the Right to Buy?

Cllr Peck: They would not be able to acquire the Right to Buy at the moment, as the rules—

Q174 Bob Blackman: So you are denying them the opportunity of Right to Buy.

Cllr Peck: Well, one could argue that a lot of things are being denied to them at the moment. In certain situations on certain of those estates, a good-quality home is what is being denied to people. You could also argue that a lot of people are being denied a home at all, because they are sitting on a waiting list or they are in temporary accommodation. There are a lot of competing factors, and the primary one for me at the moment is to make sure that all of the money that I have available, potentially—or the London Borough of Lambeth has available, more accurately—is going on providing social housing, which is desperately at need.

Rather than entering into what I think a lot of councils feel is a sometimes complicated and difficult set of negotiations with developers, where we are very robust and frank about what we need, as are they,

but we still get caught up in the viability test, which is not always very transparent and presents more difficulties, we are able to circumvent that and develop and build our own housing.

Q175 Bob Blackman: Why have you not chosen a housing association as a partner to undertake this particular scheme?

Cllr Peck: Because we think we can do a good job. That is not to decry the fact that housing associations can also do a good job; that is why we work with them. But we believe that we are the elected authority, we know that is the need and therefore we can answer that demand.

Cllr House: Can I possibly give a wider answer to the question of councils setting up housing companies? I think there has been a bit of a ministerial misunderstanding about the motivations for doing this. For the vast majority of local authorities setting up housing companies, it is not about avoiding the Right to Buy. There are three principal drivers for most local authorities in setting up housing companies outside the housing revenue account, either using prudential borrowing or using market borrowing. The first is to increase income to the local authority, and often that is through developing stock and managing it as market rental stock in the same way that Stephen was describing. Sweating the asset to increase the income base so the local authority becomes less reliant on the grant is a significant reason for setting up housing companies, and nothing to do with the Right to Buy.

The second reason is—

Q176 Bob Blackman: Sorry. What would the LGA say if the Bill got changed to say that, in council-owned routes such as this, tenants would have the right to buy? The LGA would have no objections, then.

Cllr House: The LGA's position is that it wants to increase supply, fundamentally, and that is the second reason why local authorities are setting up housing companies. If we are simply to rely on Bovis, Barratt, Taylor Wimpey and Persimmon to build the country's homes, we will not build enough homes. We need to get more players into the market, using local and regional builders alongside the big volume builders, and get those developers that build in the construction sector more widely, which build hospitals, schools and the like, into home building under contract to companies. Councils can play an additional role in increasing supply themselves and using other players that are not dependent on market sale to increase volume.

My own local authority in Eastleigh has set itself a target of simply building 100 extra homes for market rent and market sale each

year, itself, through its new housing company. We are seeing increasingly lots of local authorities doing that. The Housing Finance Institute, which I am a founder of, was set up at the request of the Chancellor to help advise councils on how to do that.

The third reason for councils getting involved in developing stock themselves outside the HRA is to help manage the local housing market. In many areas, there is a shortage either of market homes or of private sector rental stock alongside the issues about affordable. In my case, increasing the quality and quantity of market rental stock available is an important contribution to getting a good mixture of stock within my local community. That will have a knock-on effect of increasing the quality through other providers: dodgy HMO landlords, buy-to-let landlords that perhaps are less interested in the quality of their offer.

The reasons for intervention are many and varied, but they tend to coalesce around the idea of a council setting up a joint venture of some kind or other to deliver additional stock.

Q177 Mr Prisk: Could I just follow on from that, and then I will come on to some other questions as well? Just on that particular point, Cllr House, you understandably raised this issue of the need for more competition and more providers in the market. I do not think anyone denies that, but, in reality, a council cannot preclude Barratt, Wimpey or whoever it may be from bidding for any of the contracts you have just described.

Cllr House: Absolutely not. Bring it on. The point is to increase supply by as many means as possible. For the contracts I have got out at the moment, yes, we have had interest from volume builders, but the volume builders are then building under contract to provide market rental stock, rather than simply homes for sale. Now, we are looking at building houses for sale too, and I suspect, in the future contracts, it will not always be the volume builders that step into that place, but there are others in the construction sector that are very interested in building under contract, simply on the basis of getting a return. That takes it outside the main volume housing builders that are only interested in market sale.

Q178 Mr Prisk: My question was not whether the aim was desirable or not—I think it probably is—to have a broader market. My question was whether it is within the ability of you as contracting authorities to do that on your own. There is a broader set of challenges there.

Cllr House: We can agree on that point.

Q179 Mr Prisk: Perhaps that leads me on to one of the bigger challenges, which is really the role of councils in this. Cllr Peck has set out, very clearly, her authority's position. Can I just ask about Eastleigh and East Hampshire, because I think there is a separate issue from what we have heard in terms of South Cambridgeshire? Is it your intention as a council to build more homes?

Cllr House: Yes.

Q180 Mr Prisk: Is it your intention as a council to build more homes?

Cllr Cowper: Absolutely, in the sectors where we operate, given that we do not actually own any.

Q181 Mr Prisk: Okay, so you are both planning to build more homes.

Cllr House: Eastleigh is also not a stock-holding authority. We are not interested in holding stock as a traditional stock-holding authority with an HRA. We are using local housing associations to manage stock for us, where they are affordable homes, and we are using the same organisations to manage private rental stock for us. We are simply the owners. They are the managers. We do not want to get into a business that we lost 20 years ago. We are a better housing authority for having transferred stock.

Mr Prisk: So this would be directly commissioned—

Cllr House: But we are also then looking at building homes for sale where the business plan for a site says that, to make the site work as a whole, we need market sale property.

Q182 Mr Prisk: Presumably, in building that, you would put on restrictive covenants in terms of the subsequent ownership or change in tenures.

Cllr House: No.

Q183 Mr Prisk: None at all?

Cllr House: No.

Q184 Mr Prisk: So they would go out into the open market.

Cllr House: Yes, indeed.

Q185 Mr Prisk: Will that be the case in East Hampshire?

Cllr Cowper: In East Hampshire, just to recap, we do not own the stock in any capacity. We have no ownership whatsoever, even as an investment source, so we only manage housing through the housing associations. In terms of tenure, in our discussions with the housing associations we encouraged them to offer affordable rental tenure, not the other types. The reason is that that fits the socioeconomic profile of the people in our council area who need affordable housing, which means we emphasise that to the expense of shared ownership and, eventually, of course, new schemes of a similar ilk.

That is because people who are without housing have relatively low incomes, so, when the house price starts off very, very high, a shared ownership scheme does not help you very much, because you still have to find, roughly speaking, 40% to 50% of the capital value, which is already a stretch anyway, more than a typical house price in the north of England. That is simply the capital you have to find. In terms of the 20% reduction for the new scheme, 20% off a very large sum is a slightly smaller large sum. We opt for social rented, and that is the predominant scheme we have with the housing associations.

Q186 Mr Prisk: Are you looking to borrow outside the HRA to do that as an authority?

Cllr Cowper: The housing associations carry out all the financing. They raise the finance themselves. They instruct the builders themselves. They secure the income. They pay the costs and the yield, such as it is, is all theirs. We have no financial interest in that of any description whatsoever.

Q187 Mr Prisk: Similarly, from your point of view, is there borrowing that Eastleigh is looking to do?

Cllr House: Eastleigh is looking at a mixture of sources of funding. We are borrowing using prudential borrowing. We are looking at market borrowing. We are working on joint ventures in partnership with the housing associations, so, with some schemes, they will take on that element by themselves.

Q188 Mr Prisk: Can I just turn to the other big question here, which has been touched on, which is obviously the availability of land, and particularly publicly owned land? I think everybody would agree and it has been argued for many, many years—certainly as long as I have been a chartered surveyor, let alone a member of this House—that it is desirable, but we have never really managed to get to grips with doing this. In each of your local authority areas, could you very briefly say whether you have a clear understanding as to how much public land is

available, in your view, for potential development, either underdeveloped or wholly undeveloped? In other words, it may be underused or it may be something in which there is no active use at this stage. Is that something you retain, perhaps, as a borough, starting with Lambeth first?

Cllr Peck: We are a very densely populated borough, so we do not have huge tracts of land yet to be built on, really. That is an issue, and we are working increasingly closely with some of the other public agencies where we think there is some potential—for example, the health service, the fire service and the police service—and looking at the public sector London estate. Therefore, there is some room in terms of squeezing out more land to be able to build on.

The second area for us is obviously one we have touched on, which is our existing housing estates. We do still have a large stock. Some of those are relatively underdeveloped and some in not particularly good condition, so those are the particular estates at the moment we are focusing on in terms of trying to get a win, so it is both improved stock and increased density. We are not land rich, but we certainly would exploit any opportunity to work with public sector partners to make sure that we can continue to deliver on affordable housing targets.

Q189 Mr Prisk: Yes, obviously Lambeth is densely populated, although, if you look at Cornwall Road, just off the back of South Bank, for example, you have a very large bus park sitting there.

Cllr Peck: We do. We have plans for that in our local plan.

Q190 Mr Prisk: I am very pleased to hear that. But, when you look at an area, naturally you walk around—I am afraid this is a habit of mine, walking around an area to get to understand it—and there are substantial pockets, but there are complexities of ownership. Would you follow the LGA rule, as they have been setting out, which is your ability to effectively purchase and direct the development of what would be, I imagine, TFL land? Is that a power you would want?

Cllr Peck: Yes, it is a power we would like, in the sense that we are the elected authority and we want to manage the land within our borough as effectively as we can for the benefit of residents. We know that housing is a top issue, so absolutely, and we would do that in a slightly less dictatorial way than you are implying, I think. We would want to work with Transport for London and the NHS, and we do that kind of partnership work on a regular basis. Certainly, in compiling our local plan, which I am pleased has been ratified, there is a site allocation document attached to it, which looks at the potential for sites such as you have talked about on Cornwall Road.

Q191 Mr Prisk: The power to direct is the LGA's phrase, not mine, but yes. What is Eastleigh's point of view?

Cllr House: I endorse the above, to start with. Eastleigh does not have MOD land, which is in many ways—

Mr Prisk: Unusual, in your part of the world.

Cllr House: Well, it is unusual in my part of the world, but colleagues to my right here will wax lyrical, I suspect, about MOD land. We do have NHS land, and we do have Network Rail land. We have bits of land that are owned by bits of the state that the state finds quite hard to get to: NHS foundation trusts, academies, Network Rail, as I mentioned, and Highways England. We are very interested in this area at Eastleigh.

From the LGA's perspective, we have found that Governments of all colours have found it very, very difficult to get land out of the door, and there are a whole stack of reasons for that. "We might need it one day." "We do not know we own it." "We do not really want to release it because the money will go to the Treasury, not to our Department." "If we hold onto it until the storm passes, we will be okay, won't we?" All of those factors militate against releasing land from the public estate.

The LGA concept has been covered in many places over the last few years. It was in the report I wrote with Natalie Elphicke for the Chancellor; it was in the report that was produced for the Labour Party; it is the LGA's case that it was in the Conservative manifesto. It is to give a pull factor from local government along with the push from the centre, because the push from the centre, despite great work in the One Public Estate programme, has not released enough public land.

We believe that, if there is a pull factor available from the local authority that basically says, "We are going to have that land. You are going to get the money at the end of that process, but we are going to pull that land into development," that will have two effects. First, it will encourage the centre to release land, and, secondly, where the centre cannot be encouraged, it will simply require it. We think that there are substantial tracts of land. All of the usual suspects clearly apply. Those bits of the state that managed to avoid it last time around, which typically were the MOD and largely the NHS, will be pulled into the process of being forced to release land for development.

There are a number of other consequences that follow from that. There are some exceptions around MOD land in more rural areas, but, broadly speaking, a lot of this is urban land, so it is about giving more opportunities to bring more brownfield, as opposed to greenfield, land to the market. That gives a degree of community confidence in the planning process as well. Many times, I suspect, in your casework as MPs, you

have had letters from people saying, “Why is the council building on greenfield land when there is that bit of brownfield land there that has not been developed?” Those sorts of things can help to give more confidence around housing supply in totality. The LGA estimates that there is the capacity for many tens of thousands of additional homes on public sector land, if it can be pulled away from the centre, along with the voluntary disposals.

Q192 Mr Prisk: If I may briefly ask East Hampshire, you will have a number of MOD things around you.

Cllr Cowper: Yes. I was going to say thank you to Cllr House for being my warm-up man on that. It is much appreciated. Bearing in mind that most local planning authorities or councils have been through the allocations planning process—and ours is in now with the inspectorate, with a provisional green light—pretty much all private sector land that could be developed has been earmarked for development. I think that is true to say. Moving to the public sector land, as a council owner, we hold hardly any land at all. However, yes, as Cllr House has just said, where we are, there is a lot of military activity. Whitehill and Bordon is pretty much nationally famous now. That is all designated for housing and commercial development and other aspects of the regeneration. Just to the north is Longmoor camp, which is bigger than the camp at Whitehill and Bordon, and we are very much hoping that, in the comprehensive public spending review that is under way right now, the Ministry of Defence will release that land.

That is a good example of land in public ownership—not in council ownership, in public ownership—that is doing nothing at all, absolutely nothing. It is still technically commissioned. It is not in active military use, and, if it came on the market, I would be quite interested in looking at some of these esoteric borrowing opportunities to buy it, because we might go down your route, perhaps, with some of the lessons taught to us by Mr Blackman earlier on.

There is an opportunity there. There is public sector land available, predominantly through the Ministry of Defence. Now, there is one issue with that, which is worth raising because the MOD is an immensely large landowner in this nation, not just in Hampshire, where we are. The Ministry of Defence has minimum viability criteria, which means that it will only do certain things with the land if it makes enough profit. Luckily, in the town of Whitehill and Bordon, there is already a very large area of social housing, so the affordable housing percentage that we required was only about 15%. That was a fortuitous outcome, because it meant that the MOD got all of the viability criteria ticked. However, now that has been done, should Longmoor camp come on the market, we would be

looking for our normal 40%, and I think the MOD would baulk at that and that land may stay unused. That is an opportunity.

Stephen Hills: In Cambridgeshire, we have something called Making Assets Count, which is a collaboration between all the public sector bodies, so that is the local authorities but also fire and police, and the NHS are coming on board with that. All of the land available is on maps, which are publicly available and being promoted. We are, as I began to say earlier, in the process of setting up a housing development agency with City and South Cambs, in partnership with the county, because the county themselves are big landowners in the area. The idea is that we can develop, as a public sector-led company, some of that land for similar reasons to those mentioned earlier.

The university is a big landowner, and the colleges in the area, and there is a lot of MOD land as well. Northstowe is the one most people have probably heard about, and we have Waterbeach coming on stream as well. We are actively pursuing all of these sites. The problem we have in South Cambridgeshire is not really people coming forward with land. When we put our request for land out, we were inundated with landowners coming forward. We could get very good values in the area. It is very commercially productive to develop. The local plan, which is also with the inspector at the moment, is more about trying to get the right balance for the communities, the economy, the environment and so on, but having land brought forward is not a significant issue for us. It is just exactly which bits of that land you use to meet your goals.

Q193 Mr Prisk: Lastly, I am looking back at this issue of the sale of a council house, or indeed a housing association property, and where the money goes to the building of an additional property. We have heard from East Hampshire particularly on this subject, but perhaps I can come back to London. You raised earlier, Cllr Peck, the challenge of not wanting to see this disappear off to Middlesbrough or something, but I think a lot of people would wonder if the boundaries of local authorities within London are realistic in terms of the replacement policy. In other words, if one was two tube stops away from where a home had been sold, is that not reasonable in the sense of general land use? Does a house that might be sold within Lambeth as a borough have to be replaced within that borough?

Cllr Peck: The overriding point is making sure that the stock that is lost in London is replaced in London. I do think there is an argument for a more local, neighbourhood approach. Certainly, in Lambeth, we preference our 40% affordable housing policy to redevelop on site. We do look at off site when that makes more financial sense, but primarily we try to keep it on site. The reason for that is that the great thing

about a place like Lambeth and a place like London is the diversity that you find within communities. That is the ethnic diversity and the income diversity, and people living cheek by jowl. My concern about money disappearing out of London when we have a London housing crisis is that you are effectively pricing an enormous number of people out of the city.

To your challenge about whether two tube stops away makes any difference and whether people know they live in Lambeth as opposed to south London, well, maybe not, but I think we are getting on the edge of things that are quite important. We are accountable politically as a local council to our local residents, and there is something about neighbourhoods still having that mix. I would be concerned that, as an inner city borough, we would be the people who lose that housing, maybe at Croydon's gain. Does that matter? I think it probably does matter.

Q194 Mr Prisk: My thought was not necessarily Croydon, but the boundaries between you and Southwark, for example. It is easy to cross the boundary physically and not be wholly aware of that.

Cllr Peck: Yes, but the reality is that it would turn into inner and outer London, because the land prices in Southwark are fairly similar to those in Lambeth. It is much more about how you preserve that mix in inner city London and the challenge of that.

Q195 Chair: Let us go on to starter homes. Have you started thinking about what the impact of the policy in the Housing and Planning Bill with regard to giving priority to starter homes as part of 106 agreements might do to the agreements you reach in the future?

Stephen Hills: We have had some interesting feedback, initially, from some of the big house developers in the area, which are quite nervous about this proposal. They have already started to say to us that, when you have a housing association coming on board with some affordable housing, they get a chunk of money up front in the development and it goes a long way to smoothing the actual development process. It is a known factor. They are quite nervous about whether they are going to be able to sell these starter homes, because of the way that the constraints are put around who is going to be eligible. There is doubt in their mind. There is uncertainty in some quarters around how quickly and how easily they will be able to sell some of those starter homes. That is one factor that has started to come back. I am just feeding back here informal conversations that have come back from developers.

The point was made earlier about understanding the local needs and trying to match those. Now, Cambridge has got values that are not far from London values. The average house value is around £450,000, and it is a little less in South Cambridgeshire, but not that much less. Even though we have high average incomes, at about £35,000 to £38,000, it still does not get you very close to being able to afford a house in the market. The product will be right for some people, but whether it will be right for enough people to be able to meet the needs across the wide range of our housing register is the question we are really not certain about at the moment. It is likely that many people will not be able to access that, and we will then be left with a shortfall of homes.

It is interesting to note that, in both South Cambridgeshire and Cambridge City, around about 50% of all our new lets off the housing register are to people in work. These are people with a housing need, but they are in work, because they are simply earning modest incomes, providing often essential services, sometimes in rural communities, to care homes and other facilities, working in the health service in more junior roles. There is a lot of the workforce locally who earn quite low incomes, and they would really struggle to access the starter homes in our area.

Cllr Cowper: I would endorse most of that, for East Hampshire. I made a point earlier on that, with our average house price to average income ratio of 11.25, which is last year's figure, the 20% discount simply takes that down to a little under 10, really. That is still an enormous multiple for people to pick up on, so it is quite useful as an idea, where you have an exception site—that is one that is not part of your mainstream affordable housing programme; it has come up as an exception—that you might be able to strike a deal with the developer, yes or no, and to put some shared ownership or some starter homes on there. It just ameliorates the financial hit to the developer and could bring it into play. It is a useful enabler from that point of view. There are only 100,000 available anyway, so, as a key part of the strategy, it is probably not that useful. It is useful in certain situations, like exception sites, but otherwise, with such high house prices, it does not really cut it at all.

Cllr House: There are several unintended market effects of the policy, which I will come on to, but the first, from a local authority's perspective, is the loss of still another tariff-based income. That is of greatest concern because the bill for those functions is still going to have to sit somewhere. Unless we are taking the view that people in starter homes are not going to have children going to school—they probably will at some point—or are not going to be using local roads, libraries and services, where is that bill going to be picked up? There is

a real issue about the loss of income to local authorities through planning processes.

There is also an issue about how the market itself works, which needs to be thought through. This does, as Stephen was suggesting, transfer quite a bit of risk to the developer, which has hitherto not been there, because it means that the developer has to be certain that this stock is going to sell on that reduced basis, and there is no guarantee that that is the case. That, therefore, comes in later in the process, too. The pressure from the development sector could well be to argue viability earlier in the process, rather than later in the process, because their risk profile goes up and therefore they want a higher guarantee of profit back to shareholders.

There is a further unintended market effect, potentially, in that, if we see the target that has been announced of 200,000 starter homes by 2020, if you project that back over the four years from 2016 to 2020 at roughly 50,000 a year, that suggests, given this will tend to apply to larger sites and to volume builders, that something around a third or more of new homes build will have to be in this starter homes category for those numbers to be achieved. It probably suggests that the numbers cannot be achieved anyway, but, if it is achieved, then it probably has another effect on the market, in that it wipes out the market for non-reduced value properties.

For example, if the property is for sale at market minus 20%, what will be the effect at the next tier up, the stock that is just above the price threshold at £450,000 or £250,000, or whatever the Secretary of State decides in a particular market area? You probably get another series of cliff edges in terms of value. That almost certainly has an effect on the wider market. There are things that we think have not been worked through there.

That is not to knock the concept. The concept potentially introduces another type of intermediate housing into the market. It potentially gives the option for another group of people to enter the market who would not have been able to enter home ownership. But it needs to be really carefully thought through in terms of the implications, quite apart from who gets the benefit at the end of five years. Does the stock stay at a discounted value when it is sold on or not? Those are the sorts of issues that need to be teased through carefully.

Cllr Peck: I have very similar points, so I will be brief. We have concerns with the fact it is exempt from CIL, as Keith has mentioned, and the infrastructure that needs to sit around new housing. Secondly, we have a slight scepticism about how many people will still be able to afford it, and therefore how popular it will actually be. Thirdly, if we have to bring it into our planning considerations, and we are already into negotiations with developers around affordable housing, it may

well take centre stage and further squeeze and put pressure on developers to come forward with the affordable housing.

While we will need a lot of different types of product, because there is a whole range of need out there and we recognise that, and this maybe fills one of them, I am slightly worried about the consequences of it.

Q196 Chair: Finally on this point, what you are saying is that there are going to be some complicated negotiations with developers on this. Developers may be very enthusiastic or not enthusiastic, depending on where they are at. Have you got the skills in your councils to deal with viability being a big problem area between councils and developers anyway? I do not know whether you saw what the Minister said last week to us. He said, essentially, that this was not going to be a nationally imposed solution, but it would be down to councils and developers to work through how it applied at local level. Have you had any advice about what you might be required to do?

Cllr House: Councils often work really well with their local developers. One of the myths of the system is that councillors and developers are always at loggerheads. The council request is actually that more of these processes should be transparent. The quicker we can get to open book valuations, so that there is clear water through this system and people can see what is happening and understand it, the better. There is a capacity issue in some councils around market understanding, and I think that does need to be understood. Councils that have a record of delivering significant volumes of stock are more likely to have the experience to handle viability issues, but the sector is improving.

Cllr Peck: I would add that there are other powers we could be given as local councils that would help in terms of the planning process. You talk about capacity, and one thing that is affecting us is the fact that the amount of time spent on planning applications does not match the fees we are able to charge. Now, if we had freedom to charge our own planning fees, then we would be in a better place and more capable of dealing with the demand that is there. If, for example, we did not have, in some cases—and we have certainly suffered from this in Lambeth—ministerial oversight on some of the planning applications, which could sit at a London level, we would not suffer delays in bringing some of the developments forward.

There are other challenges or other solutions to speeding up the planning process and thereby bringing the delivery of homes forward than just focusing on the ability of councils. I would agree: we have found a consistency of decision making and a close working relationship

with developers absolutely critical to getting the right kind of developments.

Stephen Hills: We work very closely with developers, and we do come to sensible positions that enable these schemes to be viable and to deliver as much affordable housing as they can support, without pushing them to the point where it is no longer viable. That is the sensible position that we are able to achieve.

Q197 Chair: Have there been any discussions with any of you—particularly the LGA, I suppose—about how starter homes guidance in the legislation might work, this word “priority” and what it actually means in practice? Have there been any discussions at all?

Cllr House: No, not at this stage.

Chair: We now have the moment you have been waiting for—Alison.

Q198 Alison Thewliss: I would like to talk about the rent reductions. Could you tell us a wee bit more, all of you really, how those rent reductions will impact on the ability to deliver housing services? Particularly, are you changing maintenance programmes or services you are providing as a result of that?

Cllr Cowper: This is the moment. There are a number of issues with the rent strategy, I think. Obviously, it begins with the assessment of viability, first of all. I am sure by now that the Committee here is well rehearsed in the whole issue about the damaging effect on viability and the disincentives towards, in our case, housing associations to make the investments.

We already know, in these various off-the-record conversations that I am not meant to be telling you of, that one of our important housing associations is talking about leaving, making no further investment in the rural area of East Hampshire, because it cannot make it work, and focusing all of its effort in the built-up areas along the southern area of Hampshire—Portsmouth, Southampton, Gosport, Fareham—simply because the economics do not stack up in rural areas. Cllr House has talked about a number of unintended consequences. I think that is actually one of the unintended consequences of what superficially seems to be a really socially aware strategy. It damages the viability. That is the first thing.

The second thing, which is also perhaps a little more subtle, is the way it adjusts the developers’ attitude towards tenure. I explained earlier on that, because of the social make-up of the district and the nature of

people in need of housing, rental is the kind of tenure that we are looking for, as opposed to the discussion we had about starter homes. Shared ownership is in many ways of a similar ilk. Many of the arguments apply to shared ownership as well, because of the disparity between the price and the income level. We now have a situation where rents are capped or going down, with viability issues. Developers are now saying, "We need to have another look at the 106, because the housing association cannot offer us the same value in terms of their proposition for purchasing affordable from our development project that they did before," so they are coming back to us, thinking about changing the 106 agreement.

The Minister of State has written a letter, terribly unhelpfully—much as I rather like him and deal with him on other projects; I do not know where this letter came from—more or less giving carte blanche to developers to tear up pretty much every section 106 agreement that has ever been written on affordable housing and rewrite it to suit the developer's profitability profile. I do not understand what thinking led to that, because that could, theoretically speaking, shift all affordable housing, certainly in a rural area like mine, from rent to the other categories of tenure. It could theoretically shift all of it, which would leave all of my residents, who can only afford rental, without a solution.

I cannot overemphasise—this is the point I wanted to make, Chair, so thank you—that this has potential catastrophe written all over it. I cannot believe that the civil servant who wrote that paper for the Minister knew the consequence of writing those paragraphs. I simply cannot believe it is possible, because it is a dreadful idea. I really do urge you to give very serious consideration to this consequence that I am outlining to you, because, certainly in a rural area like mine—I cannot speak for slightly more built-up areas; I do not know—it has very, very serious consequences indeed.

For example, we already have one. This Committee heard, when you were looking at the NPPF, from Four Marks Parish Council, and you have written up some of their comments in your report, which I read. Their sister parish is Medstead, and Medstead is similarly afflicted by more housing than the local plan says they actually need. It has now got worse, because, since the emergence of the rent cap and the open door to tear up 106s, the original ratio for Lymington Farm, a real development, was 14:4—14 rented to four shared ownership. Since these recent announcements, the developer has started the renegotiation to 8:10. Of course, the PR department will say that it was 18 and it is 18, so there has been no damage to the affordable housing programme whatsoever. But, to the people who live in Medstead, it is catastrophic. It has gone from 14:4 to 8:10, and that is awful.

I really wanted to make this point. I have finished making it, you will be pleased to hear, Chairman, with some degree of passion and enthusiasm, you will have noted. This is a very serious thing, which I really do hope the Committee can help us resolve. Thank you very much.

Cllr House: The numbers are really stark. This represents over £10 billion of lost income to councils and housing associations in the four years through to 2019-20, and that cannot all be picked up through efficiencies. The only consequence that flows from that is less money going into repairs and renewals, and less money going into new builds. Where the balance sits will vary from council to council and from housing association to housing association, but it is not just that £10 billion loss over that four-year period; it is the ongoing loss of the stepped income that would have arisen, which is £1 billion a year, every year thereafter, from 2020 onwards. This is a serious consequence to the housing sector in the round, quite apart from the particular bodies that we are talking about.

I think it is right, also, to focus on the planning issues, because they have cropped up several times. We heard the very local example in a very rural community, but, on major greenfield sites that are coming forward, we are seeing housing associations walking away from major sites as a result of these changes, because they have not got confidence in their business plan to deliver at the level that is expected of them. As a knock-on consequence of that, I have an example in my borough of a scheme for 1,100 homes, where it was expected that the section 106 agreement would have been signed three or four months ago. It still has not been signed now, because the housing association has walked away and the developer has had to find a new partner and fully renegotiate the package. That will result in a skew away from affordable housing as a result of the renegotiation, but, in the shorter term, the issue is simply the delay to starts on sites, and these are happening all over the country.

The series of issues that have arisen from this are of significant consequence. Clearly, there is a short-term gain to the DWP, in terms of less benefit being paid out. The question is how beneficial that is in the wider sense, given the other policy implications. It may not even be that simple. If we are seeing fewer affordable homes built, we are more likely to see more people in the private market rented sector having higher levels of housing benefit paid for them. The question is whether the value for money is actually there in the policy in any case.

Cllr Peck: I would completely echo those points. I suppose the attraction of the reform to the housing revenue account a few years ago was that we were looking at 30-year business plans. In a sense, that has all just been torn up and thrown in the air, and we have now got to go back and re-look at all the finances, which either affects the new build programme—which, as I have indicated several times, is quite extensive in our borough—or has a direct relationship with maintenance of council stock.

Just to give that some sense of reality, it is about £15 million a year for us, at the moment. Obviously, scaled over a 30-year

programme there is an awful lot more, but we have a big development going on in the centre of Brixton, where we put our town hall into the mix, alongside one of the office buildings next to it, a building that we are currently leasing, to develop the whole site and bring on 200 new homes, about half of which are affordable. That then begins to look a bit more complicated.

Similarly, we have been a borough that did not immediately benefit from the decent homes funding, because we were rather delayed in setting up our arm's length management organisation, but we have committed and are in the fourth year of a four-year programme of £490 million of investment in our council stock. All of those things have to be paid back, accounted for and worked out over a long period of time, and we can all do the finances, but it is the sense that we had entered into an agreement about a 30-year business plan and then that was pulled into chaos by one announcement that I find most dismaying about the whole thing.

Stephen Hills: I can echo all of those comments. In South Cambridgeshire, our members were really proud to announce our 1,000 home building programme after the 2012 settlement. It was going to be about £135 million out of the 30-year business plan. The 1% rent reduction over the four years strips out £135 million from the business plan, so, overnight, our development programme effectively ceased. We have a little bit that we had started, which we can finish, but after that it effectively finishes. We are very efficient in the way we run our services, so we do not have to make too many other adjustments to balance the books, but, if rents were to be frozen or reduced after the four years, then it would absolutely tip us over the edge.

It would be very difficult to know where that extra money would come from, because there are certain things that you have to spend a certain amount on, such as repairs. There are legal minimums. The debt has been fixed on the assumption of a higher rent level, as mentioned earlier on. We have very low staffing costs overall, so really there is very little room to take any more out, other than reducing the overall staff numbers, but even that has a limit on how far you can go before you have no staff left.

We are really being taken to the brink on this one and are very nervous about what the rent profile will look like after year four. It has been hugely disappointing for the local councillors. As I say, we had just built our first four homes and were starting to ramp up our programme, and it is all back to the drawing board with that. It has had a very significant impact indeed.

Q199 Alison Thewliss: Do you have a particular view on the pay-to-stay thresholds? Are they set at the right levels? Are they appropriate?

Stephen Hills: Two people earning just above minimum wage would trigger the pay-to-stay, so it does feel quite low. There are huge amounts of detail. It feels very, very messy. Many years ago, I used to work as a housing benefit officer, and I am very familiar with the weight of the guidance and legislation around housing benefit, when you have changes of circumstance, overpayments, underpayments and appeals. There is a whole plethora of legislation required to run that type of a means-tested system. We do not have to do that for the majority of our tenants at the moment, but, the moment you have that, you have to start bringing all tenants into that sort of regime, to try to work out whether they have come above or below a particular threshold that has been set.

To some extent, wherever it is set, the moment it is compulsory, you have to have a whole load of administrative cost. We estimate, for us as a small authority, it could be £100,000 a year, for example, in extra admin costs. Even if we found no one needed to pay it, we would still have to. It is the effort to put through that. Of course, the sting in the tail is that councils do not get to keep the money once we have raised it. Leaving aside other issues about the fact that, depending on how the taper is structured, some people may not have anywhere to live in the local area as a result of this that they can actually afford, we do not even get to keep the money either. That I do not really understand at all, because we entered into a self-financing settlement and are trying to run efficiently, like businesses, the housing revenue accounts. I cannot really see the logic in not being able to keep that extra income.

Q200 Alison Thewliss: It seems particularly interesting that you were saying about your staffing levels already being at the bare minimum, and this would increase the requirements on them.

Stephen Hills: We would have to cut frontline housing staff to balance the books, but we would have to add some back office staff in order to do all the work around administering that particular framework.

Cllr Cowper: Just to comment on that, we have had this sort of discussion with our housing associations. Again, I did read the 4 November meeting as carefully as I could, and I noticed that the representatives there offered up as evidence that they would be looking at operating cost reductions, obviously in order to rebalance the yield loss. Now, I have been, as a council leader, working with my housing associations since 2006, so I have nearly clocked up 10 years, and they are constantly attacking their cost base, a bit like councils have been

doing. It is not like we have not been bothering to do it for years on end, but they are doing it all the time, and so the big ticket items have gone.

I do not quite know where people are going to turn, other than going to the heart of the cost base and damaging the quality of the service. That is a big issue to bear in mind. That is another reason why we felt the submissions you received were diplomatic and considerate, and perhaps could have played up the problems a bit more.

Chair: You are making up for that today.

Cllr Cowper: Yes. The other thing I was going to say was in terms of risk and reward. Local housing allowances are a complicated business, because they are not coterminous with local authority boundaries. This is a nightmare of complexity. It would be great if they were, wouldn't it? Local housing allowances, certainly in my district, roughly speaking, allowing for the complexity, sit around £20 to £30 a week below the affordable housing rent. That is quite a lot. Now, if you take 1% off that, you are going to drop it by about £2.30 a week. That is terrifically useful for somebody who has not got anywhere to turn, but, when you look at the consequence of the undoubted benefit of doing that against all these other issues about disinvestment, tenure issues and so on, it does not balance. There are, of course, some useful benefits, but the downsides are significantly greater, and I think, if we wanted to help council or housing association tenants through a more affordable strategy, we could start to come up with some better solutions than that one, because of the damage to viability.

Cllr House: The LGA has two major concerns with the policy. The first is lack of transparency around the estimating process of how much a local authority is expected to pay. The second is clearly the fact that this just a national tax on high-value tenants, so there is no local benefit to the income that is raised. There is an interesting knock-on, which, again, is probably unintended—maybe that is my theme this afternoon, Chairman—which is that this is one of the few areas of policy that looks like it might actually be taxing pensioners more.

Cllr Peck: The point has to be made that there is a lot of discussion at the moment around devolution and giving councils more powers. It is giving us the so-called power to go out and investigate a lot of our tenants, and it is giving us none of the money or the proceeds from it, which seems somewhat unfair to me. That is the first, general point.

I suppose the second one, which has not been highlighted, that we are worried about is that people who do not respond to our attempts to get information from them—and there are a lot of people who do not find that easy—are going to be treated as if they are earning over the amount and will therefore have to pay the greater amount of rent. That also concerns me. As to the first point that was raised, there is quite a lot of difficulty and cost in the administration of finding out that information, but, if people do not respond, it is quite difficult to categorise them in that particular way.

Q201 Alison Thewliss: Do you think that has the potential to upset the relationship between housing officers and tenants as well?

Cllr Peck: Yes, I would have thought so. It is quite hard to explain why you want that information. It can feel quite intrusive, and the way in which that is done is going to be very important to conducive relationships.

Q202 Alison Thewliss: On a slightly different point, do you think councils should be able to offer lifetime tenancies?

Stephen Hills: In South Cambridgeshire we are, essentially, a rural authority. We are 350 square miles, 103 villages. We have not got any towns at the moment. Those village communities are really important to people, and, if people have got caring commitments, local work or childcare commitments, they need to be able to live and to form part of that community. As to the thought that we would somehow have to move people on every few years, I cannot see how that would work. There are so few houses that come available in most of those villages, and if you move to the other side of the district, you might as well be moving to Mars for some people, because the public transport simply does not network those places in the way that the point was made earlier about moving from Lambeth to Southwark. You cannot move between some of our villages that easily, so it really does fracture those communities. Yes, I think it would have quite a negative effect on the ability to sustain rural life in those areas.

Cllr Cowper: I would endorse that fully. I will not repeat it, but the other aspect of this is that, when you are forming your affordable housing strategy, you have this concept of “local”: for local use, for local people. This word “local” is described in our policies and it includes, for example, absolutely immediate blood-relative family. For example, you may have a child growing up; it is too big for the house or has a partner and cannot live in the same home as its parents. The child needs somewhere to go, so there is this family tie. Now, if we started to undermine that, as Mr Hills has been worried about, then the

notion of affordable housing for local needs would start to be undermined. That is another issue.

We always have to look at public acceptability of local and national government policies. If I can just caricature the public acceptability of affordable housing, especially in rural communities, perhaps, such as ours, it is: "They are jolly nice people in my area, but we do not want all of these houses going to Portsmouth or Southampton, or Birmingham or Manchester, or Glasgow even." But you can understand people thinking that, if it is the lady that works in the corner shop, that is okay. So I think you have to watch out for the public acceptability of affordable housing, and if we undermine this localism aspect of affordable housing, it could be quite damaging to the public acceptability of the idea.

Cllr House: The LGA's position is really simple on this: local choice, local diversity. It should be up to the individual providers to take a decision.

Cllr Peck: The only other comment that I would add is that we have talked a lot about housing as a building concept, but we are talking really about creating places and creating communities, and therefore you need an element of stability. That is an important part of it.

Q203 Alison Thewliss: I have one last question. I know we are tight against time here. It is just about the rules on forced sales and whether you think that the housing policies will encourage more councils to dispose of their stock through large-scale voluntary transfer?

Stephen Hills: It is difficult to see how that would work, actually. I think the Housing Bill explicitly says that any housing disposed of through stock transfer would still be treated as being available for sale to fund the extended Right to Buy, so that pretty much knocks it on the head if that were to be enacted in that way. With the 1% rent reduction, there are a number of financial issues as well that make it difficult to see where the value would be in most cases.

Cllr House: I do not think that voluntary transfers will be encouraged by this package. What will clearly be encouraged is Right to Buy as a way of avoiding pay to stay. But I am sure that was one of the objectives of the policy.

Chair: Thank you all very much for coming this afternoon and giving us answers to such a wide range of questions. I think we got to all the points you wanted to make in the end, on all the issues. Thank you very much for coming and giving evidence to us.

