House of Commons

# Housing, Communities and Local Government Committee

## Oral evidence: Long-Term Delivery of Social and Affordable Rented Housing, HC 2314

Monday 9 September 2019

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Watch the meeting

Members present: Mr Clive Betts (Chair); Bob Blackman; Mr Tanmanjeet Singh Dhesi; Teresa Pierce; Mr Mark Prisk; Mark Robinson; Matt Western.

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### Witnesses

I: Greg Beales, Director of Communications, Policy and Campaigns, Shelter; Kate Henderson, Chief Executive, National Housing Federation; Terrie Alafat, Chief Executive, Chartered Institute of Housing.

II: Professor Ken Gibb, Director, UK Collaborative Centre for Housing Evidence; Kathleen Scanlon, Distinguished Policy Fellow, London School of Economics; Professor Ian Cole, Sheffield Hallam University.

### Examination of witnesses

Witnesses: Greg Beales, Kate Henderson and Terrie Alafat.

**Chair:** Thank you all very much for coming. This is our first evidence session of the Committee in our inquiry into affordable housing. Can we begin by putting on record any interests that we may have as a Committee? I am a vice-president of the Local Government Association.

**Teresa Pearce:** I employ two councillors in my office.

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

**Mr Prisk:** I am a fellow of the Royal Institution of Chartered Surveyors.

Q1 **Chair:** Those are our interests. Now over to you, if you could just say who you are and the organisation you represent today for our records, that would be helpful.

***Kate Henderson:*** I am Kate Henderson. I am the chief executive of the National Housing Foundation.

***Terrie Alafat:*** I am Terrie Alafat, chief executive of the Chartered Institute of Housing.

***Greg Beales:*** I am Greg Beales, the campaign director at the homelessness and housing charity Shelter.

Q2 **Chair:** Thank you very much for coming. You are all very welcome. First off as a question, you have all done an analysis of how many affordable homes and social homes you think should be built, but you come up with slightly different figures. In particular, Shelter's figures are somewhat larger than the Chartered Institute's or the NatFed's. You all have large figures but different large figures, so do you want to say a bit about why you have not come up with the same figure? I suppose that is one of the confusions: what targets should we be aiming for?

***Greg Beales:*** Probably the most important thing is to say is that, while the numbers are slightly different, they both agree in terms of being significantly different programmes of social house building compared to where we are. The differences are largely explained by NatFed's very good technical piece of work based on the current policy regime. Our commission involved politicians from across political parties and, because politicians were involved, we considered whether the policy regime and who was entitled to social housing should change. The higher number comes from the fact that the commissioners who looked at the issue said that we should both meet the current demand and extend the offer of social housing to some new groups: in particular, people reaching pensionable age who were in private rented accommodation, and young people who faced a lifetime renting privately, who would not currently be permitted social housing but who would benefit from it significantly nevertheless.

Q3 **Chair:** The implication is that you have ignored those groups.

***Kate Henderson:*** Our research was conducted by Professor Glen Bramley of Heriot-Watt University. He is a noted expert in housing research and these are aggregated figures looking at housing need across local authority areas. We are confident in the figures. The figures themselves come to a total of 340,000 homes each year, of which 145,000 would be affordable. That is very close to Shelter's figure of 150,000 but we aggregate them into different tenures. Our research, which was jointly commissioned with Crisis, finds that we need 90,000 social rented homes each year.

While there are slight discrepancies between those overall big figures, they still both indicate a huge level of increased investment needed, if we are to meet the country's housing need. It is really important that we recognise that, with an ambition to get to 300,000 homes a year, social rent has to be a very important part of that.

***Terrie Alafat:*** First of all, the chartered institute supported the work that Glen Bramley did. There are a couple of reasons, which are quite important but maybe add some complexity. We know that there are sometimes pieces of work that just try to assess the current household formation or backlog and then look at the total supply. What Glen did as well, which is really interesting, is to look at the interaction between supply and demand. We know—and this is one of the things that we try to estimate—that there is a lot of hidden demand. We know also that there are people living with parents and whatever else. Household formation also interacts with supply.

One of the things I found really useful about what Glen did is to say, "This is our estimate of the numbers but let us look at what happens as we go on". As we build more houses and we look at household formation, what is the housing market dynamic? That is quite a useful thing to be looking at, particularly in different parts of the country.

This is about behaviour change and it is quite tricky. I would underline what both Kate and Greg have said. We know we are not building enough. We know we are talking of about 90,000 to 100,000 and, if we could get anywhere near that level, would we not be doing well? We do not need to argue about the numbers but recognise that this is a complex issue, where there are housing dynamics going on.

The other thing, which is really important, is to look at not just what is happening in the social or affordable sector, but what is happening in the private rented sector. That is something else that Glen tried to take into account. It is quite an interesting piece of work, and probably one that we would think is technically better, if I might say, than the Shelter figure. I do not mean to criticise the number but the reality is that we are talking about a much bigger number than what we are delivering now, which is about 50,000 across the board and 10,000 social homes. Let us start looking at a bigger target.

Q4 **Chair:** I have a follow-up on two points. First of all, back to Shelter, I accept you are looking at other groups that may not traditionally be counted as needing social housing, but you also accept that there might be a degree of overlap between the groups you were looking at. Are you going to do some more work on that? Have you done that extra work to identify whether there is, in fact, an overlap in those figures?

***Greg Beales:*** We have done it and not published it yet. It is ongoing. We identified the need at about 150,000 social homes a year. The total number of homes a year in the NHF work is 145,000. If the Government were to propose a programme of 145,000 new homes a year, we would definitely say, "You should have an extra 5,000 homes". What all three of our organisations are talking about is a step change in the level of social homes that are needed and an extension of the offer to groups that are currently right at the back of a waiting list of more than a million people.

Q5 **Chair:** This point is to all of you. You have produced average figures over a period. Presumably, the average will be hit straightaway. Do you have an idea or a forecast about how a build-up would take place and what sort of figure we get to at the end of the period to achieve the numbers?

***Greg Beales:*** In our numbers, we definitely ramp up over the first seven years of programme. From then, we are at maximum peak building. There is a ramp-up built into our assumptions about what is possible. When you produced the numbers, you just did an average over the period, which is an equally sound assumption to make.

Q6 **Chair:** Presumably, the reality is that you will have to ramp up. You are not going to achieve that number straight away, are you?

***Kate Henderson:*** We are delivering around 45,000 homes as a housing association sector, so we would need to triple that to get to that number. Our only way of unlocking that supply is through long-term investment, working with SMEs, building on skills, getting the land pipeline, and working with local authorities, developers and investors in the round. No, we could not turn it on overnight but the funding environment and the target are really important to giving the confidence to getting there.

Q7 **Mr Dhesi:** First of all, may I say that I completely agree with your calls and campaigning for more social and affordable housing? While all of us would agree that there need to be targets—and, in essence, your good selves have also highlighted that—targets do not, by themselves, build more homes. In your opinion, what are the core reasons why there are still low numbers of social and affordable rented homes being built at the moment? How can we overcome that?

***Terrie Alafat:*** The first thing we need to acknowledge is that the affordable homes programme in total is now about £1.5 billion. In 2010-11, it was about £4 billion. The first thing might be to ask, "What is the total investment going towards affordable housing but, in particular, social housing?" One thing we have said again and again is that, if you look at the total amount of housing-related spend by this Government, it is quite significant. It is a combination of grants, loans and investment. You are talking about something close to £53 billion. If you look at the way the investment is being made, 75% is going towards the private sector and about 25% is targeted towards the affordable sector.

The first question is this: in terms of total investment—because every Government has to decide how it uses its money—if a target was set for additional affordable housing, how might you look at the existing spend and spend it differently? That is one thing.

The second thing is that we would all say that you cannot produce social housing without a degree of subsidy. The current grant levels that are going in are just not sufficient, so there would have to be an increase in grant. In the work that we have done with NHF and others, we have given an estimate of what the grant levels would be. That is the second thing.

The third thing, which is important, is that, if you think of forms of subsidy, one thing we know is that quite a lot has been borrowed or raised in the private market. What else can be done to make that borrowing more affordable? We were very pleased to see the affordable homes guarantee brought back in, because that helps small to medium-sized associations access the bond market. Also looking at whatever means can be made to make borrowing more accessible will help organisations bring in private finance.

It is about grant. It is about grant levels to get to social housing. In the round, it is looking at the money that is available, the investment and the different means, and bringing that together to try to deliver more affordable housing.

***Greg Beales:*** I would agree a lot with what Terrie was saying there. As a country, we are failing to see social housing investment in terms of infrastructure and infrastructure investment. If you look at the amount we are spending on social housing and compare it to the overall capital infrastructure budget, it is less than 3%. That compares to 20% of our capital budgets on energy and 16% on transport, so it is a small proportion of the infrastructure spend as it is currently. Too often, the Treasury orthodoxy sees this investment as being equivalent to any other day-to-day spending, when we know, as you will have seen in the commission findings that we produced, that a 20-year programme of social housing investment pays back to the Exchequer over 40 years. It has that in common with other infrastructure programmes.

If we think about this as infrastructure investment of long-term benefit to the country, and consider it against other infrastructure commitments, you can start to see how the kind of expenditure we are advocating, as advocated by the NHF report, becomes very affordable in the long run and well worth it for UK plc.

***Kate Henderson:*** I would agree with both Greg and Terrie. The reason we had around 6,000 social homes built last year is a lack of grant investment. Those cuts that came through from 2010 onwards have had a really significant impact on the sector's ability to deliver social rented homes. We have been delivering them, mostly through cross-subsidy, which has been really positive in terms of the sector innovating and delivering different tenures, using any surpluses generated from market sale or market rent to reinvest in social and affordable programmes.

It also means that the housing association sector is now more susceptible to market volatility and a market downturn. A really important point to make is that we cannot rely on cross-subsidy to fund our social housing programme in an economic downturn.

Q8 **Mr Dhesi:** Mr Beales, Ms Alafat referred to it somewhat but, in your opinion, which Government initiatives have helped to deliver more social and affordable homes, and which have not?

***Greg Beales:*** If you mean recent initiatives, we have a waiting list at the moment of more than a million people waiting for a social home. We only built 6,000 last year, so the current policy framework is a failure. It is a failure in terms of social housing; it is obviously a failure in terms of housing outcomes overall. We could talk about that at some length. There are things the Government have committed to that begin to address that. The removal of borrowing restrictions on local authorities, for example, should make a difference. We think it could contribute up to 10,000 social homes, depending on how local authorities respond to that.

The Government have gone some way to tighten the framework around section 106, which compels developers to develop some affordable and social homes when they are developing homes for private sale. Those things will make some difference, but we are miles away from a policy framework that will deliver anything like the number of homes that we need. In fact, we are going in the wrong direction at the moment.

Q9 **Mr Dhesi:** Ms Henderson, how do you think the Government can balance the aspirations of home ownership with, on the other hand, the need for more affordable and social rented homes?

***Kate Henderson:*** Just picking up on the previous point about what is working now as well, we have seen some really welcome changes over the last 18 months. The housing revenue account is very positive for local authorities' ability to build and borrow, particularly working in partnership. We have also seen Homes England come forward with strategic partnerships that are unlocking growth at scale, and we are really encouraged by the action that Homes England is taking and want to see more. There was also the future funding of £2 billion for the sector that has been announced. It is a really important start towards our funding asks in the long term.

In terms of balancing between home ownership and the need to invest in social and affordable housing, it really should not be an either/or. Government have a decision about where the political will is to support the people who might need housing the most. We know that, as a country, we need to build about 300,000 homes a year; our research says 340,000. Those 90,000 social rented and the 145,000 in total affordable housing will not be delivered without subsidy, which is where we are calling on Government to make the investment of £12.8 billion a year.

Q10 **Mr Dhesi:** In your opinion, has the introduction of affordable rented homes been a success or not?

***Kate Henderson:*** Introducing intermediate tenures like affordable rent has worked in some housing markets, but introducing one mechanism—and we know we need around 30,000 intermediate rented homes as part of the market—does not replace the need for the 90,000 social rented homes. While that has been a way of getting some investment into delivering new affordable rented properties, it does not replace the need for social rented properties, which are typically at 50% of market rent and, in some parts of the country, as low as 30% of market rent.

In terms of home ownership, though, there is absolutely an ambition in this country to provide people with homes of their own. For many people, that is something that they absolutely aspire to do. As a sector, we are really supportive of that. We are about to launch a shared ownership campaign and we think this has a huge opportunity for first-time buyers. It is something we are actively looking at but that is in addition to the capital investment that is needed in social rented homes.

Q11 **Mr Dhesi:** Thank you very much. It is good to see you again. Ms Alafat, if we can drill down a bit into definitions, how should affordability be defined? Do you agree with the Affordable Housing Commission's conclusion that affordability should be defined as a third of a household income? If so, how should income itself be defined?

***Terrie Alafat:*** First of all, we produced a report a number of years ago called *Building Bridges*. Within that, we looked at the issue of affordability. We have been very much in line and fairly consistently saying that about 30% of income makes sense. The key thing is, as you say, what income you are looking at. If we are talking about affordability for people on low incomes, it needs to be pegged to the local market. It needs to be pegged to people at the low income level, so 30% of low income. That is one thing.

The second thing that would be really interesting is to look at working households. We all know that there are many working households—and they have increased over time—on housing benefit. If you look at working households in different areas, the local housing market in these areas and the housing benefit of people working, could you peg rents to get to a point where people who are working are able to afford the rent? That is the second thing.

We suggested this a number of years ago and I am afraid that not very much has happened, but we have tried to encourage and would like to see Government endorse housing authorities, with housing associations in their local areas, setting local affordability frameworks. Even within any type of rent settlement, you start working together at a local level, and this came out of the *Building Bridges* report.

It is interesting to me that we have now had a number of reports that have come out saying similar things on affordability. It has come to the point where we should take some action and start doing some of this. Kate mentioned affordable rent, but when I look at the affordable rent figures and, for example, percentages of people on housing benefit in affordable rent properties and social rent properties, they are similar. You are finding that people in those more expensive properties are also on housing benefit and not able to afford them. You will hear anecdotally from housing associations saying the same thing. Affordable rent was never intended to be a forever product instead of social housing, and that is very important. That is not to say there is not a need for an intermediate product, but the reality is that it cannot be instead of social housing, because it is not truly affordable.

Q12 **Mr Prisk:** If I may briefly come back to this issue of the interventions by Homes England, and to Kate Henderson specifically, what encourages you about the nature of those interventions that makes them more effective? There has been a history of this in the past; what has changed?

***Kate Henderson:*** With the strategic partnerships, there are a number of things that we think are exciting about them. Partly, the threshold to be within a partnership was to deliver an additional 1,000 homes. Even that is shifting the scale of ambition. It is also about the way in which Homes England is operating. They are looking at how they can help intervene in the land market, how they can accelerate schemes and how they can give flexibility to various partnerships. It is about scale of ambition, land assembly and flexibility.

It is also about longer term funding. They are talking about working in partnership over the longer term, which is vitally important in giving the confidence to take on bigger strategic sites and for housing associations to be more land-led. They can have a greater say over quality, place-making and getting a really important housing mix within those schemes. It is about changing the way in which housing associations are able to work.

Q13 **Bob Blackman:** Moving on to looking at the capital funding that you are calling for, you are all calling for the same amount of money, which is always good news, of £12.8 billion. Can I clarify one or two things about that to start with? One of my colleagues, who is not here, has asked that we pose these questions. The Ministry says that it is spending £9 billion over a five-year period, which is approximately £1.5 billion a year. Do you recognise those figures as being what the Ministry is saying? Kate, in your submission, you are suggesting that it is £1.27 billion.

***Kate Henderson:*** That is what the Ministry spent last year, in 2018. Those are the figures that we have looked at. Terrie, in terms of the overall sector split, you mentioned the 70% to the private sector and to things like Help to Buy, so there is forward funding there. From our analysis, it is around £1.27 billion that is going towards the affordable programme.

Q14 **Bob Blackman:** The immediate question that then flows from that is this: it is a huge leap from those figures, irrespective of whether it is £1.27 billion or £1.5 billion, to your £12.8 billion. How realistic is that as a proposition?

***Kate Henderson:*** There is both a moral and ethical case for this investment, and a really strong economic and fiscal case for this investment. We have made this scale of investment in the past. If you look at what Churchill did in 1953, when we built 200,000 council houses a year, we had a similar scale of investment. Yes, it is a lot of money but it is half the housing benefit bill. It is also just a little bit more than the Government choose to spend on road investment each year. This is about political will. I am not saying it is easy to come up with this sum of money but, if we are serious about fixing the housing crisis, if we want to deliver those 145,000 affordable homes each year and 90,000 social rented homes each year, that is the scale of investment that would be needed.

Q15 **Bob Blackman:** Many of us around this table may be sympathetic towards that view but there is a competition between new housing and investment in the National Health Service et cetera. What is the case for saying that housing should get priority?

***Terrie Alafat:*** Can I go back to the point I was making about the total expenditure?

**Bob Blackman:** Sure.

***Terrie Alafat:*** You could start with a case about why you would invest in social housing. There is a fair amount of evidence to show that, if you invest in social housing, there are savings to the housing benefit bill and it is good value for the economy. Then you take the £53 billion and some of the evidence about Help to Buy and who Help to Buy is helping or not helping, and you start breaking down some of the programmes. The investment in the infrastructure and the land is really important for affordable housing as well but, if you look at it in the round, all you see is £1.2 billion for affordable housing and then the rest. There is not, in a sense, the targeting of it.

The starting point is this: if this is worth doing for all sorts of good economic and social reasons, look at the total Government investment and start asking some questions about whether that money is being—

Q16 **Bob Blackman:** Is your evidence to this Committee that the Government should be switching funding from, say, Help to Buy towards social housing?

***Terrie Alafat:*** I am asking whether anyone has stepped back, looked at the total amount of housing expenditure and asked the question today, in today's market and where we are in the economic cycle, whether it is the best use of Government funding and investment to deliver the objectives. If one of the objectives is to increase affordable social housing, that is one of the questions I would ask. Is there a better way to use the existing funding and target it better? I am not saying that you will not then ask for additional but I am saying it would be—

Q17 **Bob Blackman:** Just for complete clarification, you are not saying you want £12.8 billion extra; you want a reprioritisation of the funding that is going in. Is that the evidence you would give to us?

***Terrie Alafat:*** Yes.

Q18 **Bob Blackman:** My concern is that we can all go with a begging bowl to the Treasury and say, "We want £12.8 billion extra". They go, "Yes, thank you very much. Forget it". If it is reprioritised, that is a Government policy decision.

***Terrie Alafat:*** If I can just explain what I am trying to say, they can disagree if they would like. In the piece of work that Crisis and the NHF have done, which we think is a very good piece of work, they have come up with what they think is an estimate of what is needed and what would be required for investment to deliver that. There is then a question of whether you ask for extra funding or whether you look at the existing funding and use it better. We have not come out with a position to say it is one or the other; both things need to be looked at seriously because there is also the argument against health or other priorities about additional funding, but the case can be made for putting additional funding into social affordable housing.

***Greg Beales:*** The case for investment in social housing is an investment case. There is not a net-zero saving in one area in year one that can be used to fund what is infrastructure investment in year one.

Q19 **Bob Blackman:** My challenge would be the same as to Terrie, then: are you saying you want £12.8 billion extra spent on the housing programme or a reprioritisation within the housing programme?

***Greg Beales:*** My argument would be that there is definitely room for some reprioritisation within the housing programme, but there is an increased investment up front, which pays back to the country over time.

Q20 **Bob Blackman:** What would that be?

***Greg Beales:*** That is the model of infrastructure investment.

Q21 **Bob Blackman:** How much extra would you be asking the Treasury to pay?

***Greg Beales:*** Through the social housing commission that we ran, when we modelled the impact, the year one increase in investment was about £10 billion but that fell over a 20-year period. By the 40th year, it had paid back in full and the country was making money from the programme. My argument would be that it is a short-term increase in investment that is borrowing, as all capital investment should be, which pays back over a longer period.

My example of this would be in relation to housing benefit. We are now paying for people who cannot afford their housing. If the Government do not build low-cost housing, they have to rent it and they do that through the housing benefit system. We are a vast renter of low-cost housing at exorbitant cost and very poor outcomes. That housing benefit is not getting very good outcomes. I am arguing for a sustained period during which we make an investment that gradually switches away from a reliance on housing benefit to building.

Q22 **Bob Blackman:** Can I clarify one other issue, which has been pointed out? Apparently, in 2009, we were investing £11.4 billion in affordable or social housing but we built only 50,000 affordable homes. How are you getting to the sum of spending £12.8 billion extra and delivering 137,000 homes? Given increased costs and everything else, the figures do not seem to match up.

***Greg Beales:*** I do not totally recognise that number, but I think it takes into account renovations of social housing as well as new build, in which case that is the explanation. There was a fairly substantial programme to try to bring up the quality of the existing stock, which was costing a fairly large amount of money. That has now been largely done. There are exceptions to it, and we are recladding some buildings and so on at the moment, so some of that is still ongoing. We are arguing for investment specifically in new-build social homes and bringing new social homes through into the system.

Q23 **Bob Blackman:** Finally, to Terrie, you have suggested that revenue support could be a third source of funding alongside grant funding and the cross-subsidy model. Could you summarise the pros and cons of the method you are suggesting? I will then ask colleagues to decide whether they agree with the model.

***Terrie Alafat:*** First of all, we put it out as a discussion paper because we did not think it was instead of grant or other things. We just thought the question should be raised again, particularly because it is already being done in Wales. Going back to the point I was making earlier about how you can make borrowing cheaper for organisations or how you can make access to the bond markets easier, the basic model, which is what the Welsh Government do, is to provide a subsidy to organisations so that they can borrow more to build more housing.

Over time, the modelling that my team has done has shown that, in a sense, if Government are having difficulty saying that they are going to put a big chunk of money up front, you spread the cost, which is an advantage, but it costs more in the end. It costs more but it is still better in terms of housing benefit savings, so there is an argument for it.

The reason why we put it out as a discussion paper is that it would need to be tested with different organisations in England. In Wales, it has been taken up by quite a few organisations. It affects housing associations' balance sheets. It puts more on debt. There are issues about gearing. Not all organisations are going to want it. It is not going to be the solution because you could probably do it, in some cases, up to a point, but it is not the answer. It will always have to be balanced against what the organisation's overall balance sheet looks like.

We threw it out there because the important thing about this is that, if we really want to get to these numbers, we have to have a mixed approach to how we manage it, fund it and invest in it. Like Kate, I think the approach Homes England is taking is a big step forward because you can begin to look at, in partnership, over a longer period, different mechanisms to fund the delivery of affordable housing. That is why we put it out there. We have not put it out there saying it is the answer, because it does not work everywhere and it needs to be tested.

**Bob Blackman:** Kate, do you have a view on this potential model?

***Kate Henderson:*** We would need to test it, so I do not have a specific view.

**Bob Blackman:** Greg, do you have a view on this potential model?

***Greg Beales:*** It is an interesting idea. The key thing with this kind of investment is that, although we are talking about large sums of money, it is a relatively small sum of money compared to the value of the home you get because it attracts all this additional investment. The more you can improve that gearing, the better value the public investment is.

Q24 **Teresa Pearce:** Mr Beales, do you think the current social housing providers are the right ones to implement the large-scale programme that you are calling for?

***Greg Beales:*** The scale of programme that we are talking about here would be the current providers plus new providers coming in. That is what I expect. The consequence of Government developing a multiyear plan, treating social housing as key national infrastructure and making commitments for years to come is that it would attract new providers and new investment into the market. I would say it is our current providers plus.

When we were writing the report, we envisaged it being housing associations, which are a key institution for making this sector successful, but also local authorities and a re-emergence of local authorities as housing developers and social housing providers.

Q25 **Teresa Pearce:** Kate, there has been some criticism of housing associations making record-breaking surpluses while building fewer social homes. Do you think that is a fair criticism?

***Kate Henderson:*** Housing associations, whether they are large, small, urban or rural, are absolutely committed to providing homes for people on lower income, whether that is people on social rent or supporting people into home ownership through shared ownership. As you know, from 2010, the funding environment was changed. Housing associations innovated and started delivering homes for market sale. Those homes that are delivered for market sale are done on a commercial basis to get best value and the greatest surplus, so that can be reinvested into affordable housing.

I agree with Greg that, to solve the housing crisis, we need everybody to play their part. In delivering social homes, it should not just be housing associations. We want to deliver many more but we also want local authorities to get back into the business of housebuilding and we want to work in partnership with them. We want to work with SMEs and with modern methods of construction. We also know we need to work with private sector partners and developers.

As a sector, we are absolutely committed to our social purpose but we have become more commercial in our outlook to ensure we get best value and are able to deliver affordable and social homes.

Q26 **Teresa Pearce:** Some housing associations have done that quite successfully, but others have almost taken their eye away from their key purpose, which is to house people who cannot afford houses of their own, and it has not been so successful. Does your organisation help housing associations when they change from just being a social provider to being a developer? Is there training? I have seen a marked difference between some that have been very successful and others where it has just been a bit of a disaster, to be honest. I will not name them. What does your organisation do to make sure that sensible decisions are being made?

***Kate Henderson:*** The decisions that housing associations make are governed by their boards. Their boards are very committed to the social purpose of the organisations. We have evolved and the risks that housing associations are exposed to in terms of the market and the development skills that they have needed have been an evolution. On the whole, they have been doing a great job but, as in every sector, we do not always get everything right.

When we have not got things right, we are really committed to putting things back on track. One of the things the sector has become really alive to and where it is overseeing culture change is around our relationship, as social landlords, with our consumers: our tenants and residents. Tenants and residents need to be at the heart of everything we do. If we are doing development programmes, it is about future tenants and residents while also respecting existing tenants and residents. When we are doing repairs and maintenance, it is exactly the same. It is about understanding how we are performing.

We are currently working on a programme of change called Together with Tenants. It is something we have been doing with the sector. We have a draft charter and four-point plan that is all about what tenants and residents can expect of their landlords. It is about changes to governance and, importantly, it is about stronger consumer regulation. We have publicly consulted on it. We had 2,500 responses, three-quarters of which were from tenants and residents. They really support the direction of travel. We have an independent tenant panel to oversee this work and scrutinise it, set up by the Centre for Public Scrutiny. We have 130 housing associations working with us as early adopters to be the culture change.

This is about transparency and accountability if we do not get things right: it is also about being the change ourselves. We are waiting for a response from the social housing Green Paper but we have not waited for that to take action. We are taking that action ourselves because we want to be the best landlords we can be. We also want to develop more social and affordable homes, so it is about getting that mix together and communicating it well.

Q27 **Teresa Pearce:** You mentioned housing associations plus local authorities and other providers. Will an increase in local authorities' housebuilding bring them into competition with housing associations? Do you see any tension there?

***Kate Henderson:*** We should see this as an opportunity to collaborate—we have such a scale of housing need—and not just on supply. There is some great practice happening on supply. Local authorities can bring together their land assembly powers and their land that is in public ownership. They can bring together the political will. They have the ambition and the political vision for the future of their community. Housing associations can bring development skills and the ability to borrow to build. Together, we can achieve a lot more.

It is not just about supply. It is about tackling homelessness together, sharing our learning on building safety and understanding better consumer practice and the service we provide to our tenants and residents. As housing associations are getting back into building, we should collaborate and share, and deliver more, rather than be in competition.

Q28 **Teresa Pearce:** Is the removal of the borrowing cap sufficient to help councils deliver more numbers in social affordable housing? Kate, you talked then about knowledge sharing. What else needs to be done other than lifting the borrowing cap, Ms Alafat?

***Terrie Alafat:*** I would agree with Kate that we should look at the opportunities with local authorities being able to build and work with housing associations. There are some other things that we are continuing to ask for. Removing the borrowing cap was very good news. There is still an issue for local authorities around being able to maintain the total receipts that they get from right to buy and other things, so that they can maximise that. There is probably a need to think again about the constraints on local authorities in how they can use some of that funding.

One thing I would say to the sector across the board—housing associations and local authorities—is that there is not a lot of reason to reinvent the wheel. If you have housing associations in the local area with development skills, surveying skills and all sorts of different types of skills, it does not make a lot of sense for the local authority not to work with the housing associations and make best use of those skills.

What is an issue, certainly for all the professional bodies but also for Government—and we have said this before—is the strategic housing and planning skills in local authorities. The local authority sector has changed quite a lot over time. For a lot of local authorities, particularly when you go into the districts or the smaller authorities, there is not the same strategic housing capacity that is needed to drive a lot of these programmes.

At the same time, as Kate says, you can go around the country and see some absolutely amazing partnerships. The question then is why that is not happening in more places and what we need to do to get there. We have been in discussion with civil servants and others about the role we can play. I am sure that Kate and Greg have been in those discussions as well. It is not that it cannot be done; we need to think about the strategic capacity and bringing together those skills, and to make best use of the resources—the land and other things—that are there.

**Teresa Pearce:** Mr Beales, do you have anything to add on providers?

***Greg Beales:*** We have talked about the investment required but the other bit of this is land. Local authorities have access to land. It seems to me absolutely crazy that we are not using that public land to underpin the building programmes here that save the country money and get people off the streets and out of temporary accommodation. We are incredibly struck by how much the rising cost of land—and the Committee has looked at land value capture—is a big part of this. The increase in residential land price over the last 25 years is 583%. No wonder that these programmes are expensive and that we have the cost challenges we have.

The other trick here is that, if we could access that public land more cheaply and if we had proper schemes to get access to the land through land value capture, we could bring the cost of these programmes down very substantially.

Q29 **Teresa Pearce:** The Government believe they closed the viability loophole last year. A year on, what is your assessment?

***Greg Beales:*** I would give the Government a B-minus. They have definitely changed the framework in which people are operating. The challenge now is equipping local authorities to be tough with the developers. If they are not tough at the outset and not prepared to fight the developers through the process, and if they roll over too quickly, commitments to 30% affordable building are downgraded to 15% or 10%.

The other bit of the picture where people are getting out of this viability loophole, which really is down to Government, is the use of permitted development rights. Any developments done with permitted development rights are done outside the planning system, which means that you cannot use section 106 rules. I am not talking about permitted development rights as in building an extra extension on your house but the permitted development rights that developers can use. Every time the Government extend those, which is the process they are going through, they are creating a whole suite of new developments that will not be subject to section 106.

***Terrie Alafat:*** I would agree with what Greg was saying.

Q30 **Teresa Pearce:** You would give a B-minus as well.

***Terrie Alafat:*** I was not going to say B-minus; I was going to say something about permitted development. The first thing is to acknowledge how important section 106 is to the delivery of affordable housing. When I start looking at the numbers that my team gave me, the 2017-18 £4 billion contribution to deliver 48% of total new build is substantial. It is really important to recognise that this is substantial. It is particularly interesting that the number of units provided in London has fallen, and yet London is a high-demand area. I just wanted to say that this is really important.

I have picked up on permitted development quite a lot. It is not just about the numbers game; it is also about the type of housing. One of the sessions I was at recently was a roundtable that talked about accommodation for older people in town centres and the regeneration of town centres. If permitted development is outside the planning system, where is the strategic input into the type of housing that we need as well? I agree with Greg that that needs to be looked at.

***Kate Henderson:*** On viability, the picture will be variable around the country. Colleagues in local government are probably best placed to answer it. The skills base within local government to be able to have those negotiations and uphold whatever is in a local plan really is a crunch point. Many local authorities still do not have an up-to-date local plan, which is a really important basis for being able to do the viability negotiations as well. We would really encourage every local authority to have an up-to-date plan and Government to invest in local authorities so that they have the skills to do the negotiations.

On the point on permitted development, there is lots of evidence about the impact that wholescale conversion from office to residential is having. In addition to the loss of affordable housing, it has really profound consequences for place-making. If you cannot have a say over where green spaces are going to be, whether there is going to be enough space in a GP surgery or where your kids are going to play outside a building, that really affects how people view development and housing. We need so many more homes, and homes of high quality, but doing it outside of the planning system has really profound unintended consequences.

Q31 **Teresa Pearce:** Do you think Government should intervene when local authorities have not put a local plan in place?

***Kate Henderson:*** There are various reasons why local authorities do not have plans in place. Some local authorities do not have plans in place because they do not have enough staff. It is a complex process, planning, that requires mitigating a whole range of different social, environmental and economic issues. Where there has not been a plan in place for political reasons, providing the support to get a plan in place would be very welcome. Whether that is something that Homes England or another agency could do, it would help. It empowers local authorities to have a plan in place. It gives them control over the future of their area. It also means that we get development in the right location, with sustainable supporting infrastructure, rather than things either going through permitted development or going through appeal outside that route.

Q32 **Teresa Pearce:** I have a couple of quick questions to any of you who wish to answer. What do you think of the GLA's threshold approach, which wants to incentivise private developers to increase affordable housing? Should councils be able to set planning fees locally at a higher level?

***Kate Henderson:*** With planning fees, housing associations are really willing to support local authorities and local planning departments. They want to have a good, constructive relationship so they are willing to pay for services. The thing that is very challenging is just when there are not people there in planning departments to do the policy work or the decision-making work. That is something that we really cannot afford, given the scale of the housing crisis. The GLA's threshold approach is really interesting and is something that we should look at across the country. That would need to be done in conversation with local authority partners.

***Terrie Alafat:*** You mentioned the GLA but one of the things that we have not touched on at all is other mayors and combined authorities. Whether it is the threshold approach or other approaches that are being tested, it is worth watching some of that. It is not just Manchester. We are beginning to see some different kinds of mechanisms for co-operation and for setting targets. It does not work everywhere in the country but there is some real potential. Some of it is beginning to show in areas like homelessness, for example, where concerted efforts are being made. It is in looking at all of this and beyond the GLA, at some of the combined authorities and some of the new partnerships that are developing.

Q33 **Teresa Pearce:** The housing crisis is different in different parts of the country, so you need different solutions.

***Terrie Alafat:*** Of course, yes.

**Teresa Pearce:** No one size fits all.

***Terrie Alafat:*** No, but sometimes you can come up with something that works that might be able to be adopted. It is that kind of thing: not one size, but it is interesting to see whether we start to deliver more quickly in some of the areas, because of the new approach.

Q34 **Bob Blackman:** Moving on, Greg, you have almost stolen my thunder and my questions on the cost of land. The cost of land has a huge impact on the cost of housing generally. Given where we are with a situation whereby public authorities—be they local authorities or Government Departments—are encouraged to declare land surplus to requirements and then sell it to the highest bidder for the maximum possible price, we are then surprised that we end up with a huge cost of building housing on the land when it is sold. An alternative approach to that is that the land be kept in the public sector or, alternatively, local authorities specify what type of housing could be built on the land once it is sold. Do you favour any particular model in that regard?

***Greg Beales:*** There are lots of different models for accessing the value of the land. We definitely need one of them. Just to give you quite an important study, Civitas did a study asking what it would do to the cost of a social housebuilding programme if we changed CPO rules, for example. We looked at that through the commission. They thought you could cut the cost of a programme by almost 40%. Think about the conversation we were just having about the infrastructure investment required. That is the potential benefit.

Q35 **Bob Blackman:** Potentially, we may not need any of that subsidy at all.

***Greg Beales:*** You could massively reduce the up-front investment required. We definitely advocate for the thing that was in the manifestos of all the major political parties at the last election, which is CPO reform and reforming the Land Compensation Act, going back to the system, partly because we know it is a system that worked in the 1950s and 1960s. There is then a whole range of interesting things you can do with public land: for example, just using it to build houses that we are saying local authorities and housing associations should be building.

***Terrie Alafat:*** I mentioned earlier some of the partnerships that you see in different parts of the country, between local authorities and housing organisations. Often, land is one element, where the local authority has the land and agrees with its partner the value of that land, and best value can be assessed in different ways. You can see housing built that meets the local need, so it can be done. That is the first thing. There used to be a feeling that you could not do it because best value meant the highest sale, but it can be done and it is being done in some places, so that is the first thing.

Q36 **Bob Blackman:** The best value argument then goes to revenue in terms of housing benefit and other subsidies.

***Terrie Alafat:*** Exactly, so you are looking at best value in a much broader way. It can be done in terms of local authority and housing association partnerships.

There is another issue, which is about Government-owned land. For a very long time, quite a lot of work has been done on identifying the landholding agreements between Departments and the Treasury, and the financial arrangements. I have always felt that that does not give us everything that we could get in terms of housing. Sometimes you will go out to a particular part of the country—a hospital site, for example—and think that something else could be done with this, which is to perhaps produce better medical facilities but also maybe accommodation for older people or whatever else it is. When you talk to people, there are lots of barriers to doing that. Land is another form of subsidy. Maybe if we thought of it as a form of subsidy rather than these separate—

Q37 **Bob Blackman:** Taking your health service example, that would require the Treasury saying to the hospital site, "The value of your land is X million. We will give you that subsidy but you must hand over the site for housing". They would still get their money for the development of that hospital site but they just would not get it from the private sector buying the land.

***Terrie Alafat:*** Exactly. I am sure there will be lots of reasons for this but I never understand why we cannot do that. It seems to me that, if we think about the Government's land ownership in that way, it will not work everywhere and on every site, but there are some win-wins here for what we are trying to do on both health and housing.

***Kate Henderson:*** We would fully support reform of the 1961 Land Compensation Act to be able to do land value capture. We would like to see a target on public sector land of 50% affordable housing and we would also like to see a transparent land database, so that we know which land is in whose ownership. That would be a huge step forward.

In the way that Treasury views public sector land, the best value often leads to a short-term outcome rather than thinking about longer term revenue. Some really interesting things are now happening at a local authority level and with, for example, the health service or education, or even sites like former post offices. At a county council level, if you are a county that is a landowner and you have a big health and social care bill, you could think about doing joint-venture partnerships where you might be doing your own extra care schemes and having a win-win situation of providing suitable accommodation for people who have need but also getting a revenue stream from that. Similarly, if you are the health service and you have Department of Health land, or land that is in NHS trust ownership, you could use that for extra care or step-up/step-down outside of hospital, or look at key worker accommodation. There are different ways of thinking about revenue and meeting other societal goals.

Q38 **Bob Blackman:** Can we be clear? Where would you see the nomination rights to such housing residing: in the local authority or the health service? Where would you see that?

***Kate Henderson:*** Any development will go through a democratic process that will go through a local authority. There has to be a process there of identifying need within a local area.

Q39 **Bob Blackman:** The democratic process would look at the planning application but not at the nomination rights of who was going to live there. I just want to be clear what the position would be if there is this partnership going on, and whether you would give up the rights to choose your own tenants.

***Kate Henderson:*** It would be different in different situations, depending on where the partnership lies and what type of partnership it is. If you are a county council and you want to build extra care, you will be doing it for people who live in your local authority area and you would work in partnership with a housing association or other provider. That would be the allocation rights.

Q40 **Bob Blackman:** Taking the hospital example, one of the problems is so-called bed blocking, where you have people with social care requirements who stay in hospital because they cannot be supported outside. If you had housing built that they could move into, which might be on hospital land, that would be perfectly acceptable, but the hospital or the health service would have to help determine who could move on in those circumstances. Then it depends on your members and whether they would accept that as a route forward.

***Kate Henderson:*** Our members, if we were working in those kinds of partnerships, would absolutely want to work in that situation to support people coming out of hospital. One of the complexities with health service land is that we have multiple NHS trusts that all have slightly different arrangements with how they value land. We also have different strategic arrangements with CCGs. It is a whole other world of complexity. But there is a huge opportunity there to support people who are coming out of hospital in their transition, which would save the NHS a huge amount in the long term. It is something the NHS has been looking at under Simon Stevens. There is also the Healthy New Towns programme, which has recently reported, which is looking at all these things, and there are some really important lessons there.

Q41 **Matt Western:** On that, do you have any experience in the last few years of One Public Estate, which was put forward several years ago, where authorities have co-operated? You identified the responsibility of the county council or the district council, but they do not necessarily talk or collaborate, work, swap land and make it happen. Maybe you have come across good examples, and we would be delighted to hear.

***Terrie Alafat:*** My team gave me a list of examples of housing associations and local authorities working in lots of collaborative ways. If you are really interested in that, maybe that is something we could come back to you and give you. We have four or five authorities and I am sure Kate would have the same thing. Maybe we could come back to you. It strikes me that you do see some of this happening; the question is how you make it happen more often. What can we do to make that happen?

Q42 **Mr Prisk:** Reasonably briefly on a thorny issue, do you feel that right to buy should be abolished in England? If not, what reforms would you like to see?

***Greg Beales:*** Shelter does not support abolishing right to buy. We looked at it quite closely in the social housing commission that we developed. The problem with the right-to-buy policy as it is at the moment is that we are not replacing homes when they are sold off. The loss of a social home is not coming about just because it is sold off, but because, after you sell it off, the money is not reinvested in a like-for-like replacement. In the commission, we make a handful of recommendations about how you could move to a system that more obviously guaranteed like-for-like replacement of the social homes, which would allow someone to benefit from home ownership and, at the same time, offer the exact same social home entitlement to somebody on the waiting list. We have a million people on the waiting list. That includes looking at exactly how the discount is working in different areas, because sometimes the discount is too much to justify like-for-like replacement. You could, of course, have a system where the discount was made up through a central pot, in some way.

Very often, the way the rules work means that the money is reclaimed by the Treasury rather than being able to be used by the local area, because they cannot apply it to a scheme in time. There is a time limit that comes into place. There is a set of things that you can do to try to guarantee that you have a system where you replace the homes when they are sold off, which is what we would advocate.

Q43 **Mr Prisk:** Keep it but reform it.

***Greg Beales:*** Yes.

***Terrie Alafat:*** First of all, we agree that, one way or another, tenants should be given the opportunity to buy a home. I suspect that the CIH has probably been a bit braver than certain other organisations in saying that right to buy should be suspended. The reason we think it should be suspended is that, like Greg has said, it needs to be reviewed. There are a number of specific reasons for that.

One is that, from the work we have done, we are not certain it offers value for money. If you were to take the same pot of subsidy money and look at all the other ways that you could help tenants access home ownership, you would probably find something that would offer better value. We looked at the discounts, which were increased. They have been running at over £60,000 per property since 2012, typically at well over 40% of market value. Some estimates have shown that value for money would make it about 32%. We think it is worth looking at the value-for-money argument. That is one reason.

The second thing, which Greg has mentioned, is that receipts are too low. The average is about £85,000, but only about £40,000 goes to local authorities to reproduce the unit. It is just not working really. There are also restrictive rules around the use of receipts, which could be looked at.

The thing that has struck me is the impact that it has had in different areas: 40% of right-to-buy sales have ended up in the private rented sector or private sector. You have a system that, in effect, means the loss of a public good, if I can use that word—social housing—in big numbers. You have seen our estimates of the numbers lost: 160,000, and 220,000 if we keep going at the current rate, so a substantial loss of social housing.

The question we are really asking is whether it is good value for money. Is it the best way to help tenants into home ownership? There have been schemes in the past that the Government have had in place to help tenants into home ownership. We are not saying, "Get rid of it" because there is a feeling that people want to own their own home and want to stay in their community. The question we have asked is whether, today, it is the best kind of scheme with the best value for money. We have said, "Let us review it".

***Kate Henderson:*** Our view is similar in that we absolutely understand the desire for people to become homeowners, and particularly for some tenants who want to become homeowners. It is vital that this is not at the expense of our overall social housing stock. In our view, it is really important that those receipts go back to the local authority, so that it can replace the housing, and we can maintain and grow our social housing stock. We respect that people want to become homeowners but, like Greg's position, it would need to be reformed so that we get 100% receipts going back to the local authority.

***Greg Beales:*** In terms of how we see it, if you can have a system where it is possible for someone who was entitled to social housing and got a social home to buy their home, and the receipt is then used to capitalise a new home being built for another family who would otherwise not get it because they are on the waiting list, that is definitely a better system than just no one being able to buy their home. It is a net good: there is someone who owns their home, and then another family who otherwise would not have got a social home is able to come in. It seems to us that getting this system working would be really advantageous. The problem at the moment is that the gearing does not work, the homes are sold off and they are not replaced.

Q44 **Chair:** Greg, how do you deal with a situation where you have a village where there is no land to build the replacement home? In my own constituency, what used to be a village is now a suburb but there are very few social homes and no land to replace them. You might be able to build one three miles away but not in the area. How do you deal with that situation?

***Greg Beales:*** There are some situations where you may want to bring a home from the private market back into the social housing system. That should be possible in situations where there is no ability to build new homes. If a house comes up for sale at a relatively low cost, and is currently privately rented, it should be possible for a housing association or local authority to bring it into the social housing system. The benefit of a system that funds the building of new social homes by selling them off to people, if you can get that system, is a net good. It is funding new homes and it is giving people a route into home ownership.

On this question of home ownership, it is worth remembering that, during the 1980s—a period in which home ownership was going up—huge numbers of people were moving into home ownership through the right-to-buy system. In some years, it was a third of all people moving into home ownership. It seems to me that it has potential to work as a route into home ownership, but that must not come at the expense of the ability to offer people who cannot afford a place to live a good-quality social home.

Q45 **Mary Robinson:** Having explored how we increase housing provision, I would like to consider the experience and the needs of the people who live in these homes, which it is good, in your view, to progress. What would you do differently to ensure that the rights of tenants are improved in social housing? Kate, you mentioned a four-point plan.

***Kate Henderson:*** Tenants and residents need to be at the heart of social housing, whether your landlord is a local authority or a housing association. One of the ways to ensure tenants' and residents' experience is a positive one is to have strengthened consumer regulation, which is something that we are supportive of. We also need to have a culture and an ethos where tenants are genuinely at the heart.

On that four-point plan, the first part is that we are looking at our own code of governance. The foundation's code of governance is something that housing association boards use as a framework. Within that reform, we are putting the tenant and resident experience at the heart. It is something that boards are questioning, looking at and seeing evidence of, as they would be doing on financial viability, on health and safety and on other issues.

Secondly, we have come up with a draft charter around what tenants and residents can expect of their landlord in terms of being treated with respect, in terms of being involved in decisions that affect them and in terms of access to information. This is about ensuring that those relationships are much clearer.

The third point is about tenant and resident scrutiny of how their landlord is doing against that charter. We are not being prescriptive about it but it might be scrutiny panels or a tenant annual report. We are looking at different ways that that can be brought forward.

The fourth part of that draft plan is a stronger link to consumer regulation. We know Government are looking at consumer regulation and we absolutely welcome that being strengthened.

Our approach is one of greater accountability, greater transparency and being the culture change ourselves. This is about co-regulation, with tenants and residents, of their organisation, but it does not replace the need to have a regulator and regulation of consumer standards.

***Greg Beales:*** I very much agree with the things that Kate was laying out there. This is a really important issue. We are trying to actively work at the moment with tenants' groups, because ultimately a stronger voice for tenants in social housing is going to be good for the system and good across our politics and our democracy. It is no good if you have a system where people feel like they are second class and ignored.

We also advocate for a new consumer regulator for social housing. The regulator at the moment does a good job in relation to financial management and financial regulation of housing associations. There is not really a place to go, in regulatory terms, if you have a concern about consumer standards. In the same way as financial regulation has been separated, there is a strong case for separating out a separate consumer regulator that could act, if I am allowed to use the word, as a sort of backstop when things have broken down between a tenant and their housing association. It would be there to act when things have gone wrong systemically.

In the context of those two reforms, the opportunity is for a system in which tenants feel engaged, empowered and part of the decision-making about their homes.

***Terrie Alafat:*** I agree with what has been said by both. All the organisations are supporting stronger consumer regulation. There is quite a lot of work going on in the sector, across local authorities and housing associations, to come up with their own mechanisms for being held to account, with what kind of performance data, and trying to work with Government on that. The more that it is driven by the sector, the more powerful it will be, because it is the sector saying, "We have to get better". We all agree on that.

Something that has not been mentioned yet in this discussion is the stigma that social housing tenants feel. Again, we are not the only organisation, and I know that Shelter and the NHF are very engaged in this. Supporting campaigns like See the Person and those sorts of things is really important because it is something that has come across again and again. It is about the sector being aware and doing things differently, which is probably where we come in, in trying to engage with that, but there is still more that needs to be done.

Through all the things that have happened over the last couple of years, with the social housing Green Paper and Grenfell, it is about that sense of stigma. Housing organisations have a huge role to play in the community and in how they manage diversity, equality and all these other things. I just do not want to have that off the agenda. It is not just about regulation. We could all say the things that we are doing about that, because it is really important not to forget what people felt or have been feeling over time.

Q46 **Mary Robinson:** Terrie, you mentioned quality there. How will the sector maintain and improve that quality while responding to this urgent need to increase output?

***Terrie Alafat:*** We talked earlier about the question of housing associations and housing association boards, and the extent to which housing associations think about their tenants and their services. One of the things that I have noticed—and I guess I can speak for this because I do not represent the sector; I work across the board—is a real shift that has occurred over the last couple of years, where more and more housing associations are recognising that they need to, at board level, have people on the board who are thinking about the existing stock, the quality of the provision, housing management and all those sorts of issues. I am not saying that they were not thought about before but it is very easy to get sucked into house building. It is sexy and everything else. I have seen a real shift. It is also demonstrated in the work people are doing with us at the CIH on investing in the front line and in front-line skills, thinking about the people who are delivering the service. I have seen that shift.

It is really important when we talk about quality—and Kate may come in on this—that we build the best we can but not forget the existing stock, and have a balance in that. As part of any spending review, we are saying that we need to be investing in existing stock. The Decent Homes Programme was a very long time ago. Organisations are trying, within their resources, to ensure they do not ignore that, but we need to not forget, if you look at how much housing is already in this country, that we have an obligation to make certain that that is of a high standard, physically as well as in terms of housing management.

***Kate Henderson:*** I would agree with that. We have just produced a new three-year strategy at the foundation, and we have three key ambitions. The first is on ensuring quality, the second is on building trust and the third is on driving delivery. When we are talking about quality, it is about quality of service provision, quality of existing stock and quality of new build. In terms of the quality of new build, we would support new standards on space and accessibility, on design and on energy efficiency, but we would like a level playing field. We would like it to apply to all new housing. Everybody deserves to live in a decent house.

For us as a sector, we do have a greater incentive on quality of build, because we want our homes to be as fantastic in 50 years' time as they are on day one. It makes sense for the people who live there but it also makes business sense, in terms of repairs and maintenance, to build well and to build for the long term.

Housing associations are making difficult decisions at the moment, and probably the biggest thing and the top priority on our housing associations' mind is building safety. We are investing a huge amount of money as a sector into building safety. Tenants and residents must feel safe now, and they have a right to feel safe now and in the future, so that is a priority. Investing in building safety has a consequence on development pipelines, so we are also calling for a building safety fund, where the building standards regime has failed. It is a failure of the regime rather than of our processes.

Q47 **Matt Western:** Briefly, where do you see the tenant's voice in all this in terms of their representation? It is a big issue at Grenfell and a big issue across the board.

***Kate Henderson:*** There are two things. First, through our work on Together with Tenants, where we are looking at us as the housing association, we are trying to ensure much stronger tenant engagement and tenant representation within the sector. Our work on Together with Tenants does not replace the need for a national voice for tenants. We very much support the campaign for a national voice for tenants: a body that would be representative of the tenant experience across the country.

One of the most powerful things that came out of the engagement around the social housing Green Paper that I heard from going to multiple events with tenants was that Ministers are listening to us. We are having engagement. Having an organisation that is not just a one-time committee but can be convened to get views from right across the country on the experience of residents and tenants, and feed that back to help inform policy-making and investment decisions, would be really powerful.

Q48 **Matt Western:** Do you accept the view that tenants feel as though they have no voice locally because the difference between council social rented housing and that provided by a housing association is that they have democratically elected representation that they can vote out if stuff does not happen, which they do not get with a housing association?

***Kate Henderson:*** I am 11 months into this job and I have spent pretty much all of it on the road, meeting members. I have been to a huge number of resident committees and engagement events, where resident scrutiny panels are scrutinising the board. At almost every meeting that I have gone to where I have met an exec and board team, residents have been there. We can do better and we do not always get it right, but housing associations are accountable. We are doing more to make sure that the information we are working on is accessible and that tenants and residents feel engaged. That is what Together with Tenants is about: it is about transparency and accountability, but also a culture change, where we are happy to do that, where we are not defensive about providing information, and where we are there working with the communities in which we serve. The sector is doing that in great part but we could do more of it. We are on a learning curve with that.

We are working with local authorities on how they do it too. Yes, local authorities have elected representatives, but there are also times when they do not get it right in terms of repairs and maintenance or consultation events. It is about making sure that we learn, across sectors, how to do things well.

***Terrie Alafat:*** I would not disagree with Kate. There is a long tradition of engaging tenants and residents in a forum. A lot of organisations have asked themselves, "Are we doing everything we could be doing?" That is why the campaign that Kate mentioned is really helpful.

Inevitably, one of the challenges for any organisation in their different areas is that there are always some tenants who are more likely to want to be engaged. It is not just about tenant engagement on boards or those sorts of things; it is about how housing organisations are engaging all their consumers and residents in what they are doing. Some people do not really want to do anything but pay their rent and get on with their lives, so there is a question there. There are also probably still some issues about the most vulnerable people. There might be some lessons.

I have been struck because I have my foot in the charitable sector as well as the housing association sector. A lot of charities have worked really hard on engaging people who are some of the most vulnerable and sometimes difficult, and who do not necessarily want to volunteer for things. There might be some lessons across sectors that we could bring. Yes, everybody wants to do a better job and there is probably further to go on this issue.

***Greg Beales:*** There is substantial distance to go on this, and the sector is going to be better and stronger from more active and more engaged tenants who are better organised. It is an organisation as well that comes to this, so that tenants can make their voice heard. Part of that is overcoming some of the cynicism that has built up that you definitely saw through the aftermath of Grenfell. It is the cynicism that says, "It does not matter what we say; we are not going to be listened to". Overcoming that is a process.

That has to be underpinned by a new system of regulation for consumer issues when that breaks down, so that tenants know that, where it has broken down and where they feel they are genuinely not being listened to and are being turned away, they have somewhere to go that can act on their behalf and shake up the system. That is the thing that is missing from the regulatory mix at the moment.

**Chair:** Thank you all very much for coming to give evidence to the Committee this afternoon. Thank you very much.

## Examination of witnesses

Witnesses: Professor Ken Gibb, Kathleen Scanlon and Professor Ian Cole.

Q49 **Chair:** Thank you all very much for coming to give evidence to the Committee this afternoon. For our records, could you go down the table and say who you are and the organisation you are representing today?

***Professor Gibb:*** My name is Ken Gibb. I work at the University of Glasgow and I am the director of the UK Collaborative Centre for Housing Evidence.

***Kathleen Scanlon:*** I am Kath Scanlon. I am distinguished policy fellow at the London School of Economics.

***Professor Cole:*** I am Ian Cole. I am professor of housing studies at Sheffield Hallam University and, also of potential relevance, I am chair of the board of South Yorkshire Housing Association, which provides about 6,000 homes. It has a development plan and two tenants on the board.

Q50 **Mr Dhesi:** It is a pleasure to have you here. In your expert opinion, are the proposed numbers and estimated capital grant funding presented by our first esteemed panel the best way to deliver more social and affordable rented homes?

***Professor Gibb:*** I might ask you to clarify that question a little. Do you mean the number that they ended up with?

Q51 **Mr Dhesi:** We have various targets, which we discussed with the previous panel. In terms of the numbers they are proposing and the estimated capital grant funding, do you think that is the right way to deliver?

***Professor Gibb:*** Particularly Glen Bramley's analysis that was talked about in the early session broadly makes sense. The level of estimates that it arrives at seems to be sensible. The history of recent decades suggests that a grant-funded mixed funding scheme works. It seems to be almost a necessary component of getting back to the levels of social housing that we had before. Some kind of grant funding element seems an inevitable part of this. What that level is and the scale of the programme is clearly a political decision, as we were hearing about earlier.

**Mr Dhesi:** Ms Scanlon, would you disagree or do you think that that is a good response?

***Kathleen Scanlon:*** There has to be some form of subsidy to enable subsidised housing to be built. The form that is chosen will depend partly on institutional structures and on history around the sector. Grant funding has been fundamental to the sector for a long time but it is not the only way that it can be done. Other countries do it different ways. We have heard some discussion about the mechanism of cheap or free public land, which is another way of providing subsidy. It is also possible to do it with tax incentives. In Germany, in the States and in Australia, what we call social housing is provided by private developers using a tax incentive mechanism.

***Professor Cole:*** In terms of the analysis, the Glen Bramley model is the best that we have. The way it is aggregated up from a local analysis is important because, as was stated in the previous session, there is a series of local distributional effects of the imbalance between supply and demand, which are very important. It is also dynamic, as has been pointed out, and the two interrelate. They are its strengths.

It is worth perhaps the Committee being aware of the fact that those estimates of a shortfall have been challenged, and that has provoked a debate in itself, not least through CaCHE, which Ken is director of, whereby Ian Mulheirn, who is an ex-Treasury economist and now writing for the Tony Blair Institute, has suggested that household growth in the last few years has fallen behind the growth of supply—not new build but supply—and that perhaps we are all getting a bit overheated. That in itself has provoked a response from Professor Bramley and from Professor Geoff Meen, who has written extensively on this, to suggest that some of the assumptions that have been challenged by Ian Mulheirn are, themselves, rather suspect. Without going into technicalities, we could certainly send you the discussion and the riposte to that, but it is worth saying that you can start from a different place. As with many of these things, depending on what particular trends you emphasise, you might end up in a different place.

Q52 **Mr Dhesi:** It is always good to see academic scrutiny and debate, as we are used to here in the House as well. In your opinion, how do the Government balance, on the one hand, improving home ownership and, on the other hand, improving access to affordable rented homes? Are the two compatible?

***Professor Cole:*** Yes, they are. If you were to increase social housing investment, would you crowd out investment in private homes? There might be issues around land cost and construction cost. Work that Savills has undertaken, which is included in the evidence to the Committee, suggests that the additionality of additional social homes would be 100% rather than creating a substitution effect.

If you look historically, private housing completions have remained relatively steady since the Second World War. The variable in it has been social housing completions, which have fallen from a much higher level in the 1960s and 1970s. That has not, in itself, diminished private housing completions. The drip effect of developers building in order to hit their margins and not flood markets means that that has been a fairly constant effect. One could suggest that there would not be a threat to the continuation of private development.

Q53 **Mr Dhesi:** That is very good to hear. Professor Gibb, you wrote that there was no silver bullet to deliver sub-market housing and only a finite set of ways to choose from. What are your preferred ways?

***Professor Gibb:*** What I was trying to get at was that there is not a free way to do this. As Kath said, subsidised housing, by definition, implies that there has to be a subsidy and somebody has to pay for that somewhere. Be it an individual, be it a business or be a taxpayer, somebody has to pay to make that work. That might be spread over a long period or it might be up front. Underlying that—and this goes back to the last question—is the political commitment to either redistribute the existing housing spend or to add to it to deliver these things.

I guess I favour mixed funding with grant funding within it, because there is a degree of institutional familiarity with it. Admittedly, it is declining familiarity but our experience in Scotland in the last 10 years suggests that grant funding has extra legs, in the sense that we provide up-front capital grant funding for councils to build social housing. That has been pretty successful.

Q54 **Mr Dhesi:** Ms Scanlon, what do you think are the main reasons why low numbers of social and affordable rented homes are being built at the moment? How can we overcome that problem? In particular, please feel free to explain to the Committee the different obstacles in different parts of the country, and variations, to elaborate on your response.

***Kathleen Scanlon:*** Grant funding for provision of new social housing has declined dramatically in the last decade or so, so there has been a reliance on other mechanisms to provide social housing, particularly section 106 developer obligations connected with the construction of private homes. Those section 106 affordable homes are paid for through the profits on the sale of market housing. It is a pro-cyclical way of doing it so, when there is a lot of construction for the market, you get commensurately more construction for affordable housing, but that is arguably the wrong way round; we should not be doing it on the back of the market but, rather, filling the gap with affordable housing when the market goes down. It also means you get what has been called a "dumbbell" configuration of the housing being produced as, because the social and affordable housing is paid for through the profits from market housing, you have to produce expensive market housing to make enough profits to pay for the social housing. That is one feature of the system.

As we have also heard this morning, the decline in grant funding and consolidation of housing associations into bigger national groups—which are on a par with the biggest private developers now—means they operate a kind of internal cross-subsidy model, in which they develop homes for sale and use the profits from that development to fund their social and affordable housing. That exposes them to the same market risks and pro-cyclicality that we have in the for-profit developer market.

Q55 **Chair:** We will just touch on this point. There is a lot of money spent on housing in this country. Do we have the right balance of spending and how we spend it?

***Professor Cole:*** Is that in terms of demand and supply?

Q56 **Chair:** I suppose this is in terms of Government programmes. The Help to Buy scheme takes quite a lot of money, but housing benefits take even more, an enormous amount of money. Have we got that right, compared with direct subsidies to build new homes?

***Professor Cole:*** I do not think there is an optimal balance between the two, which would apply everywhere. There was a debate around this in the academic literature a while ago, between George Galster and Christine Whitehead. I hesitate to summarise Christine's position on this, but the note it struck was that this is a practical question. It is agnostic. There is no inherent virtue in, for its own sake, having a demand or supply subsidy. It depends what your goals are.

The question to ask is what is getting in the way. That was your last question to Kathleen: what is getting in the way of achieving the objectives of a supply subsidy? What is getting in the way of achieving what you might want to achieve in a demand subsidy? However, with that said, the shift towards demand subsidies has been a consistent trend over the last 30 years of the British housing market. The reaction of policy that we have seen in the last couple of years has been the question of supply being neglected, and we need to rethink. Do you want me to talk about Help to Buy now?

**Chair:** Yes.

***Professor Cole:*** On Help to Buy, I would draw attention to the report the National Audit Office did. Its conclusion was rather nuanced; the jury is still out on whether Help to Buy represents value for money. The prospect of a market downturn may change what has been achieved so far. Mention has already been made of investing in grant and strategic partnerships in the long term, which might have more value in getting to the supply target than a mechanism similar to or the same as Help to Buy.

***Kathleen Scanlon:*** The demand subsidies, in the form of housing benefit, and supply subsidies to construct new social housing are not producing the same product from the point of view of the tenant. A lot of the demand subsidies go to those who are living in the private rented sector who, in England, have no tenure security beyond the term of the lease. In social housing, they have much stronger tenure security. That is becoming increasingly important, given the greater number of families with children who are living in the private rented sector. That is something to bear in mind when thinking about that distinction.

***Professor Gibb:*** The main thing to add is that housing benefit has grown in the way it has, over a long time, because of a whole set of past decisions that were made about letting rents rise and cutting grant rates. There is a whole set of implications that have pushed housing benefit, alongside the growing demand for it because of income distribution and things of that kind. It is a lot harder to say, "We can see this has happened with housing benefit; therefore, there is something we can do about it quickly and in a relatively painless way". The whole point is that it would be painful to try to reduce housing benefit, even more than the impacts have been going back to 2010. Academics talk a lot about path dependency, but these things take a long time. They are difficult to break and they accumulate over time.

There is a distinction between housing benefit and other subsidies. Some of the evidence you received discussed, on balance, the extent of programmes for the private sector and for the social sector, which is a different question, suggesting that there could be more value for money than there is for things like Help to Buy, or a better return in a social sense, by shifting some of that resource to a social supply programme.

Q57 **Chair:** People often look at the enormous amount of money we spend on housing benefits and say, "If you took all that and built houses with it, it would be great". You are saying that that is not feasible.

***Professor Gibb:*** It is not feasible for a large part of the people who are on housing benefit now, no.

Q58 **Chair:** It is somewhere that we might have got to differently in the past, but we cannot go back to.

***Professor Gibb:*** That is a side issue from saying that there is a better form of housing allowances that would provide better outcomes, perhaps more tenure-neutral outcomes, which we could shift to over time. The notion that it can be quickly shifted one way or another is not a good one.

***Professor Cole:*** Savills did some work on precisely that. If you had an extra £100,000 in social rented housing and compared it against 100,000 extra households on housing benefit, Savills estimated it would cost £7 billion a year to get the £100,000, but it would reduce housing benefit costs by £430 million a year. You have £7 billion versus £430 million. It will be a long period before you can get those two in balance. Part of it is about how long term one wants to see the benefits of supply being realised in the reduction of the cost of demand. Shelter mentioned 40 years, which is an awfully long time.

Q59 **Matt Western:** Could you repeat those figures? I did not catch them.

***Professor Cole:*** It makes a series of assumptions that one could challenge. The assumption is that it would cost £7 billion a year to build an extra 100,000 homes in social rented housing. That would reduce the housing benefit cost by £430 million a year. Therefore, eventually—this is apples and pears to some extent—you would reach a situation where you have paid back your investment.

**Matt Western:** You cross over.

***Professor Cole:*** Yes.

Q60 **Teresa Pearce:** Councils are being encouraged to build more homes. Is that a good idea? Are they the right providers? Do they have the right expertise, Professor Cole?

***Professor Cole:*** It is a good idea in theory. In practice, there is a massive issue around capacity, which cannot be seen as a temporary hitch that will eventually be overcome in the short term. Now slightly over half of the 300-odd councils do not have council housing at all. That does not mean to say they could not start again; they could start again. The gearing-up of that, being realistic, would take some time. You would have a very patchy response. Some of the London boroughs, for example, are quite charged up on that. Sheffield announced that it is going to build 3,000 council homes in the next five years, by using land it has available. You would have a very patchy response and I would be cautious about expecting the local authority to take a high proportion of any additional supply, certainly in the next five years.

***Professor Gibb:*** If I could say a bit about our experience in Scotland, about 25% of social housing is now built by councils. Of 32 councils, only six have had a whole stock transfer, so the majority are still council landlords. But, in Scotland, a number of things are in place that make things easier. We did not have the borrowing caps issue; we have a prudential borrowing regime for council housing. We provide the grant-funded element, which is similar but not quite as generous as it is to housing associations. It is of the order of £57,000 per unit, on average, for councils in Scotland. The other thing is that right to buy was abolished, in particular for new build, in 2009. That has clearly incentivised councils.

On the capability or capacity side, initially there was a lot of concern in Scotland about whether councils would be able to deliver these things, but they have really stepped up and delivered. They have worked in partnership and generally speaking—it is a small number; they may be self-selecting—they have done a pretty good job.

***Kathleen Scanlon:*** I agree with my colleagues.

Q61 **Teresa Pearce:** I have another question about social providers. Are they building the right homes in the right places? Does anybody have a view on that?

***Professor Cole:*** In my view, one consequence of the discussion on the lack of supply is that it tends to be conducted in terms of bald numbers and bald affordability ratios. Planning authorities, which are already stretched, have not made the step that was raised in the last discussion about specifying type, tenure, mix and price level for particular schemes. The need to do that came out very strongly in the Letwin review. At the moment, there is a bit of a hole there. If they are building the right houses in the right places at the right price, there is some luck involved, I would suggest.

Q62 **Teresa Pearce:** You think the race for numbers, the race to be able to say, “We have built X”, is getting in the way of place-making and longer-term thought.

***Professor Cole:*** The numbers are still low, so it is a fairly leisurely race. Yes, there is a need to disaggregate down, not just at regional, sub-regional or local level. I know that is a tedious thing that academics say, but it is critical, because one consequence of dealing with bald numbers and bald regional affordability ratios is that some regions do not get very much at all.

Q63 **Teresa Pearce:** What about section 106? Could more houses be provided under that and why are they not being?

***Professor Cole:*** Section 106 is very important in providing affordable housing. It is rather bizarre to me that developers' contributions are being used to build affordable housing, rather than the infrastructure requirements of the developments in which they are engaged, but that is an issue for history rather than anything else. It seems a bizarre use of section 106 but, without it, we would seriously diminish what we already had in the pot. The Select Committee did an extremely good report on land value capture, which in my view met with a slightly tepid response from the Government. It is worth getting that out again and looking at how other mechanisms could be used to generate investment.

***Kathleen Scanlon:*** There is a tension between using section 106 for affordable housing and using it for all the other things that one wants from a development: infrastructure, new roads, new schools, GP surgeries and training for local people. The list goes on. Now, it has effectively become synonymous with affordable housing. We need to ask ourselves if we want all the resource going into that or if we should rebalance it in some way.

***Professor Gibb:*** It also comes back to your previous question and a longer historical look. Before 2008, it was often said about section 106 that it changed the geography of where housing association developments were taking place. It was becoming associated with where there was demand for private developments. That changed the role that those units were playing. Not only did it change where they were spatially, but it meant that, to some extent, they were being situated within a bigger private housing development, which has its own private sector logic to it. That was deemed to be quite useful at the time and something that allowed housing association programmes to extend. They were significant enough to impact on affordability questions.

Q64 **Matt Western:** On that, to what extent is it widespread that developers, through section 106, are saying, "Here is a lump of money", and then the authority says, "We will go and build some social rent housing elsewhere", not within the perimeter of the development? They are actually offsetting it somewhere else. How widespread is that, as opposed to building balanced communities?

***Kathleen Scanlon:*** In the cases I have looked at in the last few years, that is something that planning authorities are very loth to permit. It was allowed in some cases during the financial crisis, because developers said this was the only way they were able to do it and authorities were desperate to get development underway. Very few such arrangements have been allowed in the last five or six years.

Q65 **Chair:** I have a point on that. To what extent does section 106 also potentially run against the idea that social housing provision can be countercyclical? You can have programmes there that run contrary to the ups and downs of the private sector when, actually, 106 goes in line with the ups and downs of the private sector.

***Professor Cole:*** I think Kathleen mentioned that. It is not just that, but also cross-subsidy from housing associations going for market sale, which they are using to build social housing. We have seen L&Q, for example, cut down its surplus by half because market sale in London is now less promising. That is pro-cyclical as well, so two of the main components of section 106 and cross-subsidy are both working with the market, which poses real questions in the event of a downturn.

***Professor Gibb:*** It is worth saying that there seemed to be an assumption in the session you had beforehand that that cross-subsidy, pro-cyclical thing is still important to making all the programmes stack up. Reading some of the written evidence was interesting. The G15 submission made a case for a guarantee to protect against the risk of sales not working in order to protect the cross-subsidy. They wanted to have their cake and eat it, I think.

Q66 **Mary Robinson:** In building new homes and trying to get this housing provision just right, I want to ask about the needs of the tenants who will be living in them. What should be done to improve the experience of tenants in social housing? What are your particular asks?

***Professor Cole:*** We have done some research over the years on tenant involvement and participation, and I am afraid that causes one to be rather cautious about how far the new dawn will break in social housing. Clearly there is an impetus there, from the NHF and so forth, but the issue is that, often, when councils and housing associations talk about engagement, they are talking about engagement with tenants who live in their present stock. Tenants who might become tenants of their stock, potential rather than actual households, is a much more difficult line to cross. I am not sure how finely tuned the antennae of many housing associations or local authorities are on the needs of people coming up, the younger age groups, or maybe older people downsizing, and how much they are factored in. There is a danger you are talking in a circle with people who are already there, rather than those who might join. I am not saying that that is a straightforward process to break, but it bears some further thought.

***Professor Gibb:*** In CaCHE, we are starting some work looking at a whole set of aspects of tenant participation and involvement in social housing performance. One theme of the Green Paper was that tenants should have ways to play a role in monitoring performance, so we are starting a project on what the drivers of performance might be and how best you might bring a tenant voice into that process, as part of a suite of projects to do with tenant participation. They have literally just begun.

Q67 **Mary Robinson:** Should social landlords simply be good landlords? Where does the onus lie for social landlords? Should they have a wider role in supporting tenants and communities? Is there more that can be done for tenants?

***Professor Gibb:*** There are some big questions in that. One of them is in the context of universal credit and suchlike. Are landlords doing all they can to promote the sustainability of tenancies, protecting, helping, educating, guiding and supporting tenants, particularly the more vulnerable tenants? Are we confident that there are no examples of people being excluded because they are deemed to be too high a risk? That is a big issue that is being debated. Again, we recently had a report on that issue and new forms of potential exclusion. Many landlords seem to be doing a lot to try to strengthen tenancy sustainability and on a preventive basis. That seems to be the correct way to go, but we do not have scaled-up and consistent evidence across the country.

***Professor Cole:*** I will step out of the university for a moment and talk about the South Yorkshire Housing Association. I am chair of the board and half of the properties are in care and supported housing. There is a great deal of vulnerable tenants, but there is a real push there towards co-production, which is about the process beginning. Where do you begin the job description for a housing director? Tenants should be involved in writing that. Who should be involved in the selection process? Who should be thinking through plans for a new estate? It is about process, rather than a code or structure. You might need that as well and some regulatory checklists, but you need to start a conversation right at the beginning and maintain it, accepting that not many people will want to turn up to a meeting on a Tuesday evening, from 7 pm to 9 pm, and that they work in different ways, particularly people under the age of 50.

Q68 **Mary Robinson:** How do you assess the role of the social housing regulator?

***Professor Cole:*** It should be broader. There is a responsibility and an enlightened self-interest in providing things like financial advice and looking at employment programmes to try to improve people's experience in the jobs market. That feeds back to tenants being able to meet their rent obligations and wanting to invest in their neighbourhoods. There is a sense that you get something back from taking a broader view as a social landlord, and an obligation to do that.

***Kathleen Scanlon:*** There are examples in some other countries, particularly the Netherlands, where a third of housing is in the social rented sector. They have a relatively small number of social landlords, who are very big, powerful and wealthy. They have broad neighbourhood responsibilities, some of which are carried out by local authorities in this country. They have neighbourhood warden schemes, run leisure centres, and do training and neighbourhood custodial duties, but for everyone who lives in the neighbourhood, not just for their own tenants.

Q69 **Mary Robinson:** Is that recognised as being an enhancement for the local neighbourhood? Do people see that as positive?

***Kathleen Scanlon:*** I think so, yes.

Q70 **Mary Robinson:** Why is it not replicated here? What is to stop it happening?

***Kathleen Scanlon:*** In the Netherlands, social housing was historically seen as a tenure for everyone, not just for low-income or vulnerable people. It was not stigmatised. Most Dutch households would have passed through that tenure at some point in their housing careers, so it was a normal tenure in which to live. From that point of view, a social landlord was viewed differently than in this country. It is partly a product of history.

Q71 **Mary Robinson:** Is the stigma attached to social housing, which we have heard about previously, acting as a barrier to people saying that they want more and communities expecting more?

***Professor Cole:*** We did a brief piece of work with some students—it is not the more robust piece of research by any means—about what they saw as the role of social housing. They saw that they were unlikely to become homeowners. They thought that rented housing was important, but that social housing was not for them. I hesitate to push this too far, because it was a small sample, but there is still that view. The stigma is less, but it is just that it has a different function.

***Professor Gibb:*** There are also different models of social housing. There are 40-odd community-based housing organisations in Glasgow. They are quite different. They are community anchors that lead their neighbourhoods and instinctively become involved in all manner of other neighbourhood activities. Again, over time, they become important players and there are tenants on their boards. That is quite different.

Q72 **Teresa Pearce:** Should right to buy be abolished or suspended? Professor Gibb, I would particularly like to know about the impact of ending right to buy in Scotland. Shall we start with you?

***Professor Gibb:*** Right to buy was as controversial in Scotland as elsewhere. Initially, as I said earlier, they abolished right to buy for new build, which really changed the terms of the debate. People quickly accepted that perhaps this policy had run its course in Scotland. It was a bit like the smoking ban; there was a real expectation that it would be a difficult policy to implement, but it was not. It is just a normal part of the landscape now not to have it. At the same time, we have had a tartan version of Help to Buy, which was much more focused on first-time buyers with equity loan products. That seems to have been relatively effective as well for that niche of the market. I take on board what was said earlier about the ways and mechanisms there are to help people into home ownership, but it has been surprisingly uncontroversial in practice. As for the impacts on the ground, councils have been building homes. Social rent is growing in Scotland, in absolute terms.

Q73 **Teresa Pearce:** Do you think the abolition of right to buy has had a positive effect or has it been neutral?

***Professor Gibb:*** It has had a positive effect to the extent that it has encouraged councils to take on the role of being an investor in council housing. That is certainly positive. I do not think there is a huge lobby clamouring for the reintroduction of right to buy. There really is not.

***Kathleen Scanlon:*** There is a good argument for abolishing it for new build, because I have heard local authorities in England say that, when choosing what type of housing investment to make, they are not going to build social housing, because it will just be lost through right to buy and they need social stock. They are trying to dance around building something that will be affordable and hit that target market, but will not be eligible for right to buy. Abolishing it for new build would get rid of that process.

***Professor Cole:*** Guaranteeing one-to-one replacement would be a start, but the record on that is not very good historically. We did some work on the extension of right to buy to housing associations. There was a pilot programme and there is now a second pilot programme. What you have there are discounts in London of about £103,000 and discounts outside London of £77,000. That does not begin to address housing price differentials. We found that the average mortgage taken out by tenants in London was four times greater than in Liverpool. There was a clamour for tenants in the pilot association, L&Q, to think of the value of their house: "We can get a house". Less than 1% were able to exercise, because they did not have the income or savings, and could not do the mortgage. In Riverside in Liverpool you had a different scenario, where a high proportion of them were able to buy their property.

There are massive differential consequences from having a wooden discount arrangement of two steps applied to the housing market as it exists now, rather than that which existed in 1980, when it began in local authorities. You will have to rethink discounts and one-to-one replacements, and recalculate. For your information, this was work we did for the National Housing Federation. One-to-one replacements were part of the deal with housing associations, so that is different from local authorities. To achieve 30,000 sales would cost around £2 million, so there is a choice to be made there about whether, if one-to-one replacements are introduced, one bears that cost in order not just to retain but perhaps extend right to buy.

Q74 **Teresa Pearce:** If right to buy were suspended or stopped, what other mechanisms could social housing tenants have to home ownership? Are there any housing associations that have different products? If you are a tenant in a housing association flat or house, your option is to stay a tenant or to exercise right to buy. Are there ways in which housing associations could offer that tenant another product, maybe shared ownership or something? Do any of them do that? If it is a housing ladder, as it should be for some people, it seems you either exercise right to buy on a property, which might not be particularly suitable for the long term, or you stay where you are. It does not seem to be much of a ladder. Do you have any thoughts or has any research been done on that at all?

***Professor Cole:*** Shared ownership is always coming over the hill to salvage the housing market, but it never quite seems to get there. There is a scheme in Rotherham for people who would perhaps normally go into social housing, but it is very modest. There are 15 properties. That is one. Rentplus submitted evidence to the Committee about this idea that people can rent for 20 years and put aside a portion, which they would invest, so that they could then own a property. I have not seen that model scrutinised, but it might be one way in which you would not go through right to buy itself, but we would get around the problem that, if you are paying rent, you are never acquiring an asset. If you are not acquiring the asset, you are not getting the slight marginal spread of wealth that right to buy brought to a particular segment of the population, which would be denied if you turned it off altogether.

Q75 **Matt Western:** Can we talk briefly now about how social housing is provided elsewhere, particularly in Europe? I know Kathleen is the author of a book, which I wish I had had a chance to read in recent weeks, but sadly not. In fact, the Chair and I were in Amsterdam and Freiburg a year ago, looking at social housing. What happens there is very interesting. If I can start with you, how does social housing compare between the UK and Germany or northern European countries, such as the Netherlands and Scandinavia?

***Kathleen Scanlon:*** Europe is not monolithic in its approach to social housing. There are as many differences between European countries as between the UK and continental Europe. You can distinguish three broad areas. In southern Europe, there is hardly any social rented housing in the way that we think of it. Most housing is provided by the family and there is very little social rent there, just for the most vulnerable people, so that is not really a relevant comparator. In eastern Europe, there was a huge amount of Government-owned housing, but it was either given back or sold to the sitting tenants after 1989, either free or for a nominal price. In most eastern European countries now, there is very little public housing left, 2% or 3% in some of them.

Then you have north-western Europe, I guess Scandinavia, Germany, the Netherlands and Belgium, where the comparisons are more relevant. Scandinavia and the Netherlands have a history of universalist social housing. The idea was that social housing is part of the welfare state and is for everyone, not just for low-income people. That was the approach historically, but it has changed in recent years, partly because of a ruling by the European Court of Justice about 10 years ago. Even though housing is not part of the European Commission’s competences, under competition law it was held that social landlords were competing unfairly with private landlords in Sweden and the Netherlands. The ruling was that social housing could no longer be offered to everyone, regardless of income. Under European law, it could only be for people who deserved subsidy, so low-income households.

Broadly, the providers in Germany are similar to here. They are local authorities or housing associations. Germany has a very different system, in which social housing is provided by private landlords who get a Government tax subsidy in exchange for building housing that then is let to eligible tenants, who are broadly the people who would be eligible for social housing here, at affordable rents, for a lock-in period of usually 30 years. After that lock-in period expires, the landlord is free to rent it at market rents, sell it to another landlord or whatever. It comes out of the social housing stock officially. Housing policies are devolved to the federal states in Germany. There are 16 different housing policies, and in some states the lock-in period is longer. It is possibly indefinite in some, but it basically flows out the other end once the lock-in period is finished.

Q76 **Matt Western:** In Berlin I saw these social rent blocks. You are suggesting they were probably funded by private money, but providing social rent housing through the local authority.

***Kathleen Scanlon:*** Yes, but there is also a lot of municipally owned housing, built by municipally owned companies, but through this system. When the lock-in period ended, a lot of the municipal companies said, "We are not legally obliged to treat this as social housing any more but, because we are part of the municipality, we will. We will continue to operate it as social housing, even though there is no legal requirement to do that". It might have been you saw those blocks. They call that de facto social housing in Germany, in contrast with de jure social housing.

***Professor Gibb:*** I would add Austria, which is very interesting. They have had 100 years of council housing, which they market very well around the world. They also have a wave of housing association-type bodies, which have been very successful as well. While they are similar to Germany, they are quite distinctive and seem to do a pretty good job.

***Kathleen Scanlon:*** Vienna is interesting. A huge proportion of its housing stock is social housing.

***Professor Cole:*** I have a cautionary tale about the Vestia experience, which was the largest housing association in the Netherlands. It went gung-ho to achieve additional housing units, overleveraged, came crashing down and had to be bailed out. That is a story worth having at the back of one's mind, when one looks at the ambitions of housing associations, albeit in a different climate here.

Q77 **Matt Western:** When was that?

***Professor Cole:*** It was about five years ago.

***Kathleen Scanlon:*** Historically, the Dutch housing associations received very generous subsidies from the Government. In the mid-1990s, the Government said, "We want this relationship to end. We want you to be independent and continue to be social housing providers, but we do not want to carry on providing you a subsidy every year. We are going to give you the capitalised value of future housing subsidies and write off your debts". It was called a grossing and balancing operation. "Then you are on your own. We are not giving you any subsidy in the future". The interest rates used to calculate the lump sum meant they were very generously compensated for this loss of future subsidy, but then they were independent operators. As Ian says, they went out into the derivatives market and started speculating, and it all went very wrong.

Q78 **Matt Western:** You were talking about this universalist approach and what happened with the European Court of Justice. Has it changed wholesale in most of Europe then? In Sweden, irrespective of income, you may have been able to access this sort of housing, but it changed 10 years ago. Is it now down to key workers or certain income brackets?

***Kathleen Scanlon:*** Different countries took different approaches to it. In the Netherlands, social housing providers split their operations for lower-income households from the market operations and carried on providing social housing through the former. In Sweden, they said they would not relinquish their vision of universal social housing, so they said, "We do not have social housing in that sense any more, at all". Swedish academics will say, "We have no social housing in Sweden. We have housing providers that provide for a range of households, but we do not have social housing in that sense".

**Matt Western:** Right, that is how they got round it; they just recategorised it.

***Kathleen Scanlon:*** Yes, they use demand subsidies and so on, but do not control access in that way.

Q79 **Matt Western:** Have you come across any other models in Europe that you think work better for a range of needs?

***Kathleen Scanlon:*** There are a lot of models that work well. The question is how transferable they are to the UK. It is not just a question of policies, but also the legal framework, cultural expectations and family practice about how old children are when they leave the home. There are all kinds of things. Vienna is a really interesting model. Freiburg is amazing, but it is hard to say what you would do to try to replicate it.

**Matt Western:** But we changed the culture in 1979, in a way.

***Kathleen Scanlon:*** Yes, cultural change can happen.

Q80 **Matt Western:** It could even happen here. Finally, why does England in particular need much more demand-side subsidy for social tenants compared to other countries, say Scotland?

***Professor Gibb:*** Are you saying it has that already?

**Matt Western:** Yes.

***Professor Gibb:*** I am not sure that is how I would describe it. I would almost revert to this notion that what we have now is a function of

20-odd years of different things accumulating over time: decisions not taken, grant being reduced, et cetera. If you reduce grant rates over time, it will have an upward impact on rents. Rents have been rising in real terms for most of the period until the recent top-down cuts in rent. Those things will have that effect.

**Matt Western:** It is down to grants.

***Professor Gibb:*** That accumulates over time. A scheme such as the Affordable Homes Programme is increasing the rents of vacant stock as well, by quite a large amount. That will also bump these things up, if that is what you were getting at.

***Professor Cole:*** You have very different housing markets. In Scotland, it is crudely akin to the difference between the north and south of England. There is a stoking-up of rents and the sense in which that is then reflected in the level of subsidy. Much of that is concentrated in London and the south of the country. Scotland is not just a different country, but a different housing market. One reads about where the housing benefit savings would be and where the affordability pressures are, and London and the south-east take the lion's share. It is just the effect of having a very high-value, pressured housing market in England.

***Kathleen Scanlon:*** If you compare it to continental Europe, across much of the continent there is some kind of control on rents, not necessarily classical rent control, but, within a tenancy, increases are controlled. Even if a household lives in the private rented sector and receives some kind of housing benefit, the trajectory of that benefit is more predictable and is probably a shallower increase than it would be for their counterpart in England.

Q81 **Matt Western:** You say that is in most countries. Are you talking about southern Europe? Is that much more standard?

***Kathleen Scanlon:*** I am thinking less of southern Europe, but about countries like Germany, which has stepped rent increases, as do Denmark and France. Sweden has a different system, but there is no country on the continent, except some in eastern Europe, where rents are as free as they are here.

***Professor Gibb:*** There is an important point there about the way that we design housing benefit, which rises in step with rents. It hits a ceiling as rents rise. Most other countries do not do that. They have allowance-based systems of one kind or another. That is a long-term part of the way we think about income maintenance and housing benefit historically, as that is what they do.

Q82 **Matt Western:** Does local housing allowance also vary across France or Germany, as we have variances with LHA in this country?

***Kathleen Scanlon:*** Yes, the allowances do.

Q83 **Matt Western:** They are set regionally.

***Kathleen Scanlon:*** They are set regionally or even by municipality. It depends on the country. The levels reflect the local housing market and the size of unit you would be expected to occupy. In most of Europe, rent limits are set per square metre.

***Professor Cole:*** I do not know whether you would have the same differential in some European countries that you have here in the LHA rate. The LHA rate in London is four times what it is in Barnsley. That is the LHA rate, and not what tenants are paid.

***Kathleen Scanlon:*** Maybe you would in Paris.

***Professor Cole:*** Elsewhere, you might not have the same extent of variation because, as Ken says, you are not chasing the values.

**Chair:** Thank you all very much for coming to give evidence to the Committee this afternoon.