Dear Clive,

Thank you for your letter of 12 June. I appreciated the opportunity to meet the committee and discuss the Government’s investment in affordable housing, including social and affordable rented housing. We share the Committee’s view that it is essential to increase the supply of social and affordable housing and very much welcome the attention you are playing to this important subject.

This letter provides follow up answers for the questions posed by the Committee.

1. Do you agree with the analysis of housing need which found England needs 145,000 social homes a year, with 90,000 of those needing to be social rent?

   We always view new reports on social housing need with interest, and feed these into our policy thinking on affordable housing supply which we view more broadly beyond the social housing sector.

   We are committed to increasing the supply of social and affordable housing and have invested over £9bn into our Affordable Homes Programme to deliver approximately 250,000 affordable homes by 2022, including at least 12,500 for social rent.

   Building on this, we announced at Budget 2020 that we are investing £12bn into the AHP between 2021/22 and 2025/26. This will be the biggest cash investment in affordable housing for a decade, and is a very clear commitment to building affordable homes.

   We aim to provide a wide mix of affordable housing, and our new investment will continue the work of the current Affordable Homes programme, by providing grant funding for a wider range of homes to meet the housing needs of a range of people in different circumstances and different housing markets including social homes. The AHP is fully flexible and delivers homes for sub-market rent right across the country. However, we have ensured that social rent is only available in areas of the country where affordability pressure is most acute in order to focus the funding where it is needed the most. This includes areas such as the South East, South West, and big cities like Birmingham, Leeds, and Manchester.

   We will continue to provide opportunities for more people to have a safe and decent home of their own and seek to build on the progress that has been made on building new social homes.
2. Would the Housing Benefit bill be reduced if significantly more social rent housing was delivered?

We want to ensure that we build the right homes in the right places to both support people in different circumstances, and support local markets; but also support wider government policy aims. This includes maximising the supply of new affordable housing and make sure that more people in housing need can have access to a good quality home at sub-market rent.

We are continuing to take steps to further support struggling families and those at risk of homelessness – Social rent was added as a tenure in our current programme in 2017, and whilst we are only just starting to see the effect of that realised in new homes the change will deliver at least 12,500 social rent homes in areas of acute affordability pressure by the end of the Programme. The £12 billion of investment announced at Budget will build on this, continuing to deliver thousands of new affordable homes for rent.

3. Do you accept the main reasons housing associations and local authorities cannot build more social rent homes is a lack of enough grant investment to meet that funding gap?

In funding new affordable housing, the Government is seeking to maximise supply, value to the tax payer and the need for the right tenures to meet people’s differing needs.

Affordable Rent was introduced in 2011 to maximise government investment in affordable housing. Since 2010 we have built over 331,000 affordable homes for rent, despite fiscal constraints. As grant rates are higher for social rent, the funding is prioritised for areas with acute affordability pressures to ensure additionally and value for money. Funding continues to be available for affordable rent across the country.

4. How many social rented homes sold through Right to Buy since 2010 have been replaced by another social rented home, and not by a different affordable tenure?

As the Government said in its 2019 manifesto, we maintain our commitment to the Right to Buy, which has helped nearly 2 million local authority tenants to buy their home since 1980.

The Government also wants to support local authorities to build more affordable homes. Following the reinvigoration of the Right to Buy in 2012, local authorities were able for the first time to keep the receipts from additional Right to Buy sales to reinvest in new affordable housing. The Government has also given local authorities a wide range of tools to help to deliver more homes, including the lifting of the Housing Revenue Account borrowing caps and the lower interest rate for new loans issued by the Public Works Loan Board to build social and affordable housing.

We would like local authorities to build more homes using Right to Buy receipts, and our consultation put forward possible ways to give local authorities more freedom in how they use the money they receive from Right to Buy sales. The proposals included extending the period for local authorities to spend their receipts, and allowing a greater proportion of the receipt to cover the cost of development. As I said to the Committee, the Government is carefully considering its policy response, which will be published in due course.

We have also listened to recent concerns raised by local authorities about the effects of Covid 19 on their house building programmes and the difficulties of spending Right to Buy receipts to the three year deadlines. On 12 June, we agreed to a temporary extension of the next expenditure deadline of 30 June by six months.
The Department does not collect data on the tenure of homes sold through Right to Buy nor on the tenure of their replacements by local authorities. So it is not possible to say how many Right to Buy homes sold by local authorities were social rent, nor how many have been replaced by another social rent home.

Data on new affordable housing supply by tenure are published in Live Table 1000 on affordable housing supply, which can be found here: [https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply](https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply).

The total stock of social housing, including stock owned by private registered providers, has grown by 100,000 since 2010. And the Government is committed to increasing this further. Data on dwelling stock, including stock owned by local authorities and registered providers, are published in Live Table 104, which can be found here: [https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants](https://www.gov.uk/government/statistical-data-sets/live-tables-on-dwelling-stock-including-vacants).

5. **Can you provide a full note on how many of the 140,000 social rent homes provided since 2010 have been built as a direct result of Right to Buy receipts? What percentage of funding was provided by Right to Buy receipts compared to grant funding, public borrowing and other funding streams?**

Since 2010, there have been over 121,000 Right to Buy sales, including 7,300 Right to Buy sales by local authorities in the first three quarters of 2019-20. These are comprised of 91,877 Right to Buy sales, and 29,826 sales under the Preserved and Voluntary Right to Buy. These statistics are published in Tables 678 and 691 of the Live Tables on Social Housing: [https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales](https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales).

Between 2010-11 and 2018-19, the Government has delivered over 323,000 affordable homes for rent, including almost 141,000 new homes for social rent. Data on the supply of affordable homes, including social rent are published in Live Tables 1000, which can be found here: [https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply](https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply).

These 323,000 units have been funded as follows:

- 62% were grant funded by Homes England or the Greater London Authority;
- 24% were funded through section 106 nil grant agreements;
- 4% by local authorities through other funding, including Right to Buy receipts, although is not possible to separate these out;
- 10% were funded through other sources.

This breakdown does not include an additional 8,600 affordable homes for rent delivered by Homes England and the Greater London Authority in the first half of 2019-20, including nearly 600 for social rent. This brings the total since 2010 to 331,000 affordable homes for rent, including over 141,000 for social rent. As mentioned above, since 2010, 121,000 properties were purchased as tenants exercised their right to buy them. This information can be found in Live Table 1012, the same link as above.
For local authorities in particular – in 2018-19, of the 5,876 new affordable homes for rent they supplied (including acquisitions) funding was as follows:

- 34% were grant funded by Homes England or the Greater London Authority;
- 50% by other sources of funding by local authorities, including Right to Buy receipts local authorities retained (it is not possible to separate these out);
- 1% by Right to Buy receipts returned to Homes England or the Greater London Authority;
- 12% by s106 nil grant;
- The remaining 4% units were funded through other sources.

The Department does not collect data on the number of social rent homes which are funded directly by Right to Buy receipts. However, since reinvigoration of the Right to Buy scheme in 2012, a total of 28,090 replacement homes have been started or acquired under the agreements local authorities signed to retain Right to Buy receipts, with receipts funding 30 per cent of the cost of these homes. Of these, 25,896 have been provided by local authorities, with the remaining being funded through Right to Buy receipts returned to Homes England or the Greater London Authority. Since reinvigoration of the Right to Buy in 2012 local authorities have retained just under £3bn to use towards new affordable housing supply.

6. Taking into account sales, conversions and demolitions, when was the last year when the level of social rented homes in England went up?

The Department collects and publishes data on new affordable housing by tenure, (Live Table 1000 here: https://www.gov.uk/government/statistical-data-sets/live-tables-on-affordable-housing-supply).

The department also publishes information on sales and demolitions of affordable housing stock (which can be found in Live Tables 678 and 684 here: https://www.gov.uk/government/statistical-data-sets/live-tables-on-social-housing-sales), however, this information is not collected by tenure. Data on other disposals of existing stock, such as change of use from affordable housing are not collected. Information on changing of tenure of existing stock is also not collected and neither is any information on disposals pertaining to non-registered providers. Therefore, it is not possible to calculate a net figure for affordable housing.

7. Based on the proposals put forward for the First Homes Consultation, at least 40% of affordable homes delivered under section 106 obligations will need to be First Homes. Do you agree that delivering this policy will reduce the number of social and affordable rented homes built under section 106 agreements? What reduction in delivery of social and affordable rented homes do you expect?

The Government recognises the important role of affordable housing and supplying new homes of all affordable tenures. Affordable homes will help support people into home ownership; reduce the effect of high rents in the private rented sector where people struggle to afford it; and mitigate the risk of homelessness.

The Government is mindful of the trade-off between the level of ambition for First Homes, funded through developer contributions, and the supply of other affordable housing tenures. There are many factors that will affect this trade-off beyond the level of First Homes delivery through section 106, especially any price/income caps or additional discounts in high value areas to increase affordability. We therefore do not consider it appropriate to make predictions until these
factors are better understood through our response to the consultation, which we hope to publish soon.

The proportions of section 106 described in the consultation are illustrative examples and should not be taken as Government intentions at this stage. The lowest proportion at 40% was chosen as it is roughly equal to the current proportion of section 106 which delivers home ownership products (37% in 2018-2019).

8. What estimation do you make of the impact of publishing guidance to councils recommending the deferral of section 106 obligations during the current pandemic on the delivery of social and affordable rented housing? If you had made no estimate, will you commit to doing so as soon as possible and provide this analysis to the Committee?

Contributions from developers play an important role in delivering the new homes communities require. Local planning authorities already have significant flexibilities to defer section 106 payments of all kinds including affordable housing for rent.

We have published planning guidance to encourage local authorities to consider using these flexibilities to ensure that affordable housing and infrastructure is delivered at the right time.

It remains for the local authority to determine what may be appropriate to defer. We will continue to work closely with local authorities and the sector to understand the effect of the deferrals.

9. What interventions are you considering taking forward to help councils maintain their new-build programmes throughout the coronavirus crisis and beyond, given that none of the £3.2 billion of extra funding for local authorities was made available for councils’ housing revenue accounts?

Local Authority Housing Revenue Accounts are ringfenced from other LA budgets, so they are protected from some of the immediate issues that LAs are facing. The biggest risk facing LA housing is rent arrears. The Government is tackling that by helping tenants pay their rent through the measures we have put in place to protect jobs and incomes:

- the Coronavirus Jobs Retention Scheme is paying 80% of furloughed employees’ wages - and we have just extended this to October;
- strengthening the safety net to help those facing hardship – with nearly £7 billion of extra support through our welfare system to protect people’s incomes, including increasing the Local Housing Allowance to cover the 30th percentile of market rents;
- and increasing the housing benefit and Universal Credit to help renters.

As a result, we expect the longer-term effect on Housing Revenue Accounts to be limited, but we are listening to local authorities and are monitoring the situation very closely.

As highlighted in the answer to question 4 above, to further support local authority house building during this unprecedented time, we have extended the deadline for local authorities to spend Right to Buy receipts by an additional 6 months. This will enable local authorities to catch up with their spending plans and deliver replacement social housing. We also encourage councils to bid for funding from the Affordable Homes Programme to deliver affordable homes and we announced at budget 2020 that we are investing £12 billion to build affordable homes between 2021/22 - 2025/26 - the biggest cash investment in affordable housing for a decade.
We have also given local authorities a range of tools to support them to build. We abolished the Housing Revenue Account (HRA) borrowing cap in October 2018; we have given councils a longer-term rent deal for 5 years from April 2020 providing a stable investment environment; we have also introduced a lower interest rate for new loans issued by the Public Works Loan Board for councils to build social and affordable housing within their Housing Revenue Account.

10. Given the restrictions on social landlords accessing funding from the £1 billion non-ACM cladding fund, and the outstanding remediation work social landlords will need to fund to make their buildings safe, what assessment have you made on the cost of this remediation on social and affordable rented housing delivery?

We understand that some providers face more difficulty in bringing forward remediation work than others. This fund is designed to support these providers, and get this essential work started quickly.

Whilst it is not a requirement for providers to have residential leaseholders to receive funding, the Department will only fund works where remediation costs threaten the financial viability of the private registered provider or the Housing Revenue Account.

The Department has confirmed that funding will be provided to Social Housing providers to meet costs that they would be able to charge to leaseholders. Further detail on the claim process will be announced in July 2020.

Social housing units held in blocks owned in the private sector will be eligible as part of the relevant application for that building.

Our new £12 billion Affordable Homes programme will continue to provide grant funding for a range of affordable housing tenures, continuing to ensure Providers are able to invest in new supply.

I would like to thank the Committee for their continued focus on this vital area, and I look forward to working with them further as we continue to develop policy to increase the supply of affordable homes, ensuring that everyone has somewhere safe to live.

RT HON CHRISTOPHER PINCHER MP