



Government Response to the Housing, Communities and Local Government Select Committee report on the Long-term Delivery of Social and Affordable Rented Housing

Presented to Parliament by the Secretary of State for
Housing, Communities and Local Government
by Command of Her Majesty

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Government response to the Housing, Communities and Local Government Select Committee report on building more social housing

Introduction

The Government welcomes the Housing, Communities and Local Government Committee's report on Building More Social Housing following its recent inquiry. We appreciate the Committee's focus on the important role of social housing in meeting our ambition of building 300,000 homes a year by the mid-2020s, providing the homes this country needs. We would like to thank the Committee and all of those who took the time to provide evidence.

Government recognises there is a need for more homes of all types. Everyone should have a roof over their heads. Affordable Housing plays a key role in increasing housing supply. The Chancellor announced further investment in Affordable Housing at the Budget in March 2020. We announced a £12bn investment in affordable housing through to 2025/26. This includes a new £11.5bn Affordable Homes Programme to build up to 180,000 affordable homes if economic circumstances allow.

We are committed to delivering wide range of affordable homes of different tenures so that we can support range of people in different circumstances and stages in their lives.

Half the homes in this new programme will be for Affordable and Social Rent, to help those in the greatest need, with 10% of delivery used to increase the supply of much needed specialist or supported housing.

This Government agrees we need more housing. Thanks to the hard work of those in government, local authorities, agencies and the homelessness sector around the country, nearly 15,000 vulnerable people have been housed in emergency accommodation, including hotels, since the start of the COVID-19 pandemic. This includes people coming in directly from the streets, people previously housed in shared night shelters and people who have become vulnerable to rough sleeping during the pandemic.

To stop people returning to the streets we have launched the Next Steps Accommodation Programme (NSAP). This makes available the financial resources needed to support local authorities and their partners to prevent these people from returning to the streets. The NSAP provides: £161 million to deliver 3,300 units of longer-term move-on accommodation in 2020/2021; and £105 million of additional funding to pay for immediate support to ensure that people do not return to the streets.

We also need more homes and that starts with a reformed Planning system to speed up bringing land forward for development. Through the implementation of planning reforms, we will ensure our planning system creates and supports thriving communities and improves the quality, quantity and speed of home building.

We also need to make better use of the land already available and suitable for housing. The National Planning Policy Framework strongly supports prioritisation of brownfield and other under-used land for redevelopment, especially for new homes. It makes clear, for instance, that planning policies and decisions should support:

- remediation of degraded or contaminated land;
- development of under-utilised land for housing, including space above shops, car parks and rail infrastructure, and well-designed residential extensions over residential and commercial premises;
- using retail or employment land for homes in areas of high demand if it does not undermine the local economy and is compatible with other Framework policies.

Each local authority publishes a register of brownfield land suitable for housing. These registers identify over 28,000 hectares of developable land across England; enough for at least a million dwellings. Permission in Principle allows housing-led development at sites on brownfield registers, giving certainty from the outset that redevelopment is acceptable in principle. Housing estates in need of regeneration can also provide additional homes.

Responses to Recommendations

Recommendation 1 - We believe rents are only affordable when they do not exceed one third of household income. There are numerous ways to define this income and other related factors and the Government should identify its preferred method, in consultation with the Local Government Association, the National Housing Federation, Shelter, and other key players in the sector. It is crucial that the Government links local incomes to a definition of affordability, rather than using “affordable” as a synonym for below market rent or market value.

The Government does not prescribe a definition of affordability, it is a complex and ever-changing picture that is better understood and monitored at a local level. However, we recognise that the fundamental purpose of social housing is to provide affordable, safe and secure homes to those who cannot afford to rent or buy through the open market. This purpose is reflected in the definition of affordable housing in the National Planning Policy Framework and in our approach to setting maximum rent levels in social housing. The vast majority of rented social housing in England is let at Social Rent using a formula that takes account of relative county earnings (among several other factors). In the case of Affordable Rent, the initial rent is capped at up to 80% of the equivalent market rent (except in London where both Social Rent and Affordable Rent levels tend to be lower).

The Government continues to invest to deliver different types of rented social housing to meet the needs of a wide range of households including those at risk of homelessness in areas of the country where affordability is most pressured.

By providing routes to develop social rented housing through both grant funding and the planning system, we aim to develop more social housing across the country. The increased costs of providing social housing in higher cost areas will always limit the types of property that will be available.

Local authorities should refer to the National Planning Policy Framework definition of affordable housing when setting local policies that identify the levels and types of affordable housing that should be provided as part of development.

Whilst this does not specify that rents should not exceed one third of household income the definition does set out that affordable housing should be for those whose needs are not met by the market.

Recommendation 2 - The Government must publish statistics on net additions of the different tenures of affordable housing per year, taking into account completions, sales, demolitions and conversions. These statistics are currently disparate or not collected. This is especially important to track changes in social rented stock which has been affected by significant number of conversions to affordable rent and Right to Buy sales. Data will need to be collected on Right to Buy sales for each tenure, demolitions per tenure, change of use per tenure, and all other reductions. This will bring social housing data in line with overall housing supply data.

The department already publishes overall stock figures for local authority and private registered providers, the latter collected by the Regulator of Social Housing, including

some information by social and affordable rent.

Data already collected and published includes:

- Local Authority stock, including the social and affordable rent stock held within Housing Revenue Accounts;
- Demolitions and conversions by local authorities;
- Similar information for Private Registered Providers, which is collected by the Regulator of Social Housing;
- Social Housing sales, including Right to Buy and;
- Additional units to the affordable housing stock, by tenure, including those of local authorities, Private Registered Providers and Non-Registered Providers

The department will investigate the feasibility of publishing data on affordable housing.

Recommendation 3 - Reform of the Land Compensation Act 1961 is well overdue.

We reiterate the recommendations of our predecessor Committee. The Government should amend the Land Compensation Act 1961 so local authorities and development corporations have the power to compulsorily purchase land at a fairer price. The present right of landowners to receive 'hope value' reduces revenues and opportunities for social housing. Compensation paid by landowners should be determined by an independent expert panel, which we expect will deliver a fairer deal than the current model.

On August 6 the Government released its White Paper Planning for the Future, which sets out an ambitious programme of reform for the planning system. This includes proposals to reform the system of developer contributions, replacing the current system of s106 planning obligations and the Community Infrastructure Levy with a new Infrastructure Levy. This would be charged on the final value of development, and will include a value-based minimum threshold below which the levy is not charged, to prevent low viability development from becoming unviable.

The Government expects the new Levy to raise more revenue than under the current system of developer contributions and deliver at least as much – if not more – on-site affordable housing as at present. This approach to capturing land value will be simpler, more transparent and more consistent than the current system.

The Government is also committed to a faster and better compulsory purchase process to support the delivery of housing, regeneration and infrastructure projects. We intend to publish proposals in the Autumn for consultation, including potential further reforms to the land compensation regime so it is fairer and easier to reach agreement.

Recommendation 4 - The Government's public land disposal strategy needs a wholesale re-design, not more of the same. We recommend the Government thinks less about disposal, and more about assembly. Homes England should take a central role in co-ordinating public land to be used for social housing, by being tasked with identifying suitable land, including a joined-up approach with land owned by local authorities, as well as purchasing private land suitable for social housing. With our suggested reforms to the Land Compensation Act 1961, this land would be easier to purchase and more affordable.

To help make home ownership affordable for more people, and to help more people be able to rent their own home, we need to deliver more homes.

We are seeing encouraging progress in producing more of the homes the country needs. The latest figures show that last year, over 241,340 net additions were delivered, up 9% on the previous year. This is the highest number in the last 32 years.

We are implementing planning reforms to ensure our planning system creates and supports thriving communities and to improve the quality, quantity and speed of home building.

- On 6th August 2020 the Planning for the Future White Paper consultation was launched, setting out proposals for an ambitious range of reforms that will aim to make the planning system clearer, quicker, more accessible and more certain for all users, including homeowners and small businesses.
- The white paper sets out a pathway to a new English planning system which is fit for the future: supporting beautiful design, meeting the challenges of climate change and ensuring this country can build the homes it needs.
- The consultation is open until 29th October and we are seeking views from stakeholders and the public during this period, as the starting point for establishing a reformed planning system.
- There will be radical reform of developer contributions to simplify processes, save time and ensure development pays its way. A new nationally-set 'Infrastructure Levy' will replace s106 and the Community Infrastructure Levy, and be set in a way which raises at least as much, if not more, revenue (and delivers at least as much on-site affordable housing) as at present. Homes delivered through permitted development will be within its scope.

Planning reform will make land available for building more quickly, but making the best use of surplus public sector land plays a critical contribution towards this vision. As announced by the Prime Minister on 30 June 2020, work will begin to look at a new, ambitious cross-Government strategy to look at how public sector land can be managed and released so it can be put to better use. This will include home building, improving the environment, contributing to net-zero goals and injecting growth opportunities into communities across the country.

Recommendation 5 - We recommend that the Government publishes annual net addition targets for the following tenures: social rent, affordable rent, intermediate rent and affordable homeownership. This will improve transparency and accountability of the Government's record on affordable housing. It will also make clear the contribution affordable housing will make to the Government's 300,000 new homes per year target. This is crucial as housebuilding in England has only ever surpassed 300,000 in a year when social housing has made a significant contribution.

We have supported the delivery of over 486,600 new affordable homes since 2010 despite fiscal constraints and we are determined to do more, which is why we have extended the existing Affordable Homes Programme by one year. This will save homes that would otherwise have been lost following site closures due to Covid-19.

While we do not place a specific figure on the number of affordable houses which need to be built every year, we are committed not only to increasing the supply of new affordable homes, but ensuring that we build the right homes in the right places.

In 2018-19 241,130 net addition homes were delivered, and the supply of new affordable housing makes a significant contribution (almost 24% for 2018-19) to overall housing supply in England.

This is why we have launched the new £11.5bn Affordable Homes Programme which will run from 2021/22 to 2025/26, to deliver up to 180,000 affordable homes, a minority of which will be supported through long-term investment and delivered up to 2028/29.

The NPPF is also clear that local authorities should identify the size, type and tenure of housing needed for different groups in the community, including those who require affordable housing, and reflect this in planning policies.

Recommendation 6 - A social housebuilding programme should be top of the Government's agenda to rebuild the country from the impact of COVID-19. The crisis has exposed our broken housing system. Families in overcrowded homes have faced worse health outcomes. Private renters have struggled to meet housing costs. A large social

housebuilding programme will provide jobs, boost the economy, and help the Government meet its 300,000 homes a year target.

Due to the current COVID 19 pandemic, the courts suspended possession proceedings on 27 March. On 5 June 2020, the suspension of possessions was extended by 2 months until 23 August 2020. On 21 August it was extended by a further four weeks, until 20 September. This means that, in total, there has been a 6 month ban on possession proceedings – giving a huge amount of protection for renters during the pandemic.

The Government has protected renters by legislating to suspend new evictions from social or private rented accommodation and introduced regulations to require landlords to give tenants six months' notice before they can progress eviction action, except in the most egregious cases, such as incidents of anti-social behaviour and serious rent arrears.

We have also issued guidance to allow people to move home again. As well as this, we have announced a 3-month mortgage holiday for those in difficulty, including for buy to let landlords – which was extended by a further 3 months on 22 May (applications until 31 October 2020).

The Government has also issued regulations that give local authorities more flexibility to support small and medium sized developers, by allowing them to defer Community Infrastructure Levy payments, and disapply mandatory late payment interest.

This will enable levy charging authorities to support SMEs that are struggling with cashflow due to the impacts on development of the COVID-19 pandemic, while ensuring that local communities still receive contributions towards infrastructure from developers in the longer term.

In addition, we have launched the new Affordable Homes Programme ahead of the next Spending Review to ensure that providers can continue to build.

Recommendation 7 - It will take time to meet social housing need. In the short-term, we support the Government's intention to improve the experience of tenants in the private rented sector, including on security of tenure, quality of housing, and affordability. We encourage the Government to bring forward legislative proposals as soon as possible. While councils need to be better at enforcing standards, the Government needs to provide more resources for councils to ensure they have the capacity to enforce the law. In the longer-term, the Government should ensure there is sufficient social housing for those that require it.

The Government is committed to introducing a package of reforms to enhance renters' security and improve protections for short-term tenants. This includes repealing Section 21 of the Housing Act 1988 to abolish so-called 'no fault' evictions. However, providing tenants with greater security of tenure needs to be balanced with an assurance that landlords are able to recover their properties where they have valid reasons to do so. This is vital to ensuring the future supply of good quality housing in the private rented sector. We will bring forward the package of reforms as a priority once the urgencies of responding to the pandemic have passed to deliver a better deal for renters and a fairer and more effective rental market.

We are determined to ensure that local authorities can effectively enforce standards in rented properties. Local authorities have been given a wide range of powers to enforce standards in rented properties including civil penalties of up to £30,000 per offence as an alternative to prosecution and banning orders for landlords who persistently fail to uphold their legal responsibilities. We have also extended rent repayment orders which require a landlord to repay a specified amount of rent to a tenant or local authority in cases where they have failed to comply with the law. Local authorities keep the money received through civil penalties and rent repayment orders to fund future enforcement.

In addition, Government is proceeding with a review of the Housing Health and Safety Rating System (HHSRS) which will make the system easier to understand for landlords and tenants,

correct the disconnect with other legislative standards and facilitate the effective enforcement of housing standards by local authorities.

We have also helped local authorities to build capacity by consolidating and refreshing enforcement guidance, as well as through a national programme of training, which is available online. Furthermore, since 2019, the Government has awarded £6.7million of grant funding helping over 180 local authorities boost their enforcement work and to support innovation. These significant interventions ensure that local authorities can successfully enforce standards in the rented properties.

Recommendation 8 - The Government should count investment in social housing as infrastructure spending, rather than day-to-day spending. Evidence shows that spending on a long-term social housebuilding programme pays back to the Exchequer over time. Furthermore, such a programme could be counter-cyclical, both protecting and creating jobs during a wider housing downturn caused by COVID-19 economic uncertainty.

We have launched the new Affordable Homes Programme, which overlaps with the current programme, to give providers certainty and the confidence to commit to new developments and maintain the provision of affordable homes.

While the main funding ends in 2026, delivery will continue beyond this time to complete the homes started and £2 billion of this funding will continue to be used to test long term delivery through to 2028/29.

Recommendation 9 - To ensure the programme can get off to swift start, we recommend the Government allows grant funding to be used flexibly to allow providers to purchase new build homes or homes close to completion from developers which may go unsold in a recession. We suggest the Government looks at the National Clearing House Scheme from 2008—which served a similar purpose during the last recession—as a starting point.

The primary purpose of the Affordable Homes Programme is to generate new supply of affordable housing that would not otherwise be built. Acquisitions of existing homes using programme funding are therefore limited.

To mitigate the disruption caused to home building the existing £9 billion Affordable Homes Programme has been extended by one year. This will save homes that would otherwise have been lost following site closures due to Covid-19.

In addition, we have launched the new five-year £11.5bn Affordable Homes Programme quickly to provide further investment and certainty at this time.

We also continue to monitor the disruption caused to the housing market due to Covid-19 and engage with a wide range of stakeholders in the sector. The sales market remains buoyant, with transactions particularly high in the south of England. Builders are now largely back to the sites, with productivity close to the pre-pandemic level and home completions numbers similar to 2019 levels, however, the numbers of housing starts are lower compared to 2019 levels.

Recommendation 10 First Homes should be added as an affordable housing scheme under Annex 2 of the National Planning Policy Framework, so that local planning authorities can set out policies for which affordable tenures, including First Homes, best meet the needs of their local communities. The current proposals have the potential to negatively impact on social housing delivery. Furthermore, significant Building more social housing 55 regional variations in the value of planning obligations, which are especially low in the North of England, would mean on some development sites, First Homes might squeeze out all other tenures or by itself make the development unviable.

Government recognises the important role of Affordable Housing and we are committed to increasing the supply of Affordable Homes across all tenures. We are 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. As set out in our response to the First Homes consultation (published 6 August 2020), we carefully considered this balance to determine the appropriate level of developer contributions to reserve for First Homes delivery.

For this reason, and in light of consultation responses and the current economic environment, we set a minimum requirement of 25% of these contributions to be delivered as First Homes. This is considerably lower than the options we consulted on (40%, 60% and 80%) as we believe that this figure most appropriately balances delivery of First Homes with the continued provision of other types of Affordable Homes. A new First Homes pilot programme to build 1,500 homes will be delivered through the Affordable Housing Programme, but other First Homes will be financed by developer contributions. These measures will increase both the supply and the range of Affordable Home ownership options to support people to access the homes they need.

Recommendation 11 - We recommend that the setting of planning fees should be devolved to local authorities, with a national minimum rate.

In the Planning for the Future White Paper we are committing to developing a comprehensive resources and skills strategy for the planning sector to support the implementation of our reforms.

We will also explore options to introduce a new planning fee structure to ensure that local planning authorities are properly resourced and can assist us in our ambitions to create a simpler, quicker and more transparent planning system with local people at the heart of the decision making process.

Recommendation 12 - Local authorities should receive 100 per cent of Right to Buy receipts. The time limit for using these receipts to fund a replacement should be extended to five years, rather than three. Councils should also be allowed to combine receipts with other pots, like grant funding, to maximise flexibility. Receipts must be used to fund like-for-like tenure replacements: a sold social rent home should be replaced with a new social rent home. Without these changes, Right to Buy will make achieving the development of the desired 90,000 properties per annum unachievable.

The Government wants to support local authorities to build more affordable homes. The consultation on the Use of Receipts from Right to Buy Sales (receipts consultation) invited views on options to change the rules around these receipts to make it easier for councils to build more homes. The Government is considering its response to the receipts consultation which will be published in due course.

On the type and tenure of replacement homes, the Government considers that local authorities are best placed to determine the housing needs of their local communities; and authorities have the freedom to do this under the terms of the agreements which they signed to keep the Right to Buy receipts.

Recommendation 13 - We recommend that, in line with the five-year period which covers discount repayment, the Government prevents Right to Buy homes being privately let within five years of purchase.

As the Committee has said, tenants who exercise their Right to Buy must repay a portion of their discount to their council if they sell within the first five years. The discount repayment is based on the resale price and ranges from 100% in the first year to 20% in the fifth year. In addition, tenants who wish to sell their property within 10 years of purchase must offer their local authority first refusal to buy it back.

Otherwise, the Government believes that tenants who have bought their homes under the Right to Buy should have the same freedoms as other homeowners, including on letting of the property.

Recommendation 14 - If the Government's intention is that the Right to Buy should both

give people an opportunity to own their homes, but also to provide resources which will then be reinvested into social housing to ensure one-to-one replacements, then consideration must be given to local authorities who are unable to deliver sufficient replacements because of constraints on land availability. We recommend that the Government has discussions with the Local Government Association about ways in which they could ensure Right to Buy does not lead to a reduction in social housing.

The Government is committed to increasing the supply of all types of homes, including social housing. We recognise the essential contribution from local authorities in the provision of new homes; and we are keen to work with them and bodies like the Local Government Association to help authorities provide the homes required to meet the need for more affordable housing. We welcome the opportunity to continue to explore with the Local Government Association how best this can be achieved.

Recommendation 15 - We caution the Government not to make Shared Ownership Right to Buy a condition of affordable housing grant funding, until our suggested reforms on receipts are implemented. When Right to Buy is implemented for all housing associations, like with the pilots, the Treasury should reimburse housing associations for the cost of discounts. This aligns with the recommendation we made in our report on housing associations and the Right to Buy in 2016. Otherwise, housing associations will face the same difficulties as local authorities in replacing sales.

The Government is committed to introducing a new Right to Shared Ownership on rented homes grant funded through the new Affordable Homes Programme. The Right to Shared Ownership is a separate scheme to the Right to Buy and Voluntary Right to Buy. The Right to Shared Ownership scheme necessitates a bespoke approach to receipts and replacements given that, in the first instance, tenants will only be purchasing a portion of their home. The scheme does not involve a discount and providers will keep receipts from the initial tranche sale and any further staircasing transactions. They will then have flexibility over the use of these receipts. However, in line with the existing approach to the recovery of grant funding on Shared Ownership properties, providers will need to either recycle or repay a portion of the grant that was originally invested in the property. This will ensure that grant funding is reinvested into new supply.

On the Voluntary Right to Buy, the Government has been clear that – in line with the 2015 voluntary agreement with housing associations - it will reimburse housing associations for the cost of the discounts. The voluntary agreement also set out the commitment from housing associations to one for one replacement nationally of the homes sold under VRTB, which is being tested through the current Midlands pilot.

Recommendation 16 - The Government must keep a careful watch on the rate of replacements. If, despite these reforms, replacements are still below a one-for-one rate, the Government must intervene further. The Government should fully disaggregate its quarterly Right to Buy data by tenure for sales and replacements and publish a full review of the Right to Buy scheme by the end of this Parliament, assessing a full range of options for its future.

The Government is committed to helping people achieve their ambition for home ownership where this is the right option for them; and the Right to Buy forms an essential part of this commitment. The scheme has helped over 2 million families achieve their dream of owning their home, and the 2019 manifesto reaffirmed the Government's commitment to the Right to Buy.

The Government has closely monitored the rate of Right to Buy replacements and will continue to do so. The Government is conscious that, while the overall number of homes available for social rent has increased, local authorities have not been building enough replacements to match the pace of Right to Buy sales; and the commitment that every additional home sold would be replaced on a one-for-one basis nationally is not being met.

As set out in the response to recommendation 2, the department already publishes a wide range of data on local authority stock. It may be possible to collect data on the last tenure of a property prior to its sale but this would involve a likely New Burden for local authorities. Data on the tenure of replacements is likely to be more difficult to collect as the tenure could change before units are completed or before they are rented. Units may also change tenure through time as tenants change, which is likely to lead to the data being less reliable.

In the receipts consultation, the Government has proposed options for flexibilities to enable local authorities to build more replacement homes. In addition, the consultation sought views on introducing a broader measurement that took into account all the social and affordable housing that had been sold or lost against the total number of additional social and affordable homes provided, so that it is clear whether there has been an increase rather than loss overall. This would include all properties sold under the Right to Buy, rather than solely additional sales above the baseline forecast in 2012; together with all new social housing, regardless of how this had been funded.

The Government is considering its response to the receipts consultation which will be published in due course.

