



Department for Communities and Local Government response to the Communities and Local Government Committee's report into Housing associations and the Right to Buy

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

April 2017



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Any enquiries regarding this publication should be sent to us at

Department for Communities and Local Government
Fry Building, 2 Marsham Street
London SW1P 4DF
Tel: 0303 444 0000

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Introduction

The Government is grateful to the Committee for its report on housing associations and the Right to Buy and has considered its conclusions and recommendations carefully and where appropriate will look to take these into account during the policy development process. The Department apologises for the delay in responding.

Extending the Right to Buy to housing association tenants was announced as part of the Conservative Party Manifesto:

“We will extend the Right to Buy to tenants in Housing Associations to enable more people to buy a home of their own. It is unfair that they should miss out on a right enjoyed by tenants in local authority homes. We will fund the replacement of properties sold under the extended Right to Buy by requiring local authorities to manage their housing assets more efficiently”

On the 7th October 2015 the former Prime Minister announced that an agreement had been reached between the National Housing Federation and the Government regarding a voluntary Right to Buy. Under this agreement tenants of housing association properties will be able to buy their home with the equivalent discounts available to tenants in local authority properties.

The Government is working with the National Housing Federation and the housing association sector to implement this voluntary Right to Buy.

In the Autumn Statement 2015, the Government launched a pilot scheme with five housing associations, in specific local authority areas, and at Autumn Statement 2016, the Chancellor announced a large-scale regional pilot. The pilots will test key features of the policy and provide important evidence to inform the design of the main scheme.

This Government response addresses the conclusions and recommendations in the report.

The Committee's conclusions and recommendations:

Background and the voluntary deal

Conclusions and recommendation 1

“We believe that in the circumstances a voluntary agreement was the best way forward for both the Government and the NHF, and that this decision was taken in order to preserve the independence of housing associations, as explained by David Orr in his evidence. (Paragraph 16)”

- The Government welcomed, and accepted, the voluntary Right to Buy offer put forward by the National Housing Federation on behalf of the housing association sector. The agreement not only gives housing association tenants the opportunity to purchase their homes at Right to Buy level discounts, it also will provide an additional home for every one sold, helping to increase housing supply.
- The Government did not want to undertake unnecessary legislation to achieve the common goals it shares with housing associations to increase housing supply and extend home ownership opportunities to housing association tenants.

Conclusions and recommendation 2

“It is important that all the provisions of the deal are spelt out, including the circumstances in which housing associations have the right not to sell, as detailed in the agreement. (Paragraph 19)”

- The Government is working closely with the housing association sector to take forward the implementation and detailed design of the voluntary Right to Buy.
- Under the voluntary agreement with the National Housing Federation, there is a presumption that housing associations would sell the tenant the property in which they live, but the agreement anticipated that there would be some broad circumstances where a housing association would exercise discretion and decline a sale.
- More details on this and on other aspects of the voluntary Right to Buy policy will be published in due course.

The Right to Buy

Conclusions and recommendation 3

“We support an increase in home ownership and the principle of giving tenants the right to own their own home, provided that the homes sold under the Right to Buy are replaced on a one-for-one basis and housing continues to be delivered across all tenures to meet the country’s housing needs. We also want the concerns identified in the research we commissioned to be addressed. (Paragraph 25)”

- The Government welcomes the Committee’s support for its ambition to increase home ownership and the principle of giving tenants the right to own their own home.
- The voluntary Right to Buy will increase overall supply, as for every home sold under the voluntary Right to Buy an additional one will be provided.
- At Autumn Statement 2016, the Chancellor announced a large-scale regional pilot, which will test key features of the policy, including one for one replacement, and will provide important evidence to inform the design of the main scheme.
- The Government agrees that a mixture of tenures need to be delivered to meet the country’s housing needs and that is why this Government is implementing new initiatives such as the expansion of shared ownership.

Conclusions and recommendation 4

“While recognising the Minister’s intentions, we believe that the issue of full reimbursement [of the RTB discount] is of such importance that it should be clearly reaffirmed, in the Bill or elsewhere, to safeguard against any future policy changes. (Paragraph 27)”

- The Government has been clear that under the terms of the voluntary Right to Buy agreement it will fully fund the discount that is given to the tenants, giving housing associations the full market value for the properties sold.
- This is clearly set out in the voluntary agreement, and in the Written Ministerial Statement of 12 October 2015.

Conclusions and recommendation 5

“We believe that people in rural areas have a right to access affordable housing and that, given the challenges of building new housing, we welcome the discretion that rural communities and specialist supported housing have in the voluntary agreement. (Paragraph 33)”

- The Government agrees with the Committee that rural areas have a right to access affordable housing and between April 2010 and March 2015 over 85,000 affordable homes have been provided in rural local authorities in England.
- We need to balance the protection of housing in rural communities with allowing rural tenants the same opportunities to access home ownership as other tenants and freeing capital to invest in new housing for the future. That is why under the voluntary agreement housing associations will have the discretion not to sell properties that would impact on communities in rural areas, but instead offer them an alternative property from their own or another housing association’s stock.
- We are working with the housing association sector on the detailed implementation of the voluntary Right to Buy policy and more details will be published in due course.

Conclusions and recommendation 6

“Provision of land for rural housing is important, and every care should be taken not to discourage landowners from releasing land. We also acknowledge the confirmation from David Orr and from housing associations that restrictive covenants on specific sites and properties built using charitable funds would take precedence over the extended Right to Buy, but believe that to avoid confusion or possible legal challenges, these should be explicitly exempt from the extended RTB. (Paragraph 33)”

- The terms of the voluntary agreement are clear that housing associations will have discretion not to sell properties built with charitable resources or properties in rural areas.
- Any landowner considering a charitable donation should of course seek legal advice, and may choose to consider restrictive covenants to protect their charitable intent.

Conclusions and recommendation 7

“It is unclear to us how the portable discount will allow tenants the RTB given that they will have to move extended distances to exercise this right. (Paragraph 34)”

- The voluntary agreement with the housing association sector states that where a housing association exercises its discretion not to sell a home, the housing association would provide an alternative from its own stock (either existing or newly built) or that of another housing association. We anticipate that housing associations will work together to develop joint arrangements to enable this to happen.
- It will not always be possible to offer a tenant an alternative property in the exact same location as the one the tenant is currently resides in, but the alternative property may be in a preferred location which would benefit the tenant. For instance a tenant living in a remote location may prefer to move to a more urban area in order to be closer to amenities and family members.
- The Government is continuing to work with the National Housing Federation and its members in developing how the portable discount will work in practice and we will publish more details in due course. Portability is one of the policy areas that will be tested in the expanded regional pilot.

Conclusions and recommendation 8

“Geographical variances in the expected take-up of the extended RTB are a cause for concern as they could change the nature of social housing in some areas, severely limiting its provision in others. (Paragraph 36)”

- Housing associations have social principles, and are commercially aware and will build the additional properties generated by the receipts in areas where there is demand.
- The agreement gives housing associations flexibility in providing additional properties so that they are able to meet the needs of their area of operation and deliver the best service to their customers.

Conclusions and recommendation 9

“We therefore argue that associations should build measures into the RTB purchase process to support and advise tenants of their financial options, the implications of these options and the likely commitment going forward, and enable them to make an informed decision. This support and advice ought to be independent and its quality should be monitored. We welcome the work undertaken on this as part of the pilot scheme and we look forward to seeing the results from the pilot housing associations. (Paragraph 39)”

- The Government wants to ensure that tenants are able to make informed decisions about the costs of home ownership and their ability to meet these costs.
- In order to fully understand the implications of what decisions tenants are likely to have to make, the Government launched a pilot scheme with five housing associations, in specific local authority areas, and at Autumn Statement 2016, the Chancellor announced a large-scale regional pilot, which will enable over 3,000 tenants to buy their own home.
- The Government is also working with the National Housing Federation and its members to examine these issues as part of the detailed scheme design process.

Conclusions and recommendation 10

“We welcome the NHF’s acknowledgement of the issue of Right to Buy fraud and the commitment to work with Government to address it, and expect the NHF and Government to issue a joint statement in due course setting out the steps they have agreed on. We believe that measures to tackle RTB fraud must be put in place as soon as possible. (Paragraph 42)”

- We agree with the committee that there should be mechanisms in place to tackle fraudulent applications.
- As stated by the committee we are working with the National Housing Federation and its members to consider fraud prevention issues. We will publish more details on our agreed approach in due course.

Conclusions and recommendation 11

“To offset the administrative burden and reduce the number of speculative enquiries, housing associations should be able to follow the practice in Northern Ireland and charge a set nominal administration fee for property valuations and other administrative work, to be refunded on completion of the sale. Such a fee should be set at a level which reflects the costs incurred. (Paragraph 44)”

- The Government and the National Housing Federation are working together to develop an efficient implementation process that is both easy for the tenant to navigate and minimises the burden on housing associations.
- Under the terms of the voluntary Right to Buy pilot the Government required tenants wishing to buy their home to pay a nominal fee, which was refunded in full upon purchase.
- We are examining the impact of this fee as part of our learnings from the pilots and will ensure that these are built into the design of the main scheme.

Conclusions and recommendation 12

“We believe that measures to limit homes sold through the RTB ending up in the private rented sector should be explored and ask the relevant stakeholders to investigate such measures as a provision that any RTB home re-sold within ten years should first be offered to local housing associations and the local authority, who could choose to buy it at market price, and a restrictive covenant requiring a minimum period of owner-occupation. (Paragraph 46)”

- Under the statutory Right to Buy there are financial restrictions in place for re-sale within 5 years and any property purchased under the Right to Buy must be offered back to the original landlord or another social landlord in the area. Our intention is that similar provisions will be introduced for the voluntary Right to Buy.

Council home sales

Conclusions and recommendation 13

“We believe in the principle that public policy should usually be funded by central Government, rather than through a levy on local authorities, especially as [in this case] the impact of this levy will fall only on some local authorities, yet will be applied nationally. (Paragraph 49)”

- The Government does not accept this recommendation. We made a clear commitment to fund the extension of Right to Buy discounts to housing association tenants by requiring councils to manage their housing assets more efficiently, with the most expensive properties sold off and replaced as they fall vacant.

Conclusions and recommendation 14

“We believe that it is essential that definitions of ‘high value’ must not be based only on regional levels but take full account of local circumstances by being agreed in consultation with the local authority rather than through a blanket national approach. The definitions are long overdue: ideally, they should have been published at the time of the voluntary agreement. (Paragraph 50)”

- During the passage of the Housing and Planning Act 2016 the Government introduced an amendment to change the definition from “high value” to “higher value”. This will allow the category of dwellings to be taken into account in determining the higher value payment to be defined in terms of the local authority’s own housing stock – or indeed any other category of housing at a local level. The reference to “higher value” will mean that the thresholds for determining the payments will reflect local circumstances. It is important that our decision on the definition of ‘higher value’ is fully informed. That is why we engaged with local authorities and other stakeholders and undertook a data collection exercise, gathering detailed information from local authorities on their housing stock to inform how the threshold will be set. This has produced sixteen million items of data, which have been assessed.
- The definition of “Higher Value” will be set out in regulations which will be subject to the affirmative process.
- We are now considering the higher value definition and expect to make an announcement in due course.

Conclusions and recommendation 15

“We believe [increasing housing supply] will only be possible if the Government works with individual local authorities to determine what the local housing needs are and how best to achieve the aim of increased supply. Local authorities are best placed to understand their communities and know where specific pressures exist, and they must have the ability to act in the interests of their residents. Councils also need to be able to retain sufficient funding from the sales if they are to build new homes to replace those sold. (Paragraph 50)”

- Local authorities which make an agreement with the Secretary of State to retain a portion of payments to lead on the delivery of additional homes will have discretion over the location of the homes they will deliver with the receipts from their higher value asset sales. Outside London, local authorities which make an Agreement with the Secretary of State will be required to deliver at least one new affordable home for each one that is expected to be sold. And as there is a particular need for housing in London, local authorities in London who choose to enter into an agreement will be required to ensure that at least two new affordable homes are provided for every assumed sale . Where local authorities do not make an agreement the funding will be returned to Government to invest in additional homes.
- We will engage with local authorities and other stakeholders on how the additional homes from the sale of higher value vacant council housing will be delivered.

Conclusions and recommendation 16

“If only councils which have retained some housing stock will be required to make the payment to fund the RTB discounts, then the effect on communities and the financial risk for local authorities will be far greater in some areas than others. This is another ground for our belief that a national policy should be funded nationally. (Paragraph 53)”

- This policy is about making more efficient use of existing public housing assets to unlock additional homes and fund the extension of Right to Buy level discounts to housing association tenants. There is over £200 billion of value locked up in council housing, according to local authorities’ statements of accounts in 2016. When there is an increased need for housing across the country it makes no sense for a local authority to keep hold of higher value vacant council homes when it could sell them to fund additional housing and the extension of Right to Buy discounts to housing association tenants, which will also create an additional supply of affordable homes.

Conclusions and recommendation 17

“We fear that councils will be exposed to the risk of properties not becoming vacant at the expected rate and of sales income being lower than anticipated. Housing markets can fluctuate throughout a year due to factors beyond a council’s control, and we are concerned that this policy will make it harder for local authorities to plan prudently. (Paragraph 54)”

- The Housing and Planning Act 2016 sets out that Government may use a formula approach to calculate higher value asset payments. This formula would make an estimate of the number of local authority properties falling above the higher value threshold, and the rate at which those properties would become vacant, to determine the level of payment. These estimates, and the assumptions underpinning them, would be based on the data we have collected from local authorities themselves about their housing stock – its market value and the rate at which it becomes vacant. The benefits of a formula approach are that it would mean that if a local authority had a specific home they did not wish to sell, for whatever reason, they would not be compelled to do so. It would provide authorities with certainty over the payments they will be required to make over the course of the determination. Local authorities would also have flexibility over how they make the capital payment.

Conclusions and recommendation 18

“The Government’s figures for the anticipated costs of the three policies of the Right to Buy extension, the replacement of sold council homes and the Brownfield Regeneration Fund, and its explanation of how they will be funded should have been published some time ago, preferably when the voluntary agreement with the NHF was reached. The Government should now publish these as soon as possible. (Paragraph 58)”

- The voluntary deal with the housing association sector is entirely separate to ongoing work to determine the level of payments from the sale of vacant higher value council housing. The National Housing Federation has been clear that how Right to Buy discounts are funded is a decision for Government.
- The Government has been clear that the sale of higher value vacant council housing will pay for the cost of compensating housing associations for the discount. As stated in the voluntary agreement there will be arrangements to manage the financial costs of the policy to ensure that the cost of discounts does not exceed the value of payments received from the sale of higher value vacant council assets. We have also been clear that a portion of payments in respect of higher value vacant council housing will be used to fund the delivery of new homes.

Where the Secretary of State has an agreement with a local authority outside London for it to lead on the delivery of new housing it must require at least one new affordable home for each one taken into account under the determination, and where the agreement is with a London local authority it must require at least two for one. Where there is no agreement in place the amount for new housing will be paid to Government who will use it to fund the delivery of new homes.

- The commitment for £1 billion funding to support development on brownfield land will come from two sources. In October 2016, we launched the Home Building Fund which will provide £3 billion of loans to house builders. £2 billion of the fund will be long-term loan funding for infrastructure to unlock a pipeline of between 160,000 and 200,000 homes over the longer term. We expect at least half this £2 billion to be used to support brownfield sites. We are also making available an additional £1.2 billion to ensure delivery of starter homes and other types of affordable home ownership products on brownfield sites that might not otherwise be developed, and have received 79 expressions of interest, covering 120 local authority areas, in response to our funding prospectus launched in March 2016. We have announced 30 local authority partnerships as part of this programme— selected on the basis of their potential for early delivery, and the first starter homes supported through the programme are expected to be started later in 2017. Together these two funds will exceed the commitment to deliver £1 billion of funding for brownfield development (formerly referred to as the ‘brownfield regeneration fund’).
- Ministers are considering how to take forward the provisions in the Housing and Planning Act which set the framework for the higher value assets policy. More detail will be available in the regulations, which will follow in due course.

Conclusions and recommendation 19

“The Government should be clear about how the extended RTB will be phased in and what the eligibility criteria will be. (Paragraph 60)”

- The Government is working with the National Housing Federation and the housing association sector in implementing the voluntary Right to Buy. We will announce in due course the eligibility criteria and when the full scheme will be rolled out.

Conclusions and recommendation 20

“We support the objective of encouraging local authorities to manage their assets more efficiently, but are sceptical that forcing councils to sell financially and socially valuable properties is a sustainable funding source for the RTB. (Paragraph 63)”

- The Government welcomes the Committee’s support of our objective to encourage local authorities to manage their assets more efficiently. Public bodies should be looking for opportunities to increase housing supply.
- The Government has committed to releasing public sector land with capacity for up to 160,000 homes by 2020.
- The Committee’s report mentions the concern that in London local authorities would have to sell new housing as soon as it is built as it will almost certainly be considered “high value”. Housing only becomes vacant, as defined in Section 77, once it has been occupied and a tenancy comes to an end. Brand new vacant housing (i.e. that has not yet been occupied) will not fall within the definition of vacant for this policy.

Conclusions and recommendation 21

“The evidence we received from local authorities, both in London and in other parts of the country, is that councils do not always have large reserves of available land with which to deliver housing. However across the public sector there is land available and we support giving councils the powers to enter into partnerships and other appropriate arrangements to use land held by public bodies to build affordable housing to increase supply. (Paragraph 66)”

- The provisions in the Housing and Planning Act 2016 will enable the Secretary of State to enter into an agreement with a local authority for them to retain a portion of receipts to lead on the delivery of additional housing. We would envisage that local authorities would have flexibility to decide for themselves the most appropriate and effective mechanism by which to deliver these additional homes.
- The Government will continue to engage with local authorities and other stakeholders to understand how we can work together to deliver more homes.

Conclusions and recommendation 22

“More work should be done to encourage all public bodies, not just councils, to make surplus land available for housing and bring it into productive use. Ministers may need to overhaul the Treasury’s value-for-money rules to create the right incentives. (Paragraph 66)”

- We agree with the Committee that public bodies should be encouraged to make surplus land available for housing and bring it into productive use.
- That is why the Government is committed to releasing surplus government-owned land in England with the capacity for at least 160,000 homes by 2020.
- As of the end of September, land with the capacity for an estimated 13,817 homes has already been disposed of.
- This builds on our previous Public Sector Land programme in the last Parliament, where between 2011 and 2015, central government departments and their agencies disposed of land with capacity for over 109,000 homes.
- We are also committed to monitoring development on sites released through both the old and new programme from pre-planning to home completions. We are currently developing methodology for doing this.
- DCLG has developed guidance for departments, which includes a value-for-money section specifically intended to ensure that each disposal takes into account the full range of costs and benefits to the Exchequer and UK economy, including the wider economic and social benefits of new housing. Subsequently, the guidance makes clear that in some cases it may be justifiable to choose the option which does not generate the highest Exchequer receipt.

Building new homes

Conclusions and recommendation 23

“The need for new starts to keep pace with planning permissions underlines the challenge of building new homes, including ensuring at least one new home built for every RTB sale. (Paragraph 69)”

- The Government is clear that it wants to see the number of housing starts keep pace with planning permission grants.
- The White Paper announced a suite of measures that would:
 - Boost the capacity and capability of planning authorities and give them stronger tools to ensure sites with permission are built on;
 - Improve transparency of the build out process, and hold developers to account for delivery of new homes;
 - Introduce a Housing Delivery Test to hold planning authorities to account for their role;
 - Introduce changes to the way that land supply is assessed;
 - Improve the co-ordination of public investment in infrastructure.
- Housing associations will use sales proceeds from the voluntary Right to Buy to deliver new housing supply on a one for one basis and we are firmly committed to making sure that there will be an additional home for every one sold.
- Housing associations have an excellent record of building new homes, delivering the majority of the 313,000 affordable homes built since April 2010.

Conclusions and recommendation 24

“The Government should publish more details on how it will achieve its objective of at least one-for-one replacement of sold homes, and address factors such as the availability of land, the capacity of the home building industry, including the shortage of skills, and the uncertainty of income from council home sales. (Paragraph 69)”

- The Government is continuing to work with the National Housing Federation and the housing association sector in implementing the voluntary Right to Buy.
- The Government has released enough land to build over 109,000 new homes and has committed to releasing public sector land with capacity for up to 160,000 homes within this Parliament.
- The White Paper announced measures to make more surplus land available and make it easier to reuse brownfield land, and build homes on small sites and in villages, while increasing transparency over developer-held land options, so suitable development sites can be identified.
- We recognise that the capacity of the home building industry is key in delivering our ambition of 1 million more new homes and apprenticeships are our priority for equipping people with the high level skills that the industry needs.

- The Government has been clear that the sale of higher value vacant council housing will pay for the cost of compensating housing associations for the discount. As stated in the voluntary agreement there will be arrangements to manage the financial costs of the policy to ensure that the cost of discounts does not exceed the value of payments received from the sale of higher value vacant council assets.
- Under the reinvigorated Right to Buy, we are firmly committed to making sure that for every additional home sold an additional one will be provided. There is a rolling 3 year deadline for local authorities to deliver additional affordable homes through new build or acquisition. By September 2013 after the first 18 months of reinvigoration there had been 6,389 additional sales and by September 2016 there had been 9,460 starts and acquisitions.

Conclusions and recommendation 25

“We do not believe that there is a single solution to the housing crisis in this country and we acknowledge the scale of the challenge. (Paragraph 71)”

- The Government shares the Committee’s view that there is no ‘silver bullet’ to fix the housing market and it will take a range of partners such as Government, Local Authorities, housing associations, the private sector and communities working together to deliver the housing this country needs.
- This Government has already set out over £25 billion of spending in housing this Parliament. ‘Fixing our broken housing market’, the housing white paper which was published in February 2017, goes further, setting out a long term, comprehensive strategy to build more homes.
- The White Paper sets out a range of proposals to:
 - Help local areas plan for the right homes in the right places – simplifying the planning system, making best use of land through good design, and increasing transparency about who owns land or has options on it.
 - Build homes faster – investing in the planning system to make it more open and accessible, improving the co-ordination of public investment in infrastructure, and giving councils and developers the tools they need to build more swiftly.
 - Diversify the housing market – opening it up to smaller builders and those who embrace innovative and efficient methods, encouraging housing associations and local authorities to build more, and working to attract new investors into residential development including homes for rent.
 - Help people now – through our Affordable Homes programme, improving safeguards in the private rented sector, and doing more to prevent homelessness and to help households currently priced out of the market.

Conclusions and recommendation 26

The capacity of the home-building industry nationally is of cardinal importance: we intend to monitor it, and will launch an inquiry into it in due course if this seems useful. (Paragraph 72)

- We need an industry that has the right skills to build more homes, including in new and innovative ways.
- Industry need to take responsibility for ensuring that they have a sustainable supply chain, working with contractors to address skills requirements – as we leave the EU there is an opportunity to invest in the workforce

- We will change the way the Government supports training in the construction industry so that we have the best arrangements to ensure strong industry leadership to address the skills challenge
- We will work across Government, with the Construction Leadership Council, to challenge housebuilders and other construction companies to deliver their part of the bargain.
- The White Paper sets out that we will:
 - change the way the Government supports training in the construction industry so that we have the best arrangements to ensure strong industry leadership to address the skills challenge – starting by reviewing the Construction Industry Training Board;
 - launch a new route into construction in September 2019 – as announced in the Skills Plan, this will streamline the number of courses available and improve quality and employability;
 - work across Government, with the Construction Leadership Council, to challenge house builders and other construction companies to invest more in training to secure future needs.
 - We have used the opportunity of major construction programmes, such as Crossrail, to help train the workforce of the future. We will explore whether the successful approach can be applied more broadly.

Conclusions and recommendation 27

“We believe that if the policy of RTB is to realise its objective of increasing social mobility, the tenure and rent levels of the replacement stock is of fundamental importance. The Government must take steps to ensure that the homes built to replace RTB and council home sales meet the needs of local communities and have a tenure mix that reflects local circumstances. (Paragraph 77)”

- Housing associations are professional organisations that operate according to sound commercial and social principles and have the best interests of their tenants and their local communities at heart.
- Under the agreement every home sold will be replaced with an additional home and we envisage housing associations will develop a range of tenure properties in their developments which will create mixed communities and reflect the local circumstances.
- A portion of receipts from the sale of vacant higher value council housing will be used to fund the building of more homes. The Secretary of State will be able to enter into an agreement with a local authority to reduce the amount it has to pay in order for it to use that reduction to fund the delivery of affordable housing. When an agreement is made with a local housing authority outside London it must result in the delivery of at least one new affordable home for each dwelling that is expected to be sold; and in London two new affordable homes for each dwelling that is expected to be sold.
- If the Secretary of State and a local authority do not enter into such an agreement, that portion of receipts will be passed to Government to invest in the funding of new homes.

Conclusions and recommendation 28

“Home builders will understandably seek to build the products with the highest return, and we are concerned that the Government’s policy should not lead to fewer truly affordable homes to rent being built. There is a finite amount of money available from developers to deliver affordable housing, and the duty placed on councils is likely to mean that building Starter Homes could be prioritised over other types of affordable housing. Local authorities will be under pressure to satisfy their legal obligations, and this could make negotiations with developers extremely difficult and could undermine Local Plans. Starter Homes should not be built at the expense of other forms of tenure; where the need exists, it is vital that homes for affordable rent are built to reflect local needs. The definition of affordable housing should better reflect individual and local circumstances. (Paragraph 80)”

- Our White Paper *Fixing Our Broken Housing Market* is clear that we are changing our focus to deliver a wider range of affordable housing. We are committed to ensuring there is a range of affordable homes to support people’s aspiration to buy a home, including discounted starter homes. Through our range of Government programmes, we expect to help over 200,000 people become homeowners by the end of the Parliament.
- The Housing White Paper sets out proposals to amend the National Planning Policy Framework to broaden the definition of affordable housing to include a range of low cost housing opportunities for those aspiring to own a home, including starter homes. We also propose to introduce a household income eligibility cap of £80,000 (£90,000 for London) on starter homes. We wish to make sure that starter homes are available to those who genuinely need support to purchase a new home, and the cap proposed is in line with that used for shared ownership products.

Conclusions and recommendation 29

“We urge the Government to review the period of time over which the [Starter Home] discount would operate. (Paragraph 81)”

- The starter homes regulations technical set out the proposals for an eight year post-sale restrictions. Following careful consideration of the arguments for a longer period we have decided that the restricted period will be 15 years. When the property is sold on to a new owner within this period, some or all of the discount will be repaid.

Conclusions and recommendation 30

“We note the emphasis on Starter Homes and the possible consequences for levels of affordable housing. Starter Homes will suit some people, but not all. We are particularly concerned that the requirement to include them in the homes that can be provided for through s106 agreements could change the balance of affordable housing and could put it out of reach for people on low or unstable incomes. Starter Homes should be built in addition to homes for affordable rent where the need exists locally. (Paragraph 83)”

- We have listened to concerns that our original plans for a mandatory requirement of 20% starter homes on all developments over a certain size will impact on other affordable homes. We want local authorities to deliver starter homes as part of a mixed package of affordable housing that can respond to local needs and local markets. We will commence the general duty on councils to promote the supply of starter homes. However, in keeping with our approach to deliver a range of affordable homes to buy, rather than a mandatory requirement for starter homes, we intend to amend the National Planning Policy Framework to introduce a clear policy expectation that housing sites deliver a minimum of 10% affordable home ownership units. It will be for local areas to work with developers to agree an appropriate level of delivery of starter homes, alongside other affordable home ownership and rented tenures.

Conclusions and recommendation 31

“The Government should publish annual figures on new homes built, specifying how many homes in each local authority area were sold under, and built using the proceeds from, Right to Buy, and what tenures the new homes are. Without these figures, it will not be possible to ascertain whether or not the extended Right to Buy is a success in terms of adding to the stock. (Paragraph 84)”

- The Government currently publishes data on local authority Right to Buy sales and additional affordable homes provided through Right to Buy receipts by each stock holding authority.
- The home ownership criteria contained within Section 66 of the Housing and Planning Act 2016 will give the Regulator of Social Housing a power to monitor and report on how private registered providers are supporting their tenants into home ownership.
- We will publish the home ownership criteria in due course and this will provide a basis for monitoring sales and additions.

The 1 per cent rent reduction

Conclusions and recommendation 32

“We are concerned that the 1 per cent rent reduction could impact on housing associations’ ability to provide services which help people find work and get new skills, in addition to their development programmes and delivery of new homes, while recognising that it will also mean a reduction in rent payments for some tenants. (Paragraph 91)”

- Our social rent reduction policy was based on the need to put welfare spending on a sustainable footing. It is intended to protect tenants from rising housing costs whilst protecting taxpayers from the rising costs of subsidising rents through housing benefit. The housing benefit bill for the social sector in England rose by a quarter over ten years, reaching £13.2 billion in 2014/15. We believe that the social housing sector should play its part to help reduce the deficit.
- We recognise that the rent reductions will have an impact on housing associations’ finances. However, their robust financial position means they are well placed to manage these reductions and they have proved themselves to be more than capable of adapting and responding to change. The 2015 Global Accounts of social housing providers published by the Regulator of Social Housing (“the Regulator”) continue to demonstrate that the sector is financially robust. They recorded strong financial results in the year ending March 2016, turnover increased by 8% to £20 billion . Surpluses for the sector have continued to rise to a total of £3.3 billion for 2016 (compared to £2.6 billion (restated) in 2015).
- Given the above, the Government believes that providers will be able to adjust their business planning to find the necessary efficiencies to manage this change, whilst continuing to maintain important services to their tenants and to release resources for new development. There remains a strong role for the sector in delivering the overall mix of housing supply that this country needs.

Conclusions and recommendation 33

“It is important that housing associations which generate surpluses apply them to delivering new housing. (Paragraph 96)”

- Healthy surpluses in the sector demonstrate the sector is building; they need surpluses to increase borrowing to build. We expect housing associations to continue to drive efficiencies and increase their development.

Conclusions and recommendation 34

“The costs of supported housing are different to those of more mainstream providers. Their income should not therefore be treated as comparable; nor should the same measures be applied without exemptions. (Paragraph 98)”

- Combined with conclusion and recommendation 35

Conclusions and recommendation 35

“The Government should consider returning supported housing rents to the pre-Summer Budget rent agreement of CPI plus 1 per cent annual increases. We welcome the announcement of 27 January 2015 that supported housing will be exempt from the 1 per cent rent reduction for 2016/17 while the Government carries out a review. (Paragraph 98)”

- The supported housing sector provides dedicated support to some of our country’s most vulnerable people. It helps many people to lead independent lives or turn their lives around and is an investment which brings savings to other parts of the public sector – such as health and social care. The Government has always made it clear that our policies will protect the most vulnerable members of society, and recognises the important work of providers of supported accommodation in this area.
- As the Committee knows the Government put in place a one-year exception for both the LHA and rent reduction policies while considering the future funding of supported housing. As announced on 15 September, we have deferred the application of the LHA rates policy for supported housing until 2019/20, from which point we will bring in a new funding model which will ensure that the sector continues to be funded at current levels, taking into account the effect of Government policy on social sector rents. The new funding model will devolve funding to English local authorities to provide additional top-up funding to providers where necessary. We will ring-fence the top-up fund to ensure it continues to support vulnerable people.
- We will continue to work with the supported housing sector to develop the detail that underpins the new funding model and launched a formal consultation on 21 November 2016, which ran for 12 weeks until 13 February 2017. As planned, we will apply the rent reduction policy to supported housing, with the exception of specialised supported housing, domestic violence refuges, fully mutuals/co-operatives, alms houses and Community Land Trusts for the remaining three years of the policy. It is right that supported housing providers make the efficiency savings we are asking of the whole social housing sector, and that’s why the 1% rent reduction will apply to the majority of them. In exceptional circumstances, supported housing providers who feel that reducing rents would put them in severe financial difficulty can apply for an exemption.

Conclusions and recommendation 36

We believe that before the Autumn Statement 2016 Government should provide some certainty over rent levels post 2020, to assist long-term business planning and increase investor confidence. In the long term, housing associations should have the freedom to set their own rents, recognising that tenants’ ability to pay rents will be limited by the future application of Local Housing Allowance rates to Housing Benefit and Universal Credit claimants living in social rented housing. The Government is committed to deregulating the housing association sector: freedom for housing associations to set the rents for their tenants should be the next step, since housing associations understand their tenants and the local market and are best placed to set fair rent levels. (Paragraph 99)

- The Government will set out, in due course, a rent policy for social housing landlords (housing associations and local authority landlords) for the period beyond 2020 to help them to borrow against future income, and will undertake further discussions with the sector before doing so. Our aim is to ensure that they have the confidence they need about their future income in order to plan ahead.

Pay to Stay

Conclusions and recommendation 37

“We welcome the news from the Minister that pay to stay has been revised as part of a package of deregulation so that it would be voluntary for housing associations. (Paragraph 103)”

- Combined with conclusion and recommendation 38

Conclusions and recommendation 38

“We believe that housing associations which choose to adopt pay to stay should have the discretion to set thresholds and taper mechanisms at levels which reflect local circumstances. However, we note that while it is clear that without some form of taper pay to stay may act as a disincentive to hard work, a graduated scheme would be difficult and costly for local authorities and housing associations to manage. In particular, the fact that information provided by HMRC will never be up to date means that there will always be over- or under-payments of rent. We note the serious concerns that have been raised about the household income thresholds, and ask the Government to keep them under review. (Paragraph 105)”

- We have listened carefully to the views of tenants, Local Authorities and Housing Associations and others about requiring local authorities to set higher rents for higher income council tenants. On Monday 21st November 2016 the Government announced its decision not to proceed with a compulsory approach.
- The Government continues to believe in the principle that social housing should go to those who genuinely need it most and remains committed to that objective. Local authorities and housing associations will retain the discretion to implement the policy for tenants with incomes over £60,000.

The HCA and regulation

Conclusions and recommendation 39

“The Committee welcomes the commitment by the Government to deregulate housing associations and return them to the private sector. Housing associations’ strength is their independence and diversity. We encourage the Government to fully recognise housing associations’ status as private bodies. (Paragraph 106)”

- The Department agrees with the Committee that housing associations belong in the private sector and we have taken action to return housing associations to private sector classification, including a deregulatory package in the Housing and Planning Act 2016.

Conclusions and recommendation 40

“It is essential that balance between deregulation and provision of assurances to the lending community is achieved. Deregulatory measures should not weaken the assurances provided by the regulatory framework put in place by the HCA to protect private investments and allow development to take place. In this context, we endorse the conclusions reached by our predecessor Committee in the last Parliament in its report on the HCA’s Regulation Committee, in particular conclusions 3, 4 and 5 relating to financial viability ratings and the case of Cosmopolitan Housing Association. (Paragraph 108)”

- The Government’s deregulatory measures will give housing associations more freedom to manage their finances and invest in new supply. At the same time there will continue to be a robust regulatory system to main standards of good governance and financial viability in the sector to make sure housing associations can continue to access private finance.
- The HCA have also responded separately to the Committee on this recommendation.
- To ensure that that regulatory framework remains robust we are implementing the recommendation of the HCA Tailored Review to separate the social housing regulator from the HCA, establishing it as a standalone body. Government is currently consulting on the proposed legislative mechanism to implement these changes. This change that will not affect the regulator’s powers or operations.

Conclusions and recommendation 41

“The HCA must satisfy itself that its regulatory framework can take account of the multitude of different organisations that are encompassed by the term ‘housing association’. Smaller providers, such as almshouses, and larger, much more commercialised organisations place very different requirements on the Regulator. The Regulator should therefore adopt a framework based on judged risk rather than more arbitrary factors such as size. (Paragraph 110)”

- The HCA have responded separately to the Committee on this recommendation.

Conclusions and recommendation 42

“The role of the Regulator should be clarified especially with respect to monitoring the replacement of homes sold under RTB. The appeal process for tenants who are refused the Right to Buy should be spelled out so that all parties can follow an agreed process. (Paragraph 111)”

- The Housing and Planning Act 2016 contains supportive sections within it for the voluntary Right to Buy. Section 66 gives the Regulator of Social Housing the power to monitor and report on how private registered providers are supporting their tenants into home ownership.

- Registered providers will be expected to provide, and publish details of, their home ownership offer to tenants, we are currently working on developing the home ownership criteria and will publish the full criteria in due course.
- More details on the appeals process will also be announced in due course.

Conclusions and recommendation 43

“The HCA should explain how it plans to meet its responsibilities for supporting development of the new homes to be built as part of the policy, particularly in light of concerns over the availability of land and capacity in the construction industry, while taking into account the different needs of different areas. (Paragraph 112)”

- The HCA have responded separately to the Committee on this recommendation.

The future

Conclusions and recommendation 44

“We will continue to monitor the impacts of ending lifetime tenancies. (Paragraph 114)”

- The changes we have introduced through the Housing and Planning Act 2016 will require councils in future, with limited exceptions, to grant tenancies with a fixed term of between 2 and 10 years (or to cover the time a child is in education) and to carry out a review of the tenant’s circumstances at the end of the fixed term to determine whether there is a continuing need for social housing – rather than provide this on an automatic lifetime basis. These changes will ensure that the best use is made of social housing by ensuring that it is focused on those who need it the most for as long as they need it; that those who need long term support are provided with more appropriate tenancies as their needs change over time; and that households are supported to make the transition into home ownership where they can.
- We will carry out post legislative scrutiny of the Act within three to five years after Royal Assent, in line with the established approach to new legislation.

Conclusions and recommendation 45

“We believe that all housing associations should remain mindful of their social mission and not sacrifice philanthropy in pursuit of surpluses. (Paragraph 115)”

- The Department is confident that housing associations will continue to be responsible social landlords, acting in the best interests of the communities they serve.

Conclusions and recommendation 46

“We believe that the tenants of housing associations should have a say in how their provider delivers services and be able to hold them to account. As well as having the potential to deliver savings, tenant involvement can provide social dividends such as more cohesive communities. (Paragraph 117)”

- In keeping with the Department’s view that housing associations are private sector organisations, decisions on tenant involvement rest with them. However, the Department fully expects that housing associations to act responsibly and in the interests of their existing and future tenants, in line with their social purpose.

Conclusions and recommendation 47

“If mergers proceed, they must spread good practice, rather than spreading existing failings to more residents. The priority for mergers must be to deliver on housing associations’ social purpose, through improving services and enabling the building of more affordable homes. Increasing surpluses and saving money cannot be the sole motivator, and the Regulator and NHF have a role in ensuring this does not happen. (Paragraph 119)”

- The Government recognises that it is for housing associations, as independent social businesses, to decide whether to undertake mergers. The Government would encourage housing associations to explore fully all options (such as mergers) that could result in the delivery of more homes and improved value for money against their objectives, while ensuring that the requirements of the regulatory framework continue to be met.

- Under the measures in the Housing and Planning Act 2016, housing associations will no longer need to seek the Regulator’s consent before carrying out mergers and other forms of restructuring (instead, there will be a requirement to notify the Regulator in advance). However the Regulator may take action where a merger results in non-compliance with its standards on governance and financial viability or value for money. We think this is a proportionate approach that recognises that it is for housing associations themselves, as independent organisations, to decide how they should be constituted.
- The HCA have also responded separately to the Committee on this recommendation.

Conclusions and recommendation 48

“The Government has ambitious plans to address the severe housing shortage and is seeking to do so by prioritising affordable home ownership. We welcome their efforts to increase the supply of new homes and the increased funding to tackle the housing crisis. However it remains important to not lose sight of the need to deliver homes that are truly affordable. Home ownership is the aspiration of many, but homes for affordable rent must still be provided for those who cannot afford to, or do not want to, buy a home. Rented housing—at full market rents and sub-market rents—will continue to be essential to meet the needs of many in our society and should exist alongside other forms of housing. (Paragraph 120)”

- The Government welcomes the committee’s acknowledgement that they have ambitious plans to address the severe housing shortage.
- 86% of people say if they had a free choice they would choose to buy and the Government is committed to helping people achieve their dream of homeownership. Over 362,000 households have been helped to buy a property since 2010, through schemes like Help to Buy and the reinvigorated Right to Buy and 313,000 affordable homes have been delivered since 2010.
- The Government believes that everyone needs the security and stability of a decent, affordable home, and it is a Government priority to increase the provision of affordable housing.
- The Spending Review and Autumn Statement announced £9.4 billion to deliver a range of affordable housing starts, including affordable homes to rent, shared ownership, rent to buy and starter homes.

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