



House of Commons
Housing, Communities and
Local Government Committee

**Building more social
housing**

Third Report of Session 2019–21

*Report, together with formal minutes relating
to the report*

*Ordered by the House of Commons
to be printed 20 July 2020*

Housing, Communities and Local Government Committee

The Housing, Communities and Local Government Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Ministry of Housing, Communities and Local Government.

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Summary

Over a century ago, the Addison Act introduced the notion of housing as a national responsibility and launched the first major wave of social housing in this country. By 1981, the number of social homes peaked at almost 5 and a half million. Today England has just over 4 million social homes, despite demand for affordable housing increasing. The statistics are stark: around half a million households are homeless or living in unsatisfactory housing conditions; one in every 200 people are without a home; and one in nine children live in overcrowded homes. More and more households have no option but to rent privately, as it becomes harder for first-time buyers to join the housing ladder and social housing is often unavailable, but private renters spend the most on household costs.

We investigated the long-term delivery of social housing, including how much was needed, the adequacy of current funding levels, and the effectiveness of the Government's approach. We concluded the following:

- **There is compelling evidence that England needs at least 90,000 net additional social rent homes a year and it is time for the Government to invest. The sector estimates that £10 billion in extra grant funding will be needed.**

Last year, less than 7,000 social rent homes were built, despite evidence that England needs around 90,000 more social rent homes a year for the next fifteen years. Increased central government grant is necessary because the current funding model is not delivering what is needed. The best estimate suggests an extra £10 billion in grant is required.

Evidence shows that in the long-term, such a programme will pay itself back in full to the Exchequer. Such a programme will also be counter-cyclical—especially useful during economic uncertainty caused by COVID-19—helping to both protect and create jobs during a predicted wider housing downturn. Without grant funding, the current reliance on the cross-subsidy model will be vulnerable and likely unsustainable.

- **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. It would also help to significantly reduce the number of people suffering from homelessness, reduce the number of families in overcrowded homes, help families reduce their housing costs, as well as reduce pressures elsewhere in the housing system.

- **The Government can significantly reduce the extra public spending required by reforming land value capture, assembling and using public land for social housing, and redistributing from existing budgets.**

We reiterate the recommendations of our predecessor Committee that the Government should amend the Land Compensation Act 1961 so that local authorities and development corporations can compulsorily purchase land at a fairer price, which could reduce the cost of a social housebuilding programme by up to 40 per cent.

We agree with the Public Accounts Committee that the Government missed a crucial opportunity to help with social housing need by prioritising selling public land to the highest bidder. We recommend Homes England takes a central role in co-ordinating public land to be used for social housing, by identifying sites and purchasing private land. With our suggested reforms to the Land Compensation Act 1961, this land would be easier to purchase and more affordable.

Some of the money could also be redistributed from existing budgets within MHCLG's existing budgets, and the rest borrowing while interest rates are historically low. Finally, it is clear that over time the Government could use savings in the housing benefit bill to subsidise the programme.

- **It will take time to meet social housing need. In the short-term, we encourage the Government to bring forward its legislative proposals to improve the experience of tenants in the private rented sector as soon as possible.**

We support the Government's plans to improve the private rented sector, including on security of tenure, quality of housing, and affordability, but believe the time for reform is now. The Government also needs to ensure it provides more resources to councils to ensure they the capacity to enforce the law.

- **The purpose of Right to Buy is to provide a route into homeownership, not reduce the number of social homes or supplement the private rented sector.**

We therefore recommend that local authorities should receive 100 per cent of Right to Buy receipts and have longer to spend them. in line with the five year period for discount repayment, the Government prevents Right to Buy homes from being privately let within five years of purchase.

Introduction

Our inquiry

1. In 2017, then Prime Minister Theresa May wrote in the foreword to the housing white paper that:

Our broken housing market is one of the greatest barriers to progress in Britain today. Whether buying or renting, the fact is that housing is increasingly unaffordable—particularly for ordinary working class people who are struggling to get by.¹

In the subsequent social housing green paper—entitled *A new deal for social housing*—the Government accepted that there was “a long term need for social housing, especially in London and the South East”, and that “social housing remains central to our [300,000 homes per year] ambition”.² Almost two years on from the consultation, no white paper has been published.

2. Our predecessor committee began investigating the long-term delivery of social and affordable rented homes back in May 2019.³ We agreed to continue this important inquiry at our first meeting in March 2020, publishing new terms of reference and inviting supplementary written evidence.⁴ We received 99 submissions across both inquiries, from local authorities, housing associations, charities, campaigning groups and others. In four evidence sessions between September 2019 and June 2020, we asked 344 questions to 21 witnesses, including George Clarke, the TV presenter and housing campaigner, and the Minister for Housing, the Rt Hon Christopher Pincher MP. We thank all our witnesses for their candour and their flexibility during a disrupted parliamentary year; our work programme was interrupted by prorogation, dissolution, and lockdown. We are also grateful to the support from our two specialist advisors, Professor Christine Whitehead OBE and Kelvin MacDonald, for their advice throughout.

3. Our inquiry builds on other work by our predecessors. In 2018, the Committee examined the effectiveness of land value capture methods, and concluded that reform of land compensation could enable central and local government to gain a fairer proportion of land uplift, with one benefit being expanded delivery of affordable housing.⁵ The Committee also held a one-off evidence session on the social housing green paper in November 2018, questioning the then Minister for Housing, Kit Malthouse MP, on the Government’s proposals.⁶

4. Our report considers the best ways to deliver the social housing this country needs—considering how to recreate the successes of the past within the modern housing system—

1 Department for Communities and Local Government, [Fixing our broken housing market](#), February 2017, Cm 9352, p5

2 Ministry of Housing, Communities and Local Government, [A new deal for social housing](#), August 2018, Cm 9671

3 Housing, Communities and Local Government Committee, [‘Committee launch inquiry into long-term delivery of social and affordable rented housing’](#), 31 May 2019

4 Housing, Communities and Local Government Committee, [‘Social and affordable rented housing examined’](#), 5 March 2020

5 Housing, Communities and Local Government Committee, Tenth Report of Session 2017–19, [Land Value Capture](#), HC 766

6 Housing, Communities and Local Government Committee, [Social housing green paper inquiry](#), accessed 8 July 2020

and sets out a blueprint for the Government to take forward. Chapter 1 explores the history of social housing and what lessons we can learn from the past. In Chapter 2, we consider how affordability is defined and the quality of social housing data. We review the impact of land value, land supply, and the planning system, in Chapter 3. In Chapter 4, we look at how much social housing England needs, how this need can be met, and what funding is required. We consider the impact of the planning system in Chapter 5 and the future of Right to Buy in Chapter 6.

A note on terminology

5. We use social housing throughout the report, as we believe it is the most commonly-used term for low-cost rented homes managed by local authorities or private registered providers, and made available to people on housing waiting lists. In our glossary of terms (see Annex A), we set out how we understand each of the terms used by the sector.

1 History of social housing

Origins

6. Before exploring current challenges, it is important to understand the context of the long-term decline of social housing in the wider history of the housing market in England, including trends in government policy interventions. Social housing is not a separate eco-system; its supply and demand is affected by government decisions elsewhere in the housing market and the economy. Successive governments over the last 40 years have contributed to the current situation, which we set out below. It is important to understand how we got here, before we can recommend ways to move forward.

7. It was in the aftermath of the First World War that councils first began providing public housing en masse. The *Housing, Town Planning &c. Act 1919* (commonly called the Addison Act) provided central government subsidies for local authorities to finance the construction of 500,000 social homes within three years.⁷ By 1922, only 170,000 had been built, but the legislation had pioneered the idea of central government directly intervening to provide low-cost rented accommodation to its citizens.⁸ By 1939, 1.1 million homes had been built by local councils, and 10 per cent of the population lived in social housing, up from 1 per cent at the end of the war.⁹ The aftermath of the Second World War again saw the government of the day embarking on an ambitious social housebuilding programme. The need to build new homes was one of the drivers behind the passing of the *Town and Country Planning Act 1947*. The 1947 Act introduced a requirement for planning permission to be granted for both constructing and changing the use of a building. It also enabled the state to compulsorily purchase land at levels close to existing land value, and, alongside powers provided within the *New Towns Act 1946*, enabled the establishment of the New Towns.

8. The state used these new powers to acquire cheap land for social housing. The Conservative government of 1951 was elected on a manifesto to build 300,000 homes a year, calling housing “the first of the social services”¹⁰. It built over 200,000 social homes a year in the early 1950s, which we named MacMillan homes after the Minister of Housing at the time.¹¹ Almost 1.8 million social homes were built between the passing of the 1947 Act and the end of the 1950s: the pinnacle of social housing completions to this day.¹² Substantial contributions followed in the 1960s, meaning that in the quarter of century following the end of the Second World War, 3.1 million social homes were built by local authorities.¹³ By the late 1960s, more households were renting socially than privately for the first time.¹⁴ Overall, this period saw housebuilding in the UK reach its peak, with over 425,000 homes built in 1968.¹⁵

7 [HC Deb 21 November 1919 vol 121 c1299](#)

8 Liam Halligan, *Home Truths: the UK's chronic housing shortage - how it happened, why it matters and how to solve it*, 2019

9 Office for National Statistics, ‘[A century of home ownership and renting in England and Wales](#)’, 19 April 2013

10 Conservative Party, [1951 Conservative Party General Election Manifesto](#)

11 Harold MacMillan, Minister of Housing and Local Government 1951–1954, later Prime Minister 1957–1963

12 Liam Halligan, *Home Truths: the UK's chronic housing shortage - how it happened, why it matters and how to solve it*, 2019

13 Ministry of Housing, Communities and Local Government, [Table 244: Permanent dwellings started and completed, by tenure](#)

14 Josh Ryan-Collins, Toby Lloyd and Laure Macfarlane, *Rethinking the economics of land and housing*, 2017

15 *Ibid*

A new social housing model

9. The 1980s represented a seismic shift in housing policy. After two decades of record housing delivery, supply was no longer considered a significant issue by many. The *Town and Country Planning Act 1959* and the *Land Compensation Act 1961* had introduced new compensation arrangements for landowners, which reduced the ability of the public sector to purchase land at low cost. The newly-elected Conservative government of 1979 campaigned on the desire for the country to become a “property-owning democracy.”¹⁶ The *Housing Act 1980* introduced the Right to Buy policy—a cornerstone of this new approach—which allowed occupiers of social homes to purchase them from the local authority and become homeowners. Another key change introduced in the 1980s was restrictions on borrowing. Local authorities could only borrow money for capital expenditure to the limits imposed by central government. In comparison, housing associations were given access to public grant funding, which they could combine with private finance. In 1988, to further reduce public sector borrowing, councils were asked to transfer much of their social housing stock to housing associations. This led to a long-term shift in the ownership of social housing. In 1980, housing associations provided 7 per cent of all social housing. By 2008, housing associations provided over half, and as of 2019 they provide 61 per cent. The removal of rent regulation and the creation of the Assured Shorthold Tenancy would help revive the private rented sector by the mid-1990s. Following the deregulation of private sector rents, the Minister for Housing at the time said Housing Benefit would “take the strain” where rents had been increasing:

Housing benefit will underpin market rents—we have made that absolutely clear. If people cannot afford to pay that market rent, housing benefit will take the strain [...] the housing benefit system exists to enable people to pay their rent.¹⁷

10. Overall, the period between 1980 and the turn of the millennium can be characterised as a transition from mainly supply-side subsidies—or ‘bricks and mortar’—to demand-side subsidies to help tenants pay rent. In 1975, 80 per cent of housing expenditure was spent on the construction of social housing; by 2000, 85 per cent was spent on housing benefit.¹⁸ This has led some academics to divide the post-war reconstruction period and the modern period into two separate models. The “public housing model”, or the post-war period, aimed to accommodate a broad social spectrum, and featured municipally-owned houses financed by public sector loans and subsidies.¹⁹ The “social housing model”—the modern day system—is residual (catering for the needs of household who cannot afford other tenures),²⁰ owned by both local authorities and housing associations, and funded by a mix of public and private finance (‘mixed economy model’). Housing associations also began to use a cross-subsidy model: as grant subsidy was reduced, housing associations innovated, using proceeds from the sale of houses on the private market to subsidise new social housing. Furthermore, the introduction of the *Town and Country Planning Act 1990* enabled authorities to negotiate with private developers to provide affordable housing on new developments via section 106 agreements.

16 Conservative Party, [Conservative General Election Manifesto 1979](#), April 11 1979

17 HC Deb, 30 January 1991, [col 940](#)

18 Philip Arestis and Malcolm Sawyer (eds.), *Economic policies since the global financial crisis*, 2015

19 Peter Malpass & Ceri Victory, ‘The Modernisation of Social Housing in England’, *International Journal of Housing Policy*, 2010, 10:1, pp3–18

20 In 1962 only 11 per cent of households in social housing had no earned income; by 2003 the figure was 62 per cent.

11. The housing market started to be characterised by a pattern of boom and bust from the early 1970s.²¹ In times of rising house prices ('boom'), there is generally fierce competition for suitable land. In contrast, in times of falling house prices ('bust'), developers tend to stop purchasing land, cut build-out rates, and avoid selling. In the past, social housing supply has been protected from these market impacts—although not necessarily from wider macroeconomic pressures—through consistent state investment and powers to acquire land at a reasonable value. In the past, social housebuilding programmes were counter-cyclical, as consistent central government grant funding provided protection against the fluctuations of the market. The transition to the 'mixed economy' and 'cross-subsidy' models exposed social housing to some of the same risks as private housebuilder.²² These risks were compounded by the 2007–08 global financial crisis. In its aftermath, the coalition government from 2011 reduced social housing grant by more than half, compared to the 2008–11 programme, as part of the overall austerity strategy to reduce government spending.²³ To continue to meet social housing need, housing associations began to rely more on 'cross-subsidy' from selling houses on the market. We note that back in 2009, at the height of the credit crunch, the Communities and Local Government Committee heard evidence that the cross-subsidy model was broken and unsustainable.²⁴

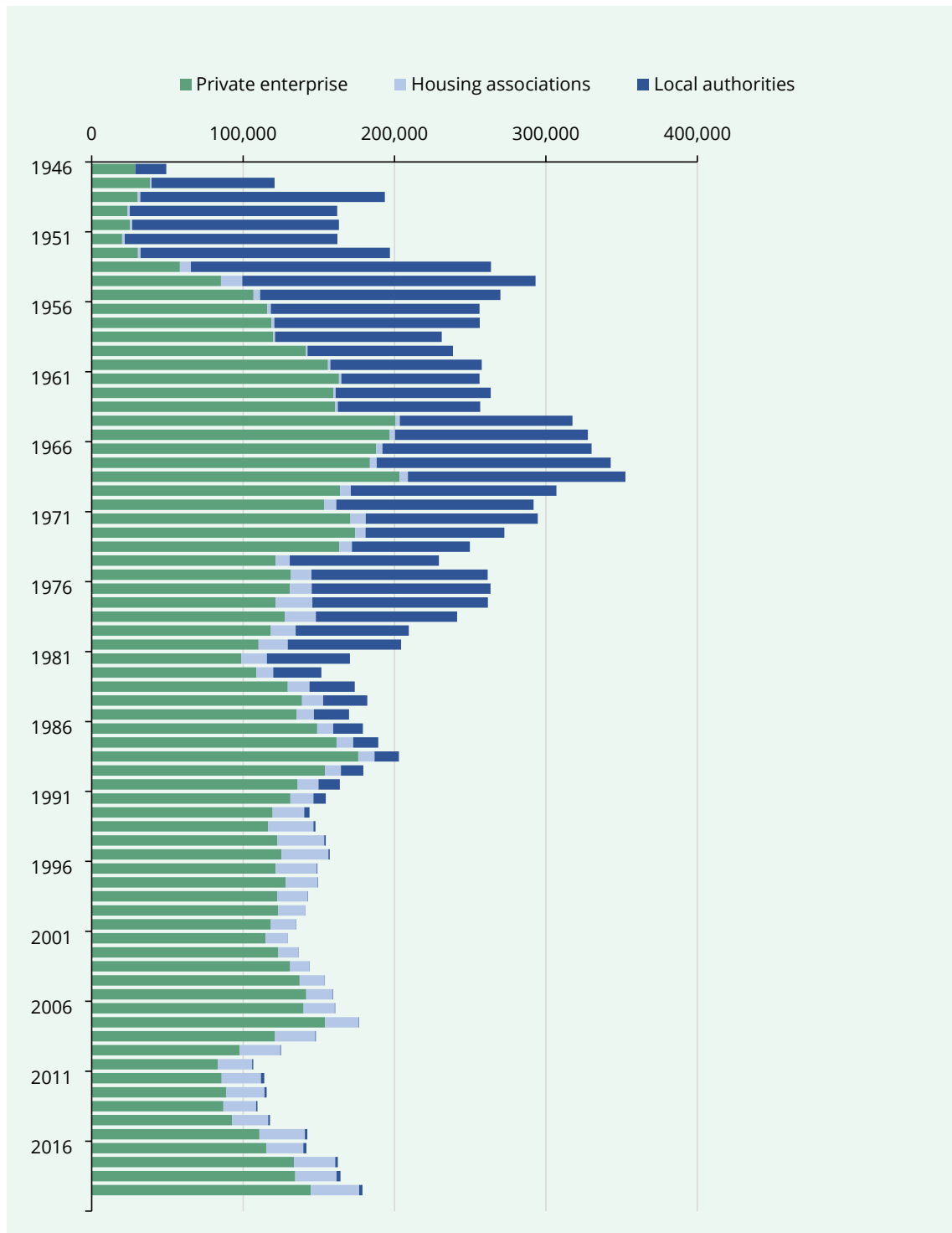
21 Mark Stephens, [Tackling housing market volatility in the UK](#), May 2011

22 Q54 [Kathleen Scanlon]

23 "[Social housing budget 'to be cut in half'](#)", BBC News, 19 October 2010

24 Communities and Local Government Committee, Third Report of Session 2008–09, [Housing and the Credit Crunch](#), para 63

Figure 3: Housebuilding by type of developer, England, 1946–2019



Source: Office for National Statistics, [UK house building: permanent dwellings started and completed](#), 24 April 2020

Social housing today

12. Social housing stock peaked in England in 1981 at 5.49 million homes.²⁵ As of 1 April 2019, the number stands at 4.13 million, some of which are rented out at a higher rent.²⁶

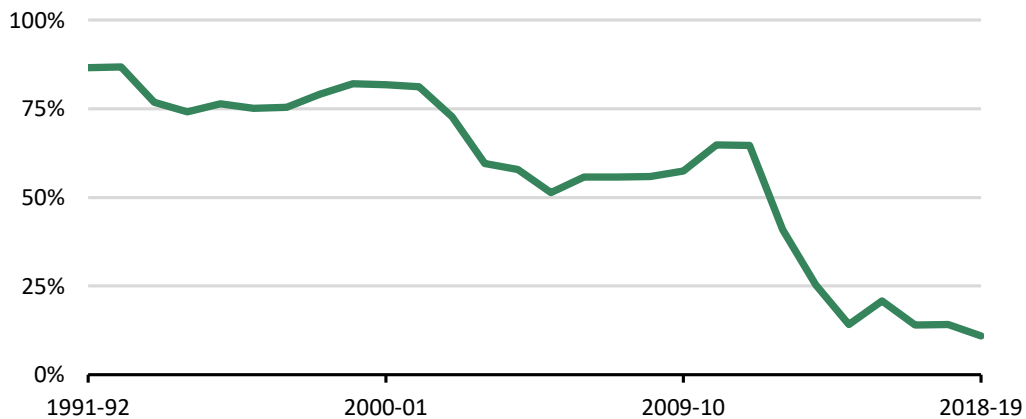
25 Ministry of Housing, Communities and Local Government, [Table 104: by tenure, England \(historical series\)](#), last updated May 2020

26 Ibid

The House of Commons Library noted that the decline in social housing can be attributed both to a decline in new supply and depletion of existing stock, including through Right to Buy.²⁷ On the decline of social rent properties in particular, factors they list include: the lack of a requirement to replace Right to Buy sales on a like-for-like tenure basis; the switch of new-build output towards affordable rent; and the conversion of social rent to affordable rent when re-let.

13. Between 1946 and 1980, an average of 126,000 council homes were built every year.²⁸ Last year, just 6,827 were built.²⁹ In the early 1990s, social rent made up over 75 per cent of all new affordable housing supply; last year it made up just 11 per cent (see Figure 1). Social housing delivery has dropped to an average of around 35,000 a year in the last decade, with the majority of these let at more expensive affordable rent levels (see Figure 2).

Figure 1: New homes for social rent as % of all new affordable housing supply, England



Source: Ministry of Housing, Communities and Local Government, [Live Table 1000](#)

14. As the amount of social housing has declined, demand for affordable housing has increased. The statistics are stark. According to the Government definitions of those in priority need for housing, around half a million households are homeless or living in unsatisfactory housing conditions.³⁰ One in every 200 people are without a home.³¹ The number of people rough sleeping is estimated to be up 165 per cent from 2010.³² One in 9 children live in overcrowded homes.³³ The number of households in temporary accommodation—used by local authorities to fulfil their duty to house homeless households with priority need—has grown 82 per cent from 2010 to a total of 83,700, which includes 127,890 children.³⁴

27 House of Commons Library, [What is affordable housing?](#), CBP 7747, 23 December 2019, 3.2

28 Shelter, [A vision for social housing: the final report of Shelter's commission on the future of social housing](#), January 2019, p14

29 Ministry of Housing, Communities and Local Government, Live Tables [678](#), [693](#) and [1000](#)

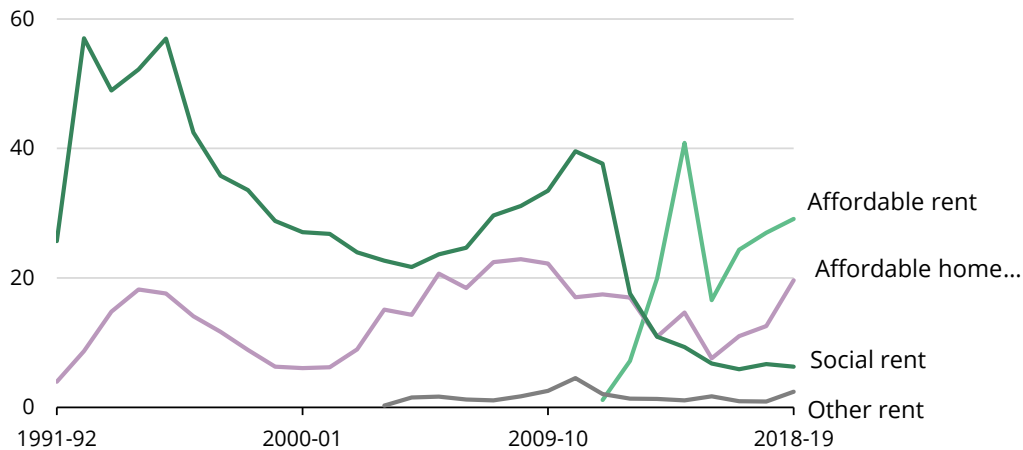
30 Based on number of households in "reasonable preference categories": MHCLG, [Local authority housing statistics data returns for 2018 to 2019](#), 28 January 2020

31 ["280,000 people in England are homeless, with thousands more at risk"](#), Shelter, 18 December 2019

32 Office for National Statistics, [UK Homelessness: 2005 to 2018](#), 17 September 2019

33 National Housing Federation, [Overcrowding in England](#), 21 June 2019

34 House of Commons Library, [Households in temporary accommodation \(England\)](#), CBP 2110, 19 May 2020

Figure 2: Additional affordable homes provided by type, thousands of dwellings, England

Source: Ministry of Housing, Communities and Local Government, [Live Table 1000](#)

15. Over the past 20 years, poverty rates for low-income households who are homeowners or social renters have dropped, whereas for those in the private rented sector (PRS), poverty rates have more than doubled.³⁵ The Affordable Housing Commission found that 40 per cent of people in the lower half of the income distribution suffered from serious housing affordability issues.³⁶ More and more households have no option but to rent privately, where national market rents are much higher than social rents, causing rent arrears and debts, and preventing tenants from saving for a deposit.³⁷ The PRS has more than doubled since 1996 alone: 2.1 million households rented privately then, compared to 4.7 million in 2017.³⁸ But private renters spend the most on household costs, averaging around 45 per cent.³⁹ It means renters find it hard to save money to pay for a deposit. One in six households rely on housing benefit.⁴⁰ The Government spent an estimated £23.4 billion in 2018–19 to subsidise renters, representing 2.9 per cent of total public spending.⁴¹

16. The housing market in England has changed substantially since the last time there was political consensus on the need to build large numbers of social housing. The decades in which social housing was delivered at scale featured different mechanisms than are used today—some of which might be revived and reused in modern circumstances—but ultimately the most important factor was shared political will.

35 House of Commons Library, [Poverty in the UK: statistics](#), CBP 7096, 18 June 2020

36 Affordable Housing Commission, [Making housing affordable again: rebalancing the nation's housing system](#), 23 March 2020

37 Affordable Housing Commission, [Making housing affordable again: rebalancing the nation's housing system](#), 23 March 2020

38 Office for National Statistics, [UK private rented sector: 2018](#), 18 January 2019

39 Ministry for Housing, Communities and Local Government, [English Housing Survey: Headline Report 2018–19](#), 23 January 2020, para 1.49

40 4.6 million claimants against 27.8 million households in the UK. Office for Budget Responsibility, [Welfare spending: housing benefit](#), and Office for National Statistics, [Families and households in the UK: 2019](#), 15 November 2019.

41 Office for Budget Responsibility, [Welfare spending: housing benefit](#), 2020

2 Definitions and data

Definitions of affordability

17. As we note in our glossary of terms (see Annex A), there is no single statutory definition of affordable housing, social housing, council housing, or other terms. For determining appropriate contributions by private developers under the planning system, affordable housing is defined in England in Annex 2 of the National Planning Policy Framework as “housing for sale or rent, for those whose needs are not met by the market” which complies with a specific list of schemes.⁴² The term is broad and includes social rent, affordable rent, starter homes (soon to be replaced by First Homes), discounted market sales housing, shared ownership, and equity loans. In Government statistics, however, there are slight differences. Affordable housing is defined instead as social rent, affordable rent, intermediate rent and affordable home ownership (the majority of which are now shared ownership), but does not include discounted market sales or equity loans.⁴³

18. There is further complexity when considering Help to Buy: shared ownership mortgages offered under the Government’s scheme count as affordable housing, but the broader Help to Buy programme is not classed as affordable housing, as it does not reduce the market cost of the property. To further confuse matters, the Government uses “affordable” as a descriptive term when referring to all of its Help to Buy schemes.⁴⁴ In general, the Government does not seek to define affordability, nor does it include a relationship with income; affordable housing is instead defined in relationship to market rent levels or market value, or in terms of subsidy arrangements.

19. Shelter, the housing charity, lamented the Government’s decision to expand the definition of affordable housing to include low-cost homeownership and intermediate tenures designed for first-time buyers, as well as prioritising these tenures over social rent homes.⁴⁵ The charity also criticised affordable rented homes as not being truly affordable compared to social rent, given the former relates only to market rents, whereas the latter is tied to local incomes (as well as property size and market values). Shelter recommended that affordability “must be defined in terms of local people’s ability to afford their housing costs.”⁴⁶ The trade union Unite said that affordable housing included tenures that are “clearly unaffordable to many” and concluded the only way forward was a “meaningful definition that sets baseline rents at a level that everyone can afford.”⁴⁷

20. In the absence of an agreed definition, the sector has begun to contort itself by separating the Government’s affordable housing from so-named *genuinely* affordable housing, which usually refers to social rent. This semantic precision can be found in local authority housing strategies, which often emphasise the delivery of genuinely affordable homes compared to wider affordable housing.⁴⁸ In comparison, the Government prefers

42 MHCLG, National Planning Policy Framework, February 2019, [CP 48](#), Annex 2: Glossary

43 See, for example, the definitions in used in [Live tables on affordable housing supply](#)

44 MHCLG, ‘[Affordable home ownership schemes](#)’, accessed 6 July 2020

45 Shelter ([SAH 052](#)), referencing National Planning Policy Framework para 64, which provides that planning policies should expect 10 per cent of homes to be affordable home ownership specifically.

46 Shelter ([SAH 052](#)), para 3.8

47 Unite ([SAH 021](#)), paras 6.1–6.3

48 See, for example, Islington London Borough Council, [Housing strategy 2014–2019](#); Chiltern District Council and South Buckinghamshire District Council, [Joint Chiltern and South Bucks Local Plan 2036](#), December 2019; Basildon Council, [Housing strategy 2018–2023](#).

to use affordable housing as a broad term, including when answering written and oral questions in the House of Commons. During our session with the Minister, our questions on social rent tended to be answered by statistics on overall affordable housing; when we wrote a follow-up letter seeking further clarity, the Minister again referred to overall affordable housing statistics.⁴⁹

21. We heard the use of “genuinely affordable” was primarily a response to the introduction of the affordable rent tenure in 2011, which offers rent up to a maximum of 80 per cent of market levels. The coalition government introduced affordable rent to “maximise the delivery of new social housing by making the best possible use of constrained public subsidy and the existing social housing stock”; the extra revenue raised through more expensive rents aimed to replace the reduction in public borrowing through capital grant subsidy.⁵⁰ Our evidence criticised both the introduction of this tenure, and its name, noting that affordable rent levels were unaffordable for many across the country. Terrie Alafat, then chief executive of the Chartered Institute of Housing (CIH), said:

Affordable rent was never intended to be a forever product instead of social housing, and that is very important. That is not to say there is not a need for an intermediate product, but the reality is that it cannot be instead of social [rent], because it is not truly affordable.⁵¹

Cambridge City Council said that affordable rent was unaffordable to those on their waiting list: for an average weekly income of around £450, the affordable rent level in Cambridge is around £270 per week, which equates to 60 per cent of local income.⁵² However, it is clear that affordable rent can be affordable in some areas of the country. Ged Walsh, representing the north-east housing association, Karbon Homes, told us that “the difference between social rent and affordable rent in most of the north of England is not very great”.⁵³

22. Most of the sector has coalesced around affordability meaning housing costs are less than a third of a household’s income. The Affordable Housing Commission—chaired by Lord Best—proposed an affordability threshold of one third of net equivalised income, while taking into account other issues such as quality, overcrowding, and regional variations. Based on the Commission’s analysis, housing costs of over a third (and especially over 40 per cent) often lead to serious issues such as arrears and debts.⁵⁴ Action with Communities in Rural England, a network of 38 rural charities, told us that:

At its heart Government policy needs to be built around a statutory definition of affordable using a definition that no more than 33 per cent of locally earned lower quartile incomes should be spent on housing costs.⁵⁵

23. 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

49 [Qq116–170; Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

50 HC Deb, December 2010, [col 31WS](#)

51 [Q11](#) (Session 2017–19)

52 Cambridge City Council ([SAH 066](#))

53 [Q92](#) (Session 2017–19)

54 Affordable Housing Commission ([DSH 019](#))

55 Action with Communities in Rural England ([SAH 033](#))

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.

Data

24. The Government publishes a considerable range of social housing supply statistics, but this does not provide the full picture.⁵⁶ The annual report on affordable housing supply shows *gross* annual supply of affordable homes, which the Government accepts “includes new build and acquisitions but [does] not take account of losses through demolitions or sales”.⁵⁷ In written evidence submitted in July 2019, MHCLG said that since 2010 it had “delivered over 430,000 new Affordable Homes, including over 308,000 Affordable Homes for rent.”⁵⁸ This gross figure contrasts with the Government’s publication of overall housing supply, which is provided as net additional dwellings, including new builds, conversions, changes of use, and demolitions.⁵⁹

25. By not including sales, demolitions, or conversions between tenures, this overall gross figure does not reflect the actual change in social housing stock. When we pressed the Minister for Housing on statistics through correspondence, he conceded that the total stock of social housing had increased by 100,000 since 2010, an average of 11,000 a year.⁶⁰ This figure is a fraction of the overall figure used elsewhere in the letter—331,000 additional social homes since 2010. The primary reason for the discrepancy between the two figures is that 121,000 Right to Buy sales are not included, as well as 59,834 demolitions. Figure 4 shows the available incomplete data. The rest of the discrepancy is likely due to other disposals of existing stock, such as change of use, or change of tenure, as the Minister for Housing told us:

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.⁶¹

Figure 4: Net addition of social housing (social, intermediate and affordable rent) in England, based on available data, by financial year 2010–2019

Year	Additions	Sales	Demolitions	Net additions
2010–11	36,053	8,431	8,092	19,530
2011–12	40,878	8,061	7,873	24,944
2012–13	26,100	13,276	8,754	4,070
2013–14	32,166	20,644	9,422	2,100
2014–15	51,296	20,455	5,828	25,013

56 MHCLG, [Collection: Affordable housing supply](#), 20 November 2019

57 MHCLG, [Affordable housing supply in England: 2018 to 2019](#), 20 November 2019

58 MHCLG (SAH 038)

59 MHCLG, [Guide to MHCLG housing statistics](#), 21 February 2019

60 [Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

61 [Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

Year	Additions	Sales	Demolitions	Net additions
2015–16	25,044	21,992	6,546	-3,494
2016–17	31,209	23,197	5,442	2,570
2017–18	34,484	21,935	3,526	9,023
2018–19	37,825	19,389	4,351	14,085

Source: MHCLG Live Tables [678](#), [684](#) and [1000](#)

26. The Minister concluded there was no way to calculate a net figure for social housing, but he also stated that the social housing had grown by 100,000 since 2010, based on Live Table 104, which tracks dwelling stock ownership. We are unsure why the necessary data to establish net additions for affordable housing is not collected. Accurate data on the delivery of social housing is important, because, as we found while questioning the Minister, the different definitions and figures can cause the real change in stock to be nebulous. When we asked the Minister to provide us with a figure on how many social rented homes had been sold through Right to Buy since 2010, and what tenures they were replaced by, he wrote:

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.⁶²

Nevertheless, the Minister told us that 120,000 Right to Buy sales of social rent homes had directly led to 140,000 replacements.⁶³ After being challenged on the figures, both the Minister and the Director General for Housing and Building Safety said that, while Right to Buy receipts contributed, the 140,000 social rent homes had not been fully funded by Right to Buy sales. After we asked for further details, the Minister wrote that “the Department does not collect data on the number of social rent homes which are funded directly by Right to Buy receipts”.⁶⁴

27. We heard concerns that data on social rent homes in particular were unclear. The Chartered Institute for Housing conducted analysis in 2019 which found that 165,000 social rent homes had been lost since 2012, through sales or conversions to affordable rent.⁶⁵ The Affordable Housing Commission found that social landlords had switched over 100,000 social rent properties to affordable rent, and concluded that last year there was a net loss of around 17,000 social rent homes.⁶⁶ A blog by Shelter in January 2020 concluded:

in 2018–19 only 6,287 new social rent homes were delivered. In the same time period, sales and demolitions of social housing totalled 23,740 homes. Assuming the homes lost were previously let at social rents, this is a net loss of at least 17,000 social homes in a single year—and this is even before we account for social rent homes converted to less affordable forms of renting.⁶⁷

62 [Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

63 [Q133](#)

64 [Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

65 Campaign for the Protection of Rural England ([SAH 036](#)), para 3.5

66 Affordable Housing Commission ([DSH 019](#))

67 [“New data makes the case for a new generation of social homes”](#), Shelter, 29 January 2020

Without full data on sales, demolitions and conversions, broken down by tenure, it is impossible to assess the veracity of these analyses, though it seems likely that there has been a net loss of social rent homes in recent years.

28. The right data are important for transparency and accountability. While an overall gross figure—and completions by tenure—are useful, it is important to know the net addition total to facilitate scrutiny of changes to the overall social housing stock. The Government uses net additions for its overall housing supply statistics. Unlike with the overall housebuilding figures, where the net addition number is higher than the gross completion number, affordable housing net additions are lower than gross completions. By choosing not to use net additions for affordable housing—in line with its approach to overall housing supply—the Government is inconsistent in its use of housing figures.

29. 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.

3 Land

Land value capture

30. The Office for National Statistics found that land in the UK was valued at 51 per cent of the country’s net worth in 2016, compared to an average of 39 per cent in other G7 countries.⁶⁸ The UK total was almost double that of Germany (26 per cent). Back in 1996, land accounted for one-third of the UK economy’s net worth; it now accounts for over half.⁶⁹ This is not a new problem: between the end of the Second World War and the Global Financial Crisis in 2008, the price of land increased in real terms by fifteen times.⁷⁰ The significant rise in the value of land in this country both in the last quarter of a century and beforehand is an important factor in explaining the decline in social housing.

31. As we described in Chapter 1, the *Town and Country Planning Act 1947* enabled the state to compulsorily purchase land at levels close to existing land value. These powers, alongside substantial government grants, led to 1.8 million new social homes between the passing of the 1947 Act and the end of the 1950s. The *Land Compensation Act 1961* introduced new compensation arrangements for landowners. It requires the payment of compensation to be the amount which the land might be expected to realise on the open market, including any justifiable prospect of planning permission being granted. This is sometimes referred to as ‘hope value’. Our predecessor Committee conducted an inquiry into land value capture and published its report in September 2018.⁷¹ It concluded that the *Land Compensation Act 1961* required reform so local authorities could compulsorily purchase land at a fairer price, and that the present right of landowners to receive ‘hope value’ distorted land prices, encouraged land speculation, and reduced revenues for affordable housing. It recommended that compensation paid to landowners should reflect the costs of providing such housing, and the infrastructure and services that would make a development viable, as well as capturing a proportion of the profit the landowner will have made. This value would be established by an independent expert panel, with its decisions binding. Our predecessor Committee concluded that reform of the 1961 Act would provide a powerful tool for local authorities to build a second generation of New Towns, alongside significant developments within existing settlements.⁷²

32. In response to the report on land value capture, the Government said it recognised there was “considerable interest” in reforming compulsory purchase compensation under the 1961 Act, and agreed that compensation needed to be fair.⁷³ However, the Government said its reforms in the *Housing and Planning Act 2016* and the *Neighbourhood Planning Act 2017* made “extensive changes” to the 1961 Act. The Minister reiterated that he wanted to see the recent changes in the 2016 and 2017 Acts to “bed in”, and said “perpetual revolution is not necessarily the solution”, though he was keen to work with the Committee to see what else could be done.⁷⁴ It has been nearly two years since the publication of the Land Value Capture report, and almost three years since the 2017 Act came into force. The

68 Office for National Statistics, [The UK national balance sheet estimates: 2018](#), 29 August 2018

69 Ibid

70 Josh Ryan-Collins, Toby Lloyd and Laura Macfarlane, *Rethinking the economics of land and housing*, 2017, p8

71 Housing, Communities and Local Government Committee, Tenth Report of Session 2017–19, [Land Value Capture](#), HC 766

72 Ibid

73 MHCLG, [Land value capture: government response to the select committee inquiry](#), 29 November 2018

74 [Q142](#)

Government consulted last year on the powers of New Town Development Corporations,⁷⁵ which is a positive sign, but we agree with Shelter that there is nothing inherently advantageous in the design of development corporations in and of themselves: one of the reasons they were successful in the post-war period was their ability to purchase land at existing use value.⁷⁶

How does the cost of land affect social housing supply?

33. Many social housing providers told us that the cost of land was one of the most significant barriers to delivering more social housing. The London Borough of Camden said that in their area, land values were among the highest in country, which diminished their ability to be interventionist and assemble underused or vacant sites.⁷⁷ Shelter and the LGA research found that the “high cost of land is the single biggest barrier councils face in getting social housing built.”⁷⁸ Clare Miller, chief executive of Clarion, the largest housing association in England, said that “land can be more than half the cost [of development] in London”.⁷⁹ Midland Heart, a housing association, said high land values prevented them from accessing viable sites for development, and asked for “bolder, more comprehensive interventions to the land market.”⁸⁰ Network Homes, in response to criticism that housing associations were not building enough social rent homes, published a report detailing development finances, concluding that with land value averaging well above inflation, the economics of building new social rent homes was extremely difficult.⁸¹ The housing association found that the actual costs of building homes had risen 15.3 per cent higher in real-terms, and that they were receiving on average a third of grant in 2018 compared to 2008–2011.⁸² On why local authorities were hesitant to use compulsory purchase order (CPO) powers, Councillor Richard Johnson of Cambridge City Council set out the problem:

At the minute, it is just too costly to take action. Sometimes it is deemed to be not worth it. If we actually had more teeth to pursue a CPO at an earlier stage of a process, we could actually utilise the assets in an easier and faster way.⁸³

34. As much of our evidence set out, it is important that providers can access affordable land to build social housing. As we explain in Chapter 3, the Government will need to invest a significant amount into grant funding to meet social housing demand. However, if land could be obtained at cheaper prices, the cost of the entire programme could drop by almost 40 per cent, according to a study by Civitas in 2018.⁸⁴ Civitas hypothesised a revised compensation framework, of existing use value plus 50 per cent, and found that the estimated overall cost of 100,000 social housebuilding programme would be reduced by £9 billion from £23.5 billion to £14.5 billion, with substantial savings in London and

75 MHCLG, [Development corporation reform: technical consultation](#), 20 December 2019

76 Shelter, [Development corporation reform: technical consultation response](#), December 2019

77 London Borough of Camden ([SAH 063](#))

78 Shelter ([SAH 052](#)), para 3.1

79 [Q86](#) (Session 2017–19)

80 Midland Heart ([SAH 026](#)), para 4.3

81 G15 ([SAH 050](#))

82 Network Homes, [Why aren't housing associations building more social rented homes?](#), January 2019

83 [Q75](#) (Session 2017–19)

84 Civitas, [Reform of the land compensation rules: how much could it save on the cost of a public-sector housebuilding programme?](#), March 2018

the South East.⁸⁵ Greg Beales of Shelter told us this would “massively reduce the up-front investment required.”⁸⁶ Unsurprisingly, we heard from many different quarters about how significant reform to land value capture could be. George Clarke, who grew up a social home in Washington, a New Town in the north-east of England, said the post-war approach was only viable due to different land value capture rules:

What made the entire development stack up for the Washington Development Corporation is that the land was put in at agricultural costs. That is what made it stand up. It is that simple. The Lambton family, who were big estate owners, put it in at agricultural costs for the Washington Development Corporation to build on, which meant that they could properly invest in long-term, sustainable homes in good communities.⁸⁷

35. Reforming the *Land Compensation Act 1961* has its critics. The Country Land and Business Association (CLA) represents 30,000 land and property owners who own around 10 million acres of land. The CLA quoted data from their own survey which suggested the public sector already receives an average of 57 per cent of uplift in the value of land.⁸⁸ Our predecessor Committee estimated landowners currently retain around 50 per cent of the increase in land value arising from the granting of planning permission.⁸⁹ The Committee said much of the captured value was needed for the public sector to be able to deliver social housing—Government statistics in 2015 found that, on average, agricultural land granted planning permission increased in value from £21,000 per hectare to £1.95 million per hectare.⁹⁰ The CLA argued that landowners will not bring land forward if any changes go too far the other way, which was one of the main reasons the 1961 Act was brought in.⁹¹ We agree that it is important that any new system provides fairness to both parties.

36. 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.

From public land disposal to public land assembly

37. As we have set out, private land will continue to be expensive to acquire through CPO unless our changes are implemented. The alternative option is developing on public land. Developing on public land is not ‘free’—as Kathleen Scanlon told us, it is another way of providing subsidy, as it comes with opportunity costs and it foregoes some capital receipts.⁹² But there is potential for significant savings: the New Economics Foundation

85 Civitas, [Reform of the land compensation rules: how much could it save on the cost of a public-sector housebuilding programme?](#), March 2018

86 [Q35](#) (Session 2017–19)

87 [Q35](#)

88 Country Land and Business Association ([DSH 009](#))

89 Housing, Communities and Local Government Committee, Tenth Report of Session 2017–19, [Land Value Capture](#), HC 766

90 *Ibid*

91 *Ibid*

92 [Q51](#)

estimated that using public land for social housing would reduce costs by around 62 per cent.⁹³ It would also facilitate councils and housing associations, who have both identified availability of land as one of their biggest delivery constraints.⁹⁴ Our predecessor Committee visited Germany and Netherlands and found that much of their development successes were because a substantial proportion of the land was already owned by the public sector. This allowed them “significant control” over the types of housing delivered on the land, including requiring certain proportions of social housing.⁹⁵

38. Public land disposal has been a focus of successive governments since 2011, with the current Government calling it “a key part” of its housebuilding plans.⁹⁶ The Government’s Public Land for Housing programme aims to sell assets where it believes they no longer have a public purpose, or could be used more efficiently by non-government actors, with two concurrent goals: delivering proceeds (a target of £5 billion between 2015 and 2020) and providing land for new homes (a target of 160,000 homes by 2020).⁹⁷ The NAO found that the Government expected to only deliver 65,000 homes (41 per cent of the target) and does not expect to meet the 160,000 target until after 2025.⁹⁸ The Public Accounts Committee’s (PAC) subsequent inquiry concluded that the Government had wasted a “once-in-a-generation opportunity to alleviate the nation’s housing crisis” by failing to take a strategic view on what housing was needed, including not aligning it with its affordable housing goals.⁹⁹ PAC said it was “unacceptable” that the Government paid “so little attention” to how the surplus public land could be used to deliver affordable homes, especially social rent.¹⁰⁰ Two separate studies on the amount of affordable housing expected found that only 15 per cent of homes on disposed public land would be affordable tenures, and only 2.6 per cent would be social rent.¹⁰¹

39. We heard that the reason why the Government had failed to meet its targets for housebuilding on surplus public land was because of the tension with the other target of generating proceeds for the Exchequer. The Government explained to the NAO that accounting officers had to operate within managing public money principles, alongside the land disposal principles, concluding that only “in some cases” might it be justifiable to choose an option that did not generate the highest receipt.¹⁰² New Economics Foundation told us the low percentages of social housing were due to the “reliance on private developers to develop public sites.”¹⁰³ Canterbury City Council said that the Government needed to stop simply selling to the highest bidder, and encourage public sector landowners to sell land for social housing.¹⁰⁴ George Clarke was critical of the current principles behind public land disposal:

93 New Economics Foundation ([DSH 012](#))

94 MHCLG, [Public land for housing programme, 2015–2020](#), February 2020

95 Housing, Communities and Local Government Committee, Tenth Report of Session 2017–19, [Land Value Capture](#), HC 766

96 Savills, [Housing Sector Survey 2019](#), p4; Royal Town Planning Institute, [Local authority direction provision of housing](#), 15 June 2017

97 NAO, [Investigation into the government’s land disposal strategy and programmes](#), 2 May 2019

98 Ibid

99 Public Accounts Committee, One Hundred and Tenth Report of Session 2017–19, [Sale of public land](#), HC 2040

100 Ibid

101 “[Just 15% of homes to be built on government land will be affordable](#)”, Inside Housing, 12 February 2020; “[Just 2.6% of homes built on public land will be social rent, says thinktank](#)”, Inside Housing, 18 February 2020

102 NAO, [Investigation into the government’s land disposal strategy and programmes](#), 2 May 2019

103 New Economics Foundation ([DSH 012](#))

104 Canterbury City Council ([SAH 045](#))

For me, public land should be used for public housing. That is not the system at the moment. Public land is sold off to the highest bidder. As I say, I am not an economist, but you do not really have to be to understand that, if you have to get maximum value for a piece of land, it might affect the quality of the homes that are being built on that land, certainly for the profits that need to be made by the private house builders. Pressure is being put on the system all the time.¹⁰⁵

40. The Royal Town Planning Institute said that 90 per cent of local authorities not engaging in housing delivery said it was due to lack of land, and that councils that were building primarily used their own sites.¹⁰⁶ Councillor Lynn Hinnigan of Liverpool City Council summarised the difficulties:

Land is an issue everywhere we go, particularly in Liverpool. We have just been told, “It’s great; you can build council houses.” That is massive, but where are we going to build them? We are restricted in terms of land.¹⁰⁷

For housing associations, land availability is also a challenge. A survey of the sector by Savills in 2018 found that 78 per cent of housing associations cited availability of land as a “standout factor preventing the sector building more homes”.¹⁰⁸

41. An alternative to the current model is to ring-fence public land for social housing and co-ordinate public land assembly for such a purpose. 56 per cent of councils who want to increase housebuilding say they would require help with land identification and assembly.¹⁰⁹ G15, the group of large housing associations for Greater London, said it wanted Homes England to make more proactive use of its compulsory purchase powers to assemble land for housing development projects.¹¹⁰ Sage Housing agreed, recommending that Homes England be given additional funding to acquire, assemble and unlock land to facilitate long-term delivery. Midland Heart also voiced its support for an extension of Home England’s role in land assembly:

[We] would like to see bolder interventions into land assembly [...] Land assembly can be a complex and time consuming process and a major obstacle to increasing build out rates. There is scope for the agency to grow its work in this area with housing associations, as well as commercial developers, to deliver strategic sites.¹¹¹

42. There are several advantages to Homes England taking on a large land assembly role, especially with the changes to land value capture we recommend. Homes England already has a small direct delivery programme, as well as regional outposts and compulsory purchase powers.¹¹² It already has established relationships with housing associations, through strategic partnerships.¹¹³ We received positive evidence about Homes England’s performance so far, which suggests a level of confidence from the sector in the central body.

105 [Q18](#)

106 [RTPI \(DSH 010\)](#)

107 [Q50](#)

108 Savills, [Housing Sector Survey 2019](#), p4

109 Local Government Association, [Housing Revenue Account cap removal: survey results](#), March 2019

110 G15 ([SAH 050](#))

111 Midland Heart ([SAH 026](#)), para 4.5.2

112 Homes England, [Strategic plan 2018 to 2023](#), 30 October 2018

113 *Ibid*

For example, Fiona Fletcher-Smith, group director of development and sales at L&Q, said Homes England was doing a “really tremendous job” at unlocking land.¹¹⁴ Philip Glanville, representing the LGA, said that what was really needed was “genuine partnership between national and local government in England” when public land became available.¹¹⁵ We see Homes England best placed to do that.

43. During the Prime Minister’s speech on rebuilding Britain on 30 June, he announced that the Government would “begin to look at how land owned by the Government can be managed more effectively”, including releasing it for more housebuilding.¹¹⁶

44. We agree with the Public Accounts Committee that the Government missed a crucial opportunity to alleviate the housing crisis through its disposal of public land. While we understand the constraints around managing public money, it is nonetheless short-sighted to sell public land to the highest bidder when social housing providers struggle with the cost of land. The programme has not addressed the housing shortage nor the social housing shortage.

45. 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.

114 [Q138](#) (Session 2017–19)

115 [Q76](#)

116 Prime Minister’s Office, [PM: A New Deal for Britain](#), 30 June 2020

4 Increasing social housing supply

Analysis of social housing need

46. As we set out in Chapter 1, the number of social homes in England has declined in the past few decades, whereas demand for affordable housing has increased. Housing need is used to estimate the amount of housing required so all households can live in accommodation that meets certain normative standards, including affordability, size and quality.¹¹⁷ The Government is committed to increasing the annual delivery of housing to 300,000 per year, as well as supplying a million new homes by the end of the Parliament in 2024.¹¹⁸ Explaining why the 300,000 target was chosen, Melanie Dawes, then Permanent Secretary at MHCLG, told the Public Accounts Committee that “it was based on a number of studies that had been done over a number of years”.¹¹⁹ These included the 2004 Review of Housing Supply, by Kate Barker, the Lyons Review from 2014—which estimated a need for 243,000 a year—and work by KPMG and Shelter, in 2015, which estimated a minimum requirement of 250,000 homes per year.¹²⁰

47. Although the Government has a broad housing supply target, it has not made a determination of how much is needed of each tenure, including social housing. In 2018, Professor Glen Bramley of Heriot-Watt University was asked by Crisis and the National Housing Federation (NHF) to estimate housing need across England, Scotland, and Wales. Professor Bramley concluded the backlog of housing need was 4 million in England, identifying the following groups:

- Households whose housing costs are unaffordable;
- Core and wider homelessness;
- Older households with suitability needs;
- Households in overcrowded properties;
- Those facing serious affordability problems based on a combination of ratio measures and subjective payment difficulties;
- Serious self-reported physical condition problems;
- Concealed family or concealed single (including nondependent children) wanting to move;
- Accommodation unsuitable for families, including high-rise, or no garden.¹²¹

48. To meet this need, Professor Bramley concluded that, over a 15 year time frame, new housebuilding in England would need to be around 340,000 per year.¹²² Professor Bramley specifically assessed social housing need, finding that England required 90,000

117 House of Commons Library, [Tackling the under-supply of housing in England](#), CBP 7671, 9 March 2020

118 The Conservative and Unionist Party, [Get Brexit Done: Unleash Britain's Potential](#), November 2019

119 Oral evidence taken before the Public Accounts Committee on 29 April 2019, HC (2017–19) 1744, [Q9](#)

120 Ibid

121 Professor Glen Bramley, [Housing supply requirements across Great Britain: for low-income households and homeless people](#), December 2018

122 Professor Glen Bramley, [Housing supply requirements across Great Britain: for low-income households and homeless people](#), December 2018

new social rent homes a year, alongside 30,000 affordable rent properties and 25,000 shared ownership homes.¹²³ Shelter’s Commission on the future of social housing, which concluded in early 2019, called for 3.1 million new social homes over 20 years, an average of 155,000 a year.¹²⁴

49. We asked Shelter, the Chartered Institute for Housing (CIH) and the NHF, about the difference in the estimates. Greg Beales, director of communications, policy & campaigns for Shelter, said:

Probably the most important thing is to say is that, while the numbers are slightly different, they both agree in terms of being significantly different programmes of social house building compared to where we are. The differences are largely explained by [NHF’s] very good technical piece of work based on the current policy regime. Our commission involved politicians from across political parties and, because politicians were involved, we considered whether the policy regime and who was entitled to social housing should change.¹²⁵

Kate Henderson, chief executive of NHF, said:

Our research was conducted by Professor Glen Bramley of Heriot-Watt University. He is a noted expert in housing research and these are aggregated figures looking at housing need across local authority areas. We are confident in the figures. The figures themselves come to a total of 340,000 homes each year, of which 145,000 would be affordable. That is very close to Shelter’s figure of 155,000 but we aggregate them into different tenures. Our research, which was jointly commissioned with Crisis, finds that we need 90,000 social rented homes each year. While there are slight discrepancies between those overall big figures, they still both indicate a huge level of increased investment needed, if we are to meet the country’s housing need.¹²⁶

50. Our evidence was supportive of both the numbers proffered by Shelter and Crisis/NHF. Professor Ian Cole of Sheffield Hallam University said that “the Glen Bramley model is the best we have,” and “the level of estimates that [Bramley] arrives at seem to be sensible.”¹²⁷ The Affordable Housing Commission recommended that the Government’s “step change” should be 90,000 social rented homes a year “in line with the latest assessments of housing need.”¹²⁸ George Clarke, the architect, TV presenter and housing campaigner, told us that 100,000 new council homes were needed because of Right to Buy sales, long waiting lists, and 320,000 people officially classed as being homeless.¹²⁹

123 Ibid

124 Shelter, [A vision for social housing: the final report of Shelter’s commission on the future of social housing](#), January 2019

125 [Q2](#) (Session 2017–19)

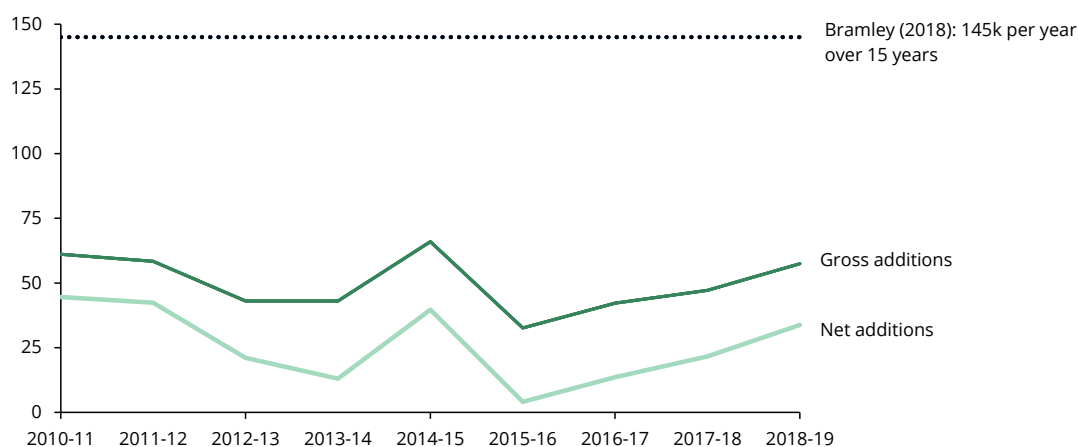
126 [Q3](#) (Session 2017–19)

127 [Q51](#) (Session 2017–19)

128 Affordable Housing Commission, [Making housing affordable again: rebalancing the nation’s housing system](#), 23 March 2020

129 [Q4](#)

Figure 5: Net and gross affordable housing additions per year, thousands of dwellings, England, 2010–2019



Source: MHCLG Live Tables [678](#), [684](#), and [1000](#)—note that net additions data is incomplete as no data exists on conversions or change of use

51. The Department told us that social housing had a “crucial role” in meeting the 300,000 homes per year target, which would require a “step change” in social housing delivery, but did not elucidate on what a step change might be in practical terms.¹³⁰ When we asked the Minister whether he agreed with the consensus from the sector on social housing need, he said “we need more homes, more affordable homes and more socially rented homes”, but that he did not think it was right to put “a number on the number of homes that need to be built of one tenure or another”.¹³¹ The Government’s overall target between 2016–2021 was for 250,000 affordable homes, or 50,000 a year, only a third of the overall requirement of 145,000 affordable homes—which includes social rent, affordable rent, and shared ownership—identified by the sector.¹³² On 30 June 2020, the Minister for Housing tweeted that the 2021–2026 programme would deliver “up to 180k affordable homes” with the majority completed within 5 years.¹³³ At a maximum, this averages out at around 36,000 affordable homes a year, which is a lower output than 9 out of the last 10 years.

Figure 6: Assessment of total, social and intermediate affordable housing supply targets by English region

Region	Total	Social rent	Affordable rent	Shared ownership
North East	6,963	828	400	1,190
Yorkshire & H’side	18,868	1,795	1,477	2,216
North West	22,574	4,324	3,297	3,288
East Midlands	17,248	1,867	2,202	1,929
West Midlands	21,102	3,129	3,268	2,458
South West	42,171	8,340	3,980	2,540

130 MHCLG ([SAH 038](#))

131 [Qq118](#), [120](#)

132 HC Deb, 27 February 2020, [col 509](#)

133 Rt Hon Christopher Pincher MP, [The Affordable Homes Programme will deliver up to 180k affordable homes, with the majority of homes built within the first five years and the rest by 2028/29](#), Twitter, posted 30 June 2020

Region	Total	Social rent	Affordable rent	Shared ownership
East of England	46,104	10,999	3,851	3,143
South East	90,179	26,250	6,466	5,319
London	74,464	32,983	2,308	10,523
Total	339,673	90,515	27,249	32,605
Rounded totals	340,000	90,000	25,000	30,000

Source: Professor Glen Bramley, [Housing supply requirements across Great Britain: for low-income households and homeless people](#), December 2018

52. In the past, the Department has defended its record on social housing by arguing that the overall number of people on local authority social housing waiting lists has decreased by 37 per cent since 2012. This is not comparing like with like. The *Localism Act 2011*, brought in by the coalition government, altered the rules around waiting lists by giving local authorities powers to manage their own lists—the most well-known example being the ‘local connection test’. Councils can remove persons from their waiting list if they do not meet such a test, as dictated by the council.¹³⁴ The Government’s own statistical bulletin on waiting lists notes that 95 per cent of local authorities changed their waiting list criteria as a result of the 2011 Act, and accepts this is one of the reasons for the decrease in overall households on waiting lists since 2012.¹³⁵

53. **There is compelling evidence that England needs at least 90,000 net additional social rent homes a year. 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.**

54. **It is disappointing that the Government does not have a published plan on social housing, nor has its own assessment of social housing need. We regard an estimate of need to be essential to calculating how much investment the Government may need to make to meet social housing need and deliver such a “step change”.**

The potential consequences of a large scale social housebuilding programme

55. As we described in Chapter 1, the country is facing a housing affordability crisis with more and more people living in private rented properties, alongside a rise in homelessness, use of temporary accommodation, overcrowded families, and falling rates of homeownership. We heard that delivery 90,000 social rent properties a year to meet housing need might mitigate these problems in the following ways:

- significantly reduce the hundreds of thousands of people sleeping rough and suffering from homelessness in England, if new social rent properties are prioritised for these groups;¹³⁶

134 Localism Act 2011, [section 147](#)

135 MHCLG, [Local authority housing statistics: year ending March 2018](#), England, 24 January 2019

136 Shelter ([SAH 052](#)), para 5.3

- help to supply the right size of accommodation for families, helping the 682,000 people living in overcrowded accommodation;¹³⁷
- help to reduce poverty amongst families currently living in the private rented sector, by providing more social rent homes with lower rent levels;¹³⁸
- delivering appropriate supported housing for older people with needs currently in unsuitable private rented sector properties;¹³⁹
- reversing the residualisation of social housing as accommodation of last resort, helping to remove the sector's stigma.¹⁴⁰

George Clarke said the benefits to everybody would be “massive”:

Think about all the people who are desperate to get a genuinely affordable home for social rent, and all the people who contribute to society as a whole: not just the nurses, those in the fire service, the teachers and people in the armed forces, but cleaners and people who genuinely want to live close to their work and do not want to travel massive distances to work. They want decent, genuinely affordable, social housing for rent.¹⁴¹

56. We heard limited evidence during our inquiry about potential downsides. However, we recognise arguments about possible disadvantages exist. In 2007, the then Secretary of State commissioned a report on the role of social housing in modern housing policy, and set out potential trade-offs.¹⁴² While establishing that it was “not hard to make a strong argument for social housing at sub-market rents to be a significant part” of housing policy, the report concluded there were inherent weaknesses:

[...] the strength of the arguments varies across the country, and maybe a great deal stronger in high-cost areas. In relatively lower-cost regions the adverse side effects of more reliance on cash transfers and market-based systems will be weaker. Finally,

there are inherent costs to rationed systems. These include the sharp differences in treatment between those who do and do not make it through the rationing process; limitations on choice for those who do so; incentives to, and suspicions of, fraud or manipulating circumstances; limitations on mobility; and lack of consumer power over providers. Such disadvantages do not necessarily outweigh the advantages described above, but they do suggest at the least the need to try to ensure that systems are designed in a way that they are minimised.¹⁴³

MHCLG commissioned an independent review of evidence on social housing in 2018.¹⁴⁴ The review concluded social housing had several weaknesses, including the lack of choice

137 UNISON (SAH 058), para 7

138 Affordable Housing Commission, [Making housing affordable again: rebalancing the nation's housing system](#), 23 March 2020

139 Ibid

140 United (SAH 021), para 4.2

141 Q26

142 John Hills, [Ends and means: the future roles of social housing in England](#), February 2007

143 John Hills, [Ends and means: the future roles of social housing in England](#), February 2007

144 Rebecca Tunstall and Nicholas Please, [Social housing: evidence review](#), September 2018

for tenants; a higher likelihood of being in a flat, the least preferred home type; concerns about anti-social behaviour and being affected by the stigma around social housing, as well as other concerns.

57. On lack of choice, it is worth noting that although the MHCLG review cited a 2009 survey which found that people saw the PRS as having improved choice over where to live, statistics in 2015–16 found that social housing residents moved as often as other households.¹⁴⁵ The degree of choice for social housing can depend on applicant characteristics and the local market in the area; those in high-demand areas will tend to have less choice. Another important factor is that the reduction in supply has led to less choice throughout the system, while the PRS has grown in comparison. Right to Buy is more likely to have been used for houses with gardens, larger flats, and dwellings in more popular locations, which has limited what a provider can offer to existing tenants and new applications.¹⁴⁶ The Right to Buy one-to-one replacement promise—which began in 2012—has never expected providers to replace on a like-for-like basis.

58. We also note the wider point to be made about the involvement of the state and strain on the Exchequer. One of the reasons why Right to Buy was introduced and much of the social housing stock was transferred to housing associations was sustained debate on whether it was prudent for the public sector to own, control and manage the housing it originally built.¹⁴⁷ As we set out later in this chapter, substantial public borrowing will be needed to meet social housing demand, which inevitably may lead to trade-offs elsewhere in housing expenditure or other government expenditure, and adds to the deficit.

59. Nonetheless, we are persuaded that the advantages outweigh the disadvantages. As we conclude below on alternatives to a social housebuilding programme, it will be important to improve the private rented sector to help those who may not be eligible to benefit from the investment. We heard benefits could go beyond the advantages of providing permanent, safe, secure accommodation for hundreds of thousands of households. There are possible wider economic benefits, too, which we set out below.

Supporting the construction industry

60. The construction industry has been hit hard by the COVID-19 lockdown. Output dropped 40 per cent in April;¹⁴⁸ job vacancies were estimated in June to be down 54 per cent on the quarter.¹⁴⁹ As we described in the Chapter 1, private housebuilding follows a boom and bust cycle. We are at the beginning of a bust, which will likely lead to a drop in housebuilding and a subsequent drop in demand for construction labour. Savills published a report on housebuilding and the pandemic in June. While admitting the future was uncertain, it made the following conservative projections:

- At best, 218,000 fewer homes will be built over the next 5 years, compared to current net addition trends. The worst-case scenario would result in 318,000 fewer homes.

145 Ibid

146 Ian Cole et al, [The impact of the existing Right to Buy and the implications for the proposed extension of right to buy to housing associations: headline findings from the evidence review](#), 2015

147 Colin Jones and Alan Murie, *The Right to Buy: Analysis & evaluation of a housing policy*, 2006

148 Office for National Statistics, [GDP monthly estimate, UK: April 2020](#), 12 June 2020

149 Office for National Statistics, [Labour market overview, UK: June 2020](#), 16 June 2020

- The construction industry will lose an estimated 116,000 jobs, with 128,000 jobs lost in the wider supply chain;
- Only around 3,500 social rent homes will be built this year.¹⁵⁰

61. Social housebuilding tends to be counter-cyclical, which helps shield the construction industry during a recession—especially important given that the global financial crisis led to many in the sector leaving for good. Building more social housing would create stable, predictable employment for the construction industry, which also is supported by a large supply chain. MHCLG guidance states that every £1m of new housing output supports 19.9 direct and 15.6 indirect jobs.¹⁵¹ The construction industry provides employment for 2.4 million out of 34.3 million people in employment, with another 1 million workers such as engineers, architects and surveyors employed as a result of construction projects.¹⁵²

Supporting wider housebuilding goals

62. The Government relies on a pro-cyclical housebuilding model to meet its housing targets, a model which is vulnerable to a recession. In contrast, social housebuilding supported by grant funding can be counter-cyclical: providers can build and acquire regardless of the state of the market. Following the global financial crisis (GFC), the UK suffered its deepest recession since the Second World War. Before 2008, net housebuilding supply in England was above 200,000. Following five successive quarters of recession in 2008–09, net supply fell to under 150,000 in 2010.¹⁵³ It took another eight years before the country once again matched the housebuilding levels seen before the GFC. In comparison, when grant funding for affordable housing increased through the 2008–11 grant programme, it resulted in almost 40,000 social rent homes completed in 2010–11.¹⁵⁴

63. Since 2011, however, housing associations have relied significantly on the ‘cross-subsidy’ model, whereby they develop homes for sale and use those profits to develop and fund their social and affordable housing. This exposes social housing providers to the same risk as private developers. Kathleen Scanlon of the London School for Economics described this as a “dumbbell” configuration:

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

150 Savills, [Rescue, recover and reform: housebuilding and the pandemic](#), June 2020

151 Cited in Lichfields, [The economic footprint of house building in England and Wales](#), July 2018

152 The Chartered Institute of Building, [The real face of construction 2020](#), February 2020, p14

153 MHCLG, [Table 118](#), 14 November 2019

154 MHCLG, [Live Table 1000](#), 3 December 2019

make enough profits to pay for the social housing [...] That exposes [housing associations] to the same market risks and pro-cyclicality that we have in the for-profit developer market.¹⁵⁵

64. Social housing, especially social rent, provides a set rental income over the long-term, which providers use to secure private financing. Social rented homes do not cost more to build than homes for the market or affordable rented homes rent; the difference is the revenues, as social rents are set by formula at much lower proportions of costs in high pressure areas. This means that the ‘subsidy gap’ (the difference between costs and the stream of revenues) can be large. Clare Miller, chief executive of Clarion, set out the economics of building social rented housing:

The most difficult tenure to build is social rent, and that is purely because of the economics of it. If I give you an example, in London, to build a new two-bedroom flat, it costs us on average just over £400,000. The rent that I can secure for a social rent, if we forecast that across 30 years, which is our planning horizon, is about £100,000. I am looking to fill the gap of £300,000 from either grant or subsidy that I can generate myself. At the moment, the average grant rate that we are securing in London is around £60,000 per home, so for every social rent I build there is a gap of £240,000. That is the pure economics of the situation.¹⁵⁶

65. Grant funding creates certainty for both the construction industry and social housing providers, against an uncertain future. LiveWest, a housing association, said that grant funding for social housing “offers the opportunity of counter-cyclical investment that keeps the building industry generating productivity and jobs during a recession.”¹⁵⁷ Shelter recommend that Government investment in a large social housebuilding programme would be beneficial in several ways:

Investing in a major programme of social housebuilding, which sits outside the speculative housebuilding model, offers a tried and tested way to expand construction capacity, increase overall housing supply and meet the nation’s housing needs.

In a mixed housebuilding system, the booms and busts of market supply are to some extent stabilised by social supply. As the ‘Farmer Review of the UK Construction Labour Model’ found in 2016, a major programme of social housing – backed up by long-term finance - supports predictability of demand for labour, skills and materials, resulting in a less risky operating environment for housebuilders, developers and planners.¹⁵⁸

66. When we put concerns about the strain on the cross-subsidy model to the Minister, he said:

There is some evidence that housing associations are becoming increasingly innovative in the way they finance their building operations. I have spoken

155 [Q54](#)

156 [Q86](#) (Session 2017–19)

157 LiveWest ([SAH 056](#))

158 Shelter ([SAH 052](#))

to Nick Walkley about this. That should enable them to build out more homes at a lower grant. Bigger grants will mean fewer units being built and that balance has to be struck. We have the right balance.¹⁵⁹

When we pressed the Minister further on this through correspondence, asking if he accepted that the main reason housing associations and local authorities struggle to build more social rent was due the ‘subsidy gap’ created by a lack of grant funding, he wrote:

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 additionality and value for money. Funding continues to be available for affordable rent across the country.¹⁶⁰

67. The cross-subsidy model has reached its limit. Without grant funding from central Government, providers will be vulnerable to the economic impact of COVID-19. Housing associations have commendably made up for reduced Government grant investment in the last decade by developing homes for sale and investing these proceeds, but the subsidy gap remains high for social rent. The Government believes housing associations can continue to financially innovate to build more homes, despite registered providers telling Ministers they have reached the limit of their flexibility. If the Government does not increase grant funding, social rent housebuilding will not increase and may drop even further.

Recovery from COVID-19

68. In June 2020, the OECD forecast that the UK would suffer the worst drop in GDP—11.5 per cent—of any country in the developed world, and would not return to early 2020 levels until at least 2022.¹⁶¹ At the daily COVID-19 press briefing on 13 May, the Secretary of State said:

History tells us that in every economic recovery in modern British economic life the housing market has been key to recovery and revival.¹⁶²

On 30 June, the Prime Minister set out the first steps of the Government’s ‘New Deal for Britain’, which aims to “rebuild Britain and fuel economic recovery across the UK”:

To build the homes, to fix the NHS, to tackle the skills crisis, to mend the indefensible gap in opportunity and productivity and connectivity between

159 [Q128](#)

160 [Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

161 [“OECD forecasts deeper recession in UK than other rich countries”](#), Financial Times, 10 June 2020

162 [“UK government reveals plans to reopen the housing market”](#), Twitter moment, 13 May 2020

the regions of the UK. To unite and level up. To that end we will build build build. Build back better, build back greener, build back faster and to do that at the pace that this moment requires.¹⁶³

69. Homes for the North said that housing would be an important part of the national recovery from COVID-19, “especially as those most effected by the crisis are likely to be in poorer areas without access to quality affordable homes.”¹⁶⁴ The Office for National Statistics (ONS) found that people living in more deprived areas had experienced COVID-19 mortality rates more than double those in less deprived areas.¹⁶⁵ Subsequent analysis of the ONS statistics by *Inside Housing*—which did not weight for underlying health conditions or concentrations of care homes—found that areas with more households in temporary accommodation and those with the most pronounced shortage of social housing experienced higher mortality rates.¹⁶⁶ The Affordable Housing Commission told us that a housing crash caused by COVID-19, whether mild or severe, would expose the “short-comings of a housing system overly reliant on the PRS providing homes for lower income households”.¹⁶⁷

70. 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.

Alternatives to a social housebuilding programme

71. Although much of our evidence argued for investment in social housing, there are alternatives, especially as many people facing affordability problems may not be eligible for social housing. The Government is focusing on improving the PRS. The Conservative Party Manifesto for the 2019 General Election confirmed the Government’s intention to “bring in a Better Deal for Renters, including abolishing ‘no fault’ evictions”.¹⁶⁸ The Renters’ Reform Bill, announced in the Queen’s Speech, will aim to “introduce a package of reforms to deliver a fairer and more effective rental market”, including improving standards, tenant experience, security of tenure, and redress where rented properties are not safe and healthy.¹⁶⁹

72. Solace told us that local authorities needed to do more to provide a wider range of intermediate tenures:

Local Authorities can and should be providing a wider range of intermediate tenures and have clear mechanisms to support and promote

163 Prime Minister’s Office, [PM: A New Deal for Britain](#), 30 June 2020

164 Homes for the North ([DSH 023](#))

165 Office for National Statistics, [Deaths involving COVID-19 by local area and socioeconomic deprivation: deaths occurring between 1 March and 31 May 2020](#), 12 June 2020

166 [“The housing pandemic: four graphs showing the link between COVID-19 deaths and the housing crisis”](#), *Inside Housing*, 29 May 2020

167 Affordable Housing Commission ([DSH 019](#))

168 The Conservative and Unionist Party, [Get Brexit Done: Unleash Britain’s Potential](#), November 2019

169 HM Government, [The Queen’s Speech 2019](#), 19 December 2019

affordable private rented units (possibly through an arms-length vehicle) and intermediate rented units for people who are unable to buy their own home but are unlikely to qualify for social housing.¹⁷⁰

Crisis said that “private rented housing will continue to play a critical role in meeting the needs of low income households” and said it was essential the Government closes the growing gaps between private sector rents through welfare reform, although recommended this happened alongside, rather than instead of, a large social housebuilding programme.¹⁷¹ Unite called for further regulation in the PRS to improve tenant security, standards and re-introduce rent regulation.¹⁷²

73. Most tenants are broadly satisfied with their homes in the PRS, with 84 per cent satisfied or very satisfied with their current accommodation.¹⁷³ On the other hand, private renters have the lowest proportion of satisfaction with their tenure at 69 per cent, compared to 83 per cent of social renters, and spend the highest proportion of their income on rent.¹⁷⁴ Additionally, most tenants have no savings and the PRS has the highest proportion of non-decent homes (25 per cent compared to 13 per cent in social housing).¹⁷⁵ Furthermore, the average weekly housing costs in 2018–19 were £200 for private renters, versus £102 for social renters.¹⁷⁶ In our session looking at the impact of COVID-19 on the PRS on 29 June, Ruth Ehrlich of Shelter told us that while the overall trend in quality in the PRS was of gradual improvement, quality of accommodation remained a concern.¹⁷⁷ There are also worries around retaliatory evictions, rent increases, and harassment by rogue landlords—people on lower incomes, who might otherwise qualify for social housing, are at most risk of abuse in the PRS.¹⁷⁸

74. We concur with the conclusions of our predecessor Committee’s report into the PRS regarding the need for improvements in the quality of PRS properties, as well as the need for improved rights for tenants.¹⁷⁹ It is not, however, an either-or proposition. The Department should be looking to improve the PRS and also expanding the social housing supply. The CIH said social housing investment was not enough on its own, but must be backed by a wider strategy to address the challenges facing low-income households in the PRS, including considering how to limit rent levels.¹⁸⁰

75. 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

170 Solace ([SAH 049](#))

171 Crisis ([SAH 023](#))

172 United ([SAH 021](#))

173 MHCLG, [English housing survey: private rented sector 2017–18](#), 17 July 2019

174 MHCLG, [English housing survey: social rented sector 2017–18](#), 17 July 2019

175 MHCLG, [English housing survey: private rented sector 2017–18](#), 17 July 2019

176 MHCLG, [English housing survey: housing costs and affordability](#), 9 July 2020

177 Oral evidence taken on 29 June 2020, HC (2019–2021) 309, [Q108](#)

178 Housing, Communities and Local Government Committee, Fourth Report of Session 2017–2019, [Private rented sector](#), HC 440, 19 April 2018

179 *Ibid*

180 Chartered Institute of Housing ([SAH 012](#))

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.

How much will it cost to deliver 90,000 social rent homes a year?

76. Social housing—and all types of sub-market housing—needs subsidy to be built.¹⁸¹ The UK Collaborative Centre for Housing Evidence concluded that there were only “a finite set of well-established ways” to fund sub-market housing, involving different combinations of land, finance, construction costs, and equity.¹⁸² The current model in England—as described in Chapter 1—is a ‘mixed economy’ framework, involving borrowing against future rental income, cross-subsidy from the profits made on market sales, section 106 agreements, and capital grant. Cross-subsidy is considered earlier in this chapter. Borrowing against future rental income is inherently limited. Section 106 agreements—which compel private developers to deliver a negotiated percentage of affordable homes onto new developments—delivered 49 per cent of all affordable homes in 2018–19, and 57 per cent of all social rent homes.¹⁸³ This is unlikely to increase during a recession. Land subsidy we considered in Chapter 2. If these forms of subsidy do not provide sufficient funding, what remains is termed the ‘subsidy gap’.¹⁸⁴

Increase in grant funding

77. The National Housing Federation (NHF) estimated that the current overall subsidy gap in England means that the capital grant required to deliver 90,000 social rent homes in England between 2021 and 2031 would be an average of £12.8 billion per year in today’s prices.¹⁸⁵ In addition to social rent, this would also provide sufficient funding to maintain the current delivery of affordable rent and shared ownership at around 25,000 and 30,000 respectively. This grant funding would cover 44 per cent of the total scheme cost of £46.2 billion, with the rest covered by the current types of subsidy. NHF found that the investment needed was similar to the £11.35 billion spent in 1953 (calculated using 2019 prices), which delivered “a record output of more than 200,000 council homes”, adding that public grant available until 2008 had averaged around or above 50 per cent of total scheme costs for “several decades.”¹⁸⁶ The figures are supported by the Chartered Institute of Housing, Crisis, Shelter, and the Campaign to Protect Rural England.¹⁸⁷

78. At the first evidence session, we spoke to three of these organisations. Kate Henderson, chief executive of NHF, explained the figures:

There is a moral and ethical case for this investment, and a really strong economic and fiscal case for this investment. We have made this scale of investment in the past. If you look at what Churchill did in 1953, when we built 200,000 council houses a year, we had a similar scale of investment.

181 [Q51](#) [Kathleen Scanlon] (Session 2017–19)

182 UK Collaborative Centre for Housing Evidence ([SAH 007](#))

183 MHCLG, [Affordable housing supply: April 2018 to March 2019](#), England, 20 November 2019

184 St Mungo’s ([SAH 008](#))

185 National Housing Federation, [Capital grant required to meet social housing need in England, 2021–2031](#), 21 June 2019

186 *Ibid*

187 [“Sector needs £146bn from government over a decade to end housing crisis, says NHF”](#), Inside Housing, 25 June 2019

Yes, it is a lot of money but it is half the housing benefit bill. It is also just a little bit more than the Government choose to spend on road investment each year. This is about political will.¹⁸⁸

Greg Beales of Shelter said that it would not all need to be extra funding, explaining that “there is definitely room for some reprioritisation within the housing programme, but there is an increased investment up front, which pays back to the country over time.”¹⁸⁹

79. The Government has made some positive steps recently. The removal of the housing revenue account borrowing cap—which previously constrained local authorities from borrowing for housebuilding—should help local authorities contribute around 10,000 extra affordable homes a year, although it is not yet clear how many of these might be social rent.¹⁹⁰ This might further reduce the amount of grant funding required. Nonetheless, we were surprised that the Department seemed unwilling to challenge the Treasury on further funding. The Minister told us:

There is a balance between the amount of grant that is available for individual units and the number of units you can build. There is only a certain amount of money that is made available to us. We have £12 billion from the Treasury for the new AHP and £9 billion for the one that is presently underway. We need to balance how we provide grant subsidy with building out volume.¹⁹¹

80. When the Secretary of State spoke to our predecessor Committee in October 2019—in the middle of our inquiry—he said he appreciated the sector wanted the Government to go further:

We have made a significant contribution through this Affordable Homes Programme, the AHP of £9 billion. I appreciate there are many that would like us to go further, significantly further, and that is obviously something I will have to discuss and negotiate with the Chancellor ahead of the next Spending Review.¹⁹²

As we have set out earlier in this Chapter, the Minister said the Government was not in favour of targets for different tenure, but said he viewed “new reports on social housing need with interest”.¹⁹³

Redistributing current housing expenditure

81. We explored how housing expenditure might be redistributed to reduce upfront investment, especially as the country enters a recession and Government borrowing is already stretched.¹⁹⁴ We heard evidence that the Government balance of housing

188 [Q14](#) (Session 2017–19)

189 [Q19](#) (Session 2017–19)

190 Office for Budget Responsibility, [Economic and fiscal outlook – October 2018](#), 29 October 2018

191 [Q128](#)

192 Oral evidence taken on 28 October 2019, HC (2019) 24, [Q47](#)

193 [Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

194 [“Public spending on crisis soars to £190bn”](#), BBC News, 9 July 2020

expenditure favoured home ownership interventions rather than affordable housing. George Clarke said that “other tenures are not given the priority that home ownership is being given”.¹⁹⁵ Nottingham City Council argued that:

[...] the focus of government support is too heavily slanted towards financial support for home ownership. That market should not require the levels of intervention government is allocating to it, and evidence indicates that this is not making housing any more affordable for the majority of people in housing need.¹⁹⁶

82. The UK Housing Review 2020 analysed the split of planned public investment into the private market versus affordable housing over the next four years. It found that affordable housing comprised just 25 per cent of total investment, compared to 85 per cent in Scotland, 74 per cent in Wales, and 100 per cent in Northern Ireland.¹⁹⁷ A significant proportion of the private market investment is through Help to Buy equity loans, which will total £29 billion by the end of the scheme in March 2023.¹⁹⁸ Homes England expects these loans to be paid back by 2032, but in the meantime, the National Audit Office (NAO) pointed out that this money was tied up and could not be used for other housing schemes.¹⁹⁹ The Department’s second evaluation found that the majority of buyers could have bought a house without Help to Buy’s support, though it did help almost 80,000 first-time buyers join the housing ladder who otherwise would not have been able to afford it.²⁰⁰ It also helped increase the supply of new homes.²⁰¹

83. Investing in improving access to home ownership is crucial, but the current balance of expenditure means little is spent on increasing the number of affordable homes, which provide both avenues for affordable home ownership as well as affordable rented homes. Only around half of funding from both the Greater London Authority and Homes England—the two bodies who invest in affordable housing in England—is spent on rented tenures. Between 2011 and 2018, there was no grant funding available for social rent, as Shelter set out:

The 2011–15 Affordable Homes Programme gave no grant at all to social housing, and the current Shared Ownership and Affordable Homes Programme for 2016–21 was only expanded to provide some funding for social housing in some areas in June 2018. At the same time, the costs of building new homes have escalated, driven by rising land costs.²⁰²

Social rent spending is therefore only a small element of the Department’s total expenditure on housing.

84. Help to Buy is being phased out from 2021 and will end completely in 2023; the Government currently spends around £3.3 billion a year on the scheme.²⁰³ Sage Housing

195 [Q2](#)

196 Nottingham City Council [\[SAH 060\]](#)

197 Chartered Institute of Housing, [UK Housing Review 2020, Chapter 4: Housing expenditure plans](#), March 2020

198 National Audit Office, [Help to buy equity loan scheme – progress review](#), 13 June 2019

199 Ibid

200 Ibid

201 Public Accounts Committee, One Hundred and Fourteenth Report, Session 2017–19, [Help to Buy: Equity loan scheme](#), HC 2046

202 Shelter [\(SAH 052\)](#)

203 National Audit Office, [Help to buy equity loan scheme – progress review](#), 13 June 2019

pointed out that this presented “an opportunity for the Government to reassess their investment” by redirecting this funding to social housing.²⁰⁴ The Campaign for the Protection of Rural England recommended “a rebalancing from demand-side initiatives like Help to Buy to supply-side programmes of affordable and especially social housing delivery.”²⁰⁵ Professor Ken Gibb, director of the UK Collaborative Centre for Housing Evidence, said there could be more value for money in a social housing programme compared to Help to Buy.²⁰⁶

Reforms to the cost and availability of land

85. In Chapter 2, we explored how changes to land value capture and public land disposal could reduce the cost of a social housebuilding programme.

Reduction in housing benefit bill

86. As we described in Chapter 1, one in six households are now reliant on housing benefit. It is estimated that around a third of the total is paid to private landlords.²⁰⁷ Research by Capital Economics in 2015 concluded, even using their “tough test”, that widescale construction of new social rent housing is viable “economically and fiscally” due to the future savings on the Government’s housing benefit bill.²⁰⁸ Capital Economics concluded that after twenty years, a programme would begin to create a surplus for the Government.²⁰⁹

87. It is important to note that it would take a long time to transition housing benefit spend on the private rented sector into grant funding. Professor Ken Gibb said that it would not be “feasible” to simply move the housing benefit bill from the people who are on housing benefit now.²¹⁰ The LGA commissioned Cambridge Economics to analyse the impact on government finances if 100,000 social rent homes had been built between 1997 and 2017. It found that it would have enabled all housing benefit claimants to move to social rent homes by 2016; these claimants would have benefited from £1.8 billion in extra disposable income; and that the Government’s investment costs would have been fully offset by additional tax revenues generated by the construction industry, as well as welfare savings from all housing benefit claimants living in social housing.²¹¹ This suggests it would take the best part of two decades to transition.

88. The Government gave no assessment of the impact of building more social housing on the housing benefit bill.²¹²

Conclusion

89. **The Government should count investment in social housing as infrastructure spending, rather than day-to-day spending. Evidence shows that spending on a**

204 Sage Housing ([SAH 042](#))

205 Campaign for the Protection of Rural England ([SAH 036](#))

206 [Q56](#) (2017–2019)

207 Royal Town Planning Institute ([SAH 020](#))

208 Capital Economics, [Building new social rent homes: an economic appraisal](#), 2015

209 Capital Economics, [Building new social rent homes: an economic appraisal](#), 2015

210 [Q57](#) (Session 2017–19)

211 Local Government Association ([SAH 024](#))

212 [Q126; Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

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.

90. It is time for the Government to invest so the country can build 90,000 social rent homes a year. We appreciate that even with the funding we set out below, any programme will take time to scale up, but we expect the Government should be able to increase delivery to 90,000 within five years.

91. The sector estimates that £12.8 billion a year in grant funding will be needed to deliver 90,000 social rent homes every year, alongside continued support for affordable rent and shared ownership. Central government grant funding is necessary because the current funding model is not delivering the numbers required to meet demand. The removal of the borrowing cap for local authorities will contribute only a small percentage of what is needed. This is around a £10 billion increase on current future funding for affordable housing.

92. We estimate that land value reform could reduce the cost of the programme by up to 40 per cent. By building more social housing on Government-owned public land, the overall cost of the programme could be further reduced. Some of the money could also be redistributed from existing budgets within the Department, and the rest could be borrowed while interest rates are historically low. While the overall savings gained from the long-term reduction in the housing benefit bill are difficult to quantify, it is clear that, over time, as the programme delivers social rent homes, the Government could use savings in housing benefit to subsidise the programme. Therefore, although there are many factors that might impact the overall cost of the programme, it is unlikely to cost £10 billion in extra spending.

93. In 2008, in response to the global financial crisis and its impact on the housing market, the Department for Communities set up a National Clearing House to enable house builders to sell their unsold stock for affordable housing.²¹³ A similar scheme might work in these circumstances, given that it will take time to build up to 90,000 homes a year. Councils and housing associations could focus on acquisitions of existing properties, or properties close to completion, using grant funding from Government and Right to Buy receipts. The National Housing Federation suggested allocating some of the current affordable housing grant:

The funding should prioritise new social and affordable homes built by housing associations but could also be available for bulk-buying homes from developers at a discount to convert to rent, as long the homes are high quality, the right size and in the right places.²¹⁴

94. *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.*

213 Communities and Local Government Committee, Third Report of Session 2008–09, [Housing and the Credit Crunch](#), HC 101, paras 38–41

214 National Housing Federation, [Coronavirus: social and economic recovery](#), 2020

5 Changes to the planning system

First Homes

95. In February 2020, the Secretary of State announced proposals for First Homes, which would offer a discount of 30 per cent on market rates to local first-time buyers, with discounts locked into the property in perpetuity.²¹⁵ The design of the scheme went out for consultation until 1 May.²¹⁶ The primary mechanism proffered by the Government to fund First Homes was via developer contributions from section 106 agreements, suggesting 40, 60 or 80 per cent as minimum percentages to ensure their delivery.²¹⁷ As we noted earlier, Section 106 agreements delivered 49 per cent of all affordable homes in 2018–19, and 57 per cent of all social rent homes.²¹⁸

96. The design of First Homes is not dissimilar to Starter Homes, which launched in 2014 with the intention to offer homes at a 20 per cent discount for young first-time buyers. In 2015, the Government pledged £2.3 billion to support the delivery of 60,000 Starter Homes; by October 2019, none had been built and the money was reallocated into more general budgets.²¹⁹ In the original consultation for Starter Homes—like in the consultation for First Homes—the Government sought views on a minimum percentage requirement through section 106 agreements.²²⁰ After 78 per cent of respondents wanted such requirements to be decided at a local level, the Government withdrew its suggestion of a national threshold, and said it would support local authorities delivering Starter Homes as part of the usual “mixed package of affordable housing that can respond to local needs and local markets”.²²¹ Nonetheless, the Government suggested an even higher minimum requirement during the First Homes consultation.

97. We heard that First Homes would have a negative effect on the delivery on social housing. The National Housing Federation expressed concerns that, while First Homes could make an important contribution to increasing home ownership, the policy “will significantly reduce the supply of social and affordable homes to rent in areas of high need [...] it would cost approximately £1 billion in additional social housing grant per year to replace them.”²²² Councillor Rachel Blake from the London Borough of Tower Hamlets told us her council was concerned about the relationship between First Homes and section 106, given that Tower Hamlets expect 70 per cent of all affordable housing obligations to be “genuinely affordable rented accommodation”, because a centrally directed scheme would not respect local decisions about affordable housing need.²²³ Nick Walkley, chief executive of Homes England, agreed that a potential impact of the First Homes programme would be a reduction in the number of social homes.²²⁴

215 MHCLG, [Government to cut the cost of new homes by a third](#), 7 February 2020

216 MHCLG, [First Homes consultation](#), 7 February 2020

217 MHCLG, [First Homes: consultation on the design and delivery of First Homes](#), February 2020

218 MHCLG, [Affordable housing supply: April 2018 to March 2019](#), England, 20 November 2019

219 NAO, [Investigation into Starter Homes](#), 5 November 2019

220 MHCLG, [Starter homes regulations: technical consultation](#), 23 March 2016

221 MHCLG, [Government response to the technical consultation on starter homes regulations](#), February 2017, para 30

222 National Housing Federation ([DSH 026](#))

223 [Q49](#)

224 [Q115](#)

98. When we put these concerns to the Minister, he said First Homes were key for helping first-time buyers put a foot on the housing ladder, citing the British Social Attitudes Survey that found 88 per cent wanted to buy their own home, especially as Help to Buy was wound down.²²⁵ We do not disagree; we are supportive of efforts to increase access to homeownership, but not at the expense of delivering social rent homes. Section 106 agreements remain a substantial contributor to social rent delivery, and should continue to do so going forward. When we followed up on our concerns through correspondence, the Minister wrote in response:

The Government is mindful of the trade-off between the level of ambitions 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 [...] We therefore do not consider it appropriate to make predictions [on the impact on other tenures] until these factors are better understood through our response to the consultation, which we hope to publish soon.²²⁶

Subsequent to our exchanges with the Minister, the Government revealed that a 1,500 unit pilot for First Homes would be included in the 2021–26 Affordable Homes Programme.²²⁷

99. We are concerned the Government is letting history repeat itself, rather than learning its lessons from Starter Homes consultation. The Government has not conducted an analysis of the impact of implementing First Homes on the delivery of social housing through section 106 agreements. *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 polices 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 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.*

Permitted development rights

100. Permitted development rights (PDRs) are rights to make particular changes to buildings without the usual need to apply for planning permission. PDRs cover a range of activities, including home extensions and change of use of buildings. They are relevant to social housing supply because, by being outside of the normal planning system, developers using PDRs are not obligated to provide affordable housing. Office to residential change of use PDRs have delivered an extra 60,000 flats, but critics point out examples of cramped, poor quality accommodation, and the lost contributions to affordable housing.²²⁸ Shelter estimated that an extra 10,000 affordable homes might have been delivered between 2015

225 [Q151](#)

226 [Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

227 Prime Minister's Office, [PM: A New Deal for Britain](#), 30 June 2020

228 House of Commons Library, [Planning: change of use](#), CBP 1301, 23 April 2020, section 5: What has been the impact of office to residential change of use?

and 2018 if PDRs were subject to the usual obligations.²²⁹ The Government is cognizant of the criticism of PDRs; the former Secretary of State, Rt Hon James Brokenshire, announced a review of PDRs “in respect of the quality of standard of homes delivered”.²³⁰

101. Our evidence was critical of permitted development rights for residential conversions because of the impact on social housing delivery. The LGA called for such PDRs to be abolished, noting that most of the lost affordable housing contributions were in areas with high affordability pressures, and expressed concern that the Government was planning on extending PDRs even further.²³¹ Ipswich Borough Council called for the conversions to be stopped because the exemptions from affordable housing obligations denied them “vital income towards the provision of much needed social and affordable housing”.²³² George Clarke explained that there was a great opportunity to use abandoned commercial space, but not through PDRs:

If commercial space is sitting there empty and abandoned and there is no use for it, it would be fantastic to bring it into residential use. I made *The Restoration Man* for 10 years for Channel 4, and it was all about repurposing old buildings, but it needs to be done properly.

[...] [The problem] is the permitted development issue because, in effect, standards then drop and councils cannot take any planning fees, and you cannot impose any section 106s, which would otherwise make provision for the community through those houses being built. It is all happening under the radar.²³³

102. The Government, as part of its recent announcements on reforming the planning system, said it would introduce in September new rules to allow existing commercial properties—including vacant shops—to be converted into residential housing more easily. This included changes to allow a wider range of commercial buildings to convert to residential use through PDRs, and a new PDR to allow the demolition of vacant residential and commercial buildings “if they are rebuilt as homes”.²³⁴ The Affordable Housing Commission warned that “any extension of PDRS [...] will lead to even fewer affordable homes.”²³⁵ We asked the Minister why the Government was planning to extend permitted development rights without first publishing its review. The Minister said the Department had carried out a review and hoped to publish it soon, and said there was an opportunity to provide new homes through PDRs, learning the lessons from the consultation.²³⁶ Professor Ben Clifford, who conducted the review on behalf of the Government, said that, without proper safeguards, continued and extended uses of PDRs could lead to “slums of the future”.²³⁷ He urged the Government to publish his report, which was submitted in January, because the evidence would help inform the wider debate.²³⁸

229 Shelter (SAH 052)

230 HC Deb, 13 March 2019, col 30WS

231 LGA (SAH 024), para 3.4.3

232 Ipswich Borough Council (SAH 009), para 3.3.3

233 Qq6, 7

234 Prime Minister’s Office, *PM: A New Deal for Britain*, 30 June 2020

235 Affordable Housing Commission (DSH 019)

236 Q146

237 “‘Slums of the future’ may spring from the relaxed planning rules, experts warn”, *The Guardian*, 5 July 2020

238 Ibid

103. **Permitted development rights can be a route to provide fast and cost-effective housing, but given that the Government is aware of concerns around their use, it should publish its review as soon as possible. We remain concerned about the lack of affordable housing obligations and lack of safeguards for quality. Without reforms, it is likely the planned expansion will further reduce the delivery of social housing through the planning system.**

Capacity of planning departments

104. We heard that capacity issues affected social housing supply in two main ways. One, for local authorities to once again build at scale, they would need to have better resourced planning departments, as well as improving wider development skills to once again have the necessary expertise to deliver housing. Shelter said capacity was one of four key ingredients in delivering more social housing, alongside land, money and a clear strategy.²³⁹ Unite feared that local authorities would be unable to deliver pre-1979 housebuilding levels without the right resources or skills.²⁴⁰ Action with Communities in Rural England (ACRE) said that this was of particular concern in rural areas, where councils often have a planning team of just three people.²⁴¹

105. Second, under-resourced planning departments find it more difficult to hold private developers to account in negotiations. Canterbury City Council said it devoted “a great deal of time and resource” to ensuring developers meet its affordable housing requirement of 30 per cent, comprising arguments, pressure negotiations, loophole exploitation, persuasion and continual viability testing.²⁴² The Royal Town Planning Institute told us that a major cause of delays in planning was negotiations around developer contributions. Such negotiations forced councils to spend lots of money and time on consultants, surveyors and lawyers, which was troublesome due to the resource imbalances between councils and developers.²⁴³ It is important that local planning authorities have the muscle to take on private developers who attempt to reduce affordable housing contributions, claiming that the development would otherwise be unviable. Greg Beales of Shelter said that Government reforms to the viability process were beneficial, but the next step was to ensure councils had the necessary resources:

The challenge now is equipping local authorities to be tough with the developers. If they are not tough at the outset and not prepared to fight the developers through the process, and if they roll over too quickly, commitments to 30% affordable building are downgraded to 15% or 10%.²⁴⁴

106. The planning profession is facing unprecedented capacity challenges. In 2019, the NAO found that total spending by local authorities on planning functions fell 14.6 per cent in real terms between 2010–11 and 2017–18, at a time of increased workload for planning departments: residential planning applications rose from 5,244 in 2012–13 to 7,997 in 2017–18.²⁴⁵ Furthermore, between 2006 and 2016, planning staff numbers in local government fell by 15 per cent. The NAO recommended that the Department needed to work with industry bodies to assess skills gaps in local authorities’ planning teams. Our

239 Shelter ([SAH 052](#))

240 Unite ([SAH 021](#)), para 5.2

241 ACRE ([SAH 033](#)), para 16

242 Canterbury City Council ([SAH 066](#))

243 RTPI ([SAH 020](#)), para 11

244 [Q29](#) (Session 2017–19)

245 NAO, [Planning for new homes](#), 8 February 2019

predecessor Committee's report into local government finance found that councils' net expenditure on planning was down more than 50 per cent, and that planning departments would face a £700 million deficit between 2017–18 and 2021–22.²⁴⁶ The Department legislated to allow local authorities to increase planning fees by 20 per cent from early 2018, following the LGA outlining evidence that local taxpayers were subsidising £150 million a year because of planning fee shortfalls.²⁴⁷

107. We heard that one of the best ways to fix resourcing issues was to allow local authorities to set their own planning fees. The London Borough of Camden said the recent 20 per cent planning fee increase was welcome, but the only way to enable full cost recovery for planning expenditure was to let councils determine their own planning fees.²⁴⁸ Victor da Cunha explained that, from a housing association perspective, they would be willing to support increases to ensure the best quality planning services were available.²⁴⁹ Philip Glanville, representing LGA, explained further reform on fees was needed:

We want to see further reform. We have started to see a movement towards full cost recovery, but the costs of complex planning applications will vary across the country. The scale that district councils are being asked to deliver on in their local plans, often in quite small local authorities, means we need the full freedoms to charge what local authorities believe is a fee that will cover their costs, and that will differ all the way across the country. The missing part of the system at the moment is allowing local authorities to dictate that.²⁵⁰

108. On 12 March, the Secretary of State made a statement on planning for the future, following the Budget. He announced the Government's intention to speed up the planning system. Part of the announcement was a commitment to reform planning fees "to create a world-class planning service":

we will introduce a new planning fee structure to ensure that planning authorities are properly resourced to improve the speed and quality of their decisions. This will be linked to a new performance framework to ensure performance improvements across the planning service for all users.²⁵¹

109. It is right that the Government has identified the importance of reforming planning fees to support the capacity and skills of planning departments. It is imperative that local planning authorities have the right resources to deliver the social housing this country needs, and to ensure private developers deliver sufficient social housing on new developments. We recommend that the setting of planning fees should be devolved to local authorities, with a national minimum rate.

110. We are mindful that the Government expects to implement substantial changes to the planning system in the near future. We will continue to monitor the impact of these changes on social housing supply, as well as scrutinising the reforms more generally.

246 Housing, Communities and Local Government Committee, Eighteenth Report of Session 2017–19, [Local government finance and the 2019 Spending Review](#), HC 2036, paras 19 & 76

247 [The Town and Country Planning \(Fees for Applications, Deemed Applications, Requests and Site Visits\) \(England\) \(Amendment\) Regulations 2017](#)

248 London Borough of Camden ([SAH 063](#))

249 [Q163](#) (Session 2017–19)

250 [Q72](#)

251 MHCLG, [Planning for the future](#), 12 March 2020, para 13

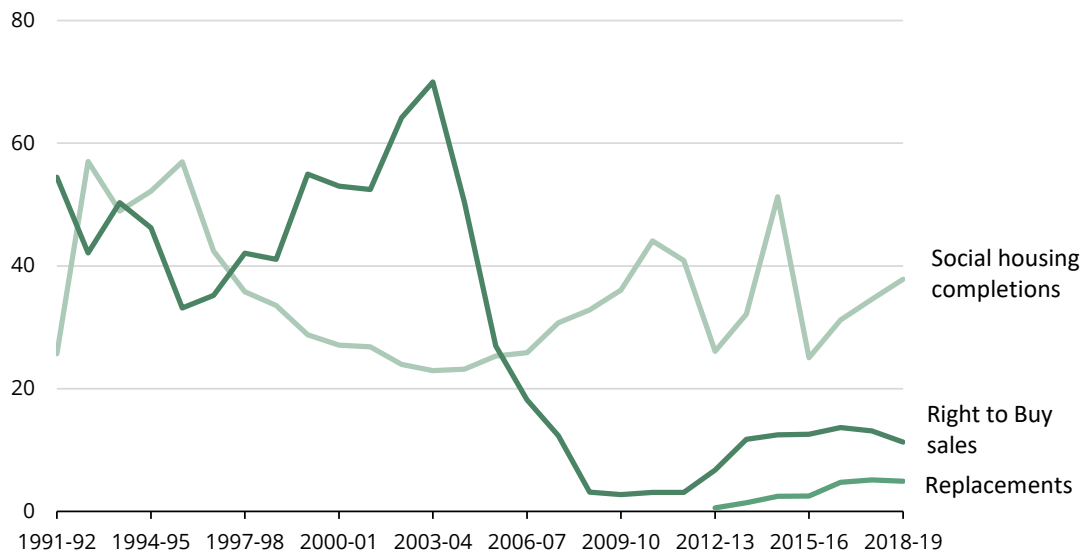
6 Right to Buy

Background

111. As described in Chapter 1, the statutory Right to Buy was created by the *Housing Act 1980*. From the outset of the scheme, there was no commitment that the sold homes would be replaced, nor that local authorities would retain all of the capital receipts. Previous governments argued that if councils were allowed to spend all their receipts, they would be forced to borrow again, defeating the objective of reducing public expenditure.²⁵²

112. For the first decade, the government intended that councils could use only 20 per cent of the receipts; limited restrictions however meant councils were able to spend more than the government intended, leading to stringent controls introduced in April 1990.²⁵³ Section 59 of the *Local Government and Housing Act 1989* required authorities to set aside 75 per cent of Right to Buy receipts, which could only be used to reduce debt. From 2004, when the *Local Government Finance (Supplementary Credit Approvals) Act 1997* came into force, 75 per cent of Right to Buy receipts went to the Treasury, with 25 per cent available for councils to replace stock or maintain remaining housing. Overall, since 1980, almost 2 million social homes have been sold through the Right to Buy scheme.²⁵⁴ Over the same period, the total social housing stock has shrunk from 5.52 million to 4.07 million.

Figure 7: Right to Buy sales and replacements (thousands of dwellings), England, 1991–2019



Source: MHCLG Live tables 678, 693 and 1000

252 House of Commons Library, [Extending the Right to Buy \(England\)](#), CBP 7224, 24 August 2015

253 Ibid

254 1,968,380. MHCLG, [Live table 678](#), 27 March 2020

Recent developments

113. In 2012, the coalition government aimed to “reinvigorate” Right to Buy.²⁵⁵ It increased the maximum discounts for tenants, and established for the first time a rule that sold properties must be replaced at a one-to-one rate. This replacement is not required to be like-for-like in regard to tenure or type of housing—a house with a garden could be replaced with a maisonette, for example, at a different rent level. Councils are required to spend their receipts within three years, otherwise they are returned with interest to the Department, and receipts can fund no more than 30 per cent of a replacement home, whether acquisition or new build—authorities must find the other 70 per cent through borrowing or other finance. The Government’s rationale for the cap was that the cost of a replacement home is a “fraction of the cost of a new home”, because most funding comes from borrowing against a future rental income stream.²⁵⁶ While it established the principle of replacing sold properties, this did not mean the same rent level: the Government asked local authorities to replace Right to Buy sales with homes let at affordable rent.²⁵⁷

114. In August 2018, the Government consulted on changing the rules around Right to Buy receipts because it recognised “more needs to be done to help councils deliver replacement homes” and was “aware from engagement with the sector that the current restrictions around the use of Right to Buy one-for-one receipts are a barrier to delivery.”²⁵⁸ Proposed changes included extending the timeframe for spending receipts from three years to five years; increasing the cap from 30 per cent to 50 per cent; restricting acquisitions to prevent last-minute high-value purchases; and allowing councils to replace social homes with shared ownership homes. Finally, the Government also proposed dropping the one-for-one replacement target, as the current model did not take into account Government delivery through the Affordable Homes Programme. The Government has not responded to the consultation, despite it finishing almost two years ago.

115. Housing association tenants do not automatically have the Right to Buy (they do have a Right to Acquire, a similar-sounding scheme which offers much lower discounts). Some may have a preserved right if the property was transferred from a council. The Government extended the Right to Buy to housing associations on a voluntary basis, currently through regional pilots, although it promised in its manifesto to extend it fully.²⁵⁹ In October 2019, the Secretary of State revealed plans for a shared ownership Right to Buy (SO-RTB) for housing association tenants.²⁶⁰ New rented homes funded under the 2021–2026 Affordable Homes Programme will have a mandatory SO-RTB attached. In comparison to plans to extend Right to Buy in England, Wales abolished Right to Buy in January 2018 and Scotland ended it in July 2016, with both countries’ governments explaining that it would safeguard social housing stock and encourage social landlords to invest more without risk.²⁶¹

255 Department for Communities and Local Government, [Reinvigorating Right to Buy and One for One Replacement consultation: summary of response and Government response to consultation](#), March 2012

256 *Ibid*, para 5

257 HM Government, [Laying the foundations: a housing strategy for England](#), November 2011, para 56

258 MHCLG, [Use of receipts from Right to Buy sales](#), 14 August 2018

259 The Conservative and Unionist Party, [Get Brexit Done: Unleash Britain’s Potential](#), November 2019

260 “Thousands more people to be given step up onto the housing ladder”, MHCLG press release, 17 October 2019

261 Scottish Government, [Right to buy ends in Scotland](#), 30 July 2016; [“Bill ending Right to Buy in Wales is passed by AMs”](#), BBC News, 5 December 2017

Reforming Right to Buy

116. We received a wealth of evidence on Right to Buy. There was diversity of opinion on its future, with many defending its unique offer of an affordable route to homeownership, while others criticised its impact on social housing supply. Before exploring the evidence, it is important to note that the Government was elected on a manifesto which included a commitment to maintaining Right to Buy. While we understand why providers find it easier if Right to Buy were abolished, we consider it more practical to recommend how the scheme could be amended to mitigate its impact on social housing supply.

Receipts and replacements

117. Many organisations—generally providers of social housing—called for Right to Buy to be suspended or stopped because of its impact on social housing delivery. The Royal Borough of Greenwich called for the scheme to be abolished because of a “net loss of social and affordable rented housing” that meant maintaining it was “counter-productive” to the Government’s aims to increase supply.²⁶² Victor de Cunha, chief executive of the housing association Curo, and chair of Homes for the South West, said regarding Right to Buy:

Right to Buy has had a very significant impact on our ability to provide housing for those in housing need and has exacerbated the current housing crisis.

The fundamental problem has been consistently that the money received from those receipts has never been prioritised and ring-fenced for the re-provision of social housing. One’s aspiration should not deny a future generation’s housing. The starting point should be about at least ring-fencing and guaranteeing ongoing investment in social housing through the recycling of that sales proceed.

I would not want to deny local authorities the opportunity to consider suspension. Going back to the point earlier on, it is really important that the local authority takes the lead in these bigger strategic issues. If the local authority thought it wise, I think it is worth considering in localities.²⁶³

118. Others said that the scheme should be retained, but only if receipt rules were changed so providers could deliver a suitable replacement. Councils must apportion some of their receipts to HM Treasury. Before 2012, this was 75 per cent of receipts; following the “reinvigoration” changes in 2012, this changed to a Government compensation scheme entitled ‘Government Assumed Income’ to replace the 75 per cent. Answering a written question in January 2020, the former Minister for Housing, Rt Hon Esther McVey MP, explained that £1.27 billion of a total £5.23 billion in Right to Buy receipts were paid to the Treasury, almost a quarter.²⁶⁴ The Department has in the past explained that around 50 per cent of receipts are available for replacement social housing.²⁶⁵

262 Royal Borough of Greenwich ([SAH 071](#))

263 [Q166](#)

264 [PQ 2659](#), 13 January 2020

265 [PQ 136994](#), 23 April 2018

119. Shelter said it did not support abolishing Right to Buy, but instead reforming it so the money from sales were used to reinvest fully in like-for-like replacements in local areas.²⁶⁶ Ipswich Borough Council said it should be able to retain 100 per cent of sales receipts for building replacements, and have up to 5 years to do so.²⁶⁷ The Local Government Association (LGA) recommended that Right to Buy should be put “on a more sustainable footing” by allowing councils to retain all of the receipts, noting that:

In the last six years, more than 60,000 homes have been sold off under the scheme at half the market price on average, leaving councils with enough funding to build or buy just 14,000 new homes to replace them. Our modelling suggests this capacity is likely to worsen without reforms to the scheme.²⁶⁸

120. Crisis, the homelessness charity, estimated that the current replacement rate was less than 2 in 5.²⁶⁹ Since the Government committed to a one-to-one replacement rate in 2012, there have been 85,646 sales and 28,090 starts on site and acquisitions (there is no clear data for completions). Completion data is not disaggregated from wider delivery statistics, so an accurate replacement figure is not calculable, but the current sales to starts and acquisitions ratio is 0.33, or 1 in 3 replaced. Although some allowance should be made for the time between sale, identifying land and commencing work, this is still not near one-to-one. The Government admitted in the consultation on Right to Buy receipts that replacements were not matching the pace of sales and the commitment was not being met, which is why it is disappointing that there has been no response to the consultation. When we asked the Minister why no response had been forthcoming, he said:

There are a number of reasons. One is that we have had a change of Government. Another is we have had the general election and presently we are in a rather challenging and fast-moving crisis situation. I certainly want to look at the evidence in that particular consultation and to make sure that we get the response to it right [...] Those are the reasons and, as and when we can publish it but get it right, we will.²⁷⁰

121. It is important to note that sales to sitting tenants do not typically have an immediate impact on the amount of council housing accommodation available, as the purchasers would have continued to occupy their home for a number of years anyway, meaning the accommodation would have been unavailable to a household on the waiting list. The 1979 government argued that it would be 30–40 years before there was an effect on letting to a new tenant. 40 years later, we are seeing the detrimental effect of these properties not being available for new tenants, because they have not been replaced by a succession of governments over that period.

122. The Minister rejected the contention that Right to Buy reduced the social housing stock over time.²⁷¹ As discussed earlier in Chapter 3, the Minister said that since 2010 there had been 120,000 sales of social rent homes, replaced by 140,000 social rent homes. Under further questioning, Tracey Waltho, the Director of Housing and Building Safety,

266 [Q42](#) (Session 2017–19)

267 Ipswich Borough Council ([SAH 009](#)), para 3.22

268 LGA ([SAH 024](#))

269 Crisis ([SAH 023](#))

270 [Q130](#)

271 [Q131](#)

said that the receipts from sales contributed to only some of the 140,000 new builds.²⁷² We asked again for further details via correspondence.²⁷³ The Minister wrote that the Department did not collect data on the number of social rent homes which are funded directly by Right to Buy receipts.²⁷⁴ According to the Minister, only 4 per cent of the 323,000 affordable homes delivered between 2010 and 2019 were funded “through other funding, including Right to Buy receipts”: this is around 12,920 homes.²⁷⁵ The Minister told us that Right to Buy “is resulting in an increase to the housing stock”.²⁷⁶

123. The 3 year deadline was cited as problematic by many, due to the nature of the housebuilding cycle. Research by the Home Builders Federation identified the average period from grant of planning to completion across all sites is 3.25 years.²⁷⁷ Furthermore, the process of development is inexorably subject to risks and delays, which the three year deadline does not allow for. Phillip Glanville, representing the LGA, told us that:

There is a three-year cycle from sale to spending of receipt. If you are talking about getting planning permission, going out to tender and getting on site to delivery, that is almost an impossible window unless you have an existing development programme.²⁷⁸

Nottingham City Council argued “strongly” for an extended time limit, to help deal with time-consuming work required, such as site assembly, remedial works, planning permissions and local consultations.²⁷⁹

124. The original basis for limiting the percentage of receipts councils could retain was to reduce public expenditure; the aim was to prevent local authorities having to borrow more by using all of their receipts. The Government, with the removal of the HRA borrowing cap, and the acceptance of the need for replacements, has made it clear this original premise is no longer in effect. This means the rationale for limiting receipts no longer exists. If the Government wants the sold properties to be replaced, it needs to in turn to loosen the restrictions.

125. 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.

272 [Q138](#)

273 Housing, Communities and Local Government Committee, [Correspondence from the Chair to the Minister for Housing dated 12 June 2020 following his appearance before the Committee on 8 June, 12 June 2020](#)

274 [Correspondence from the Minister for Housing dated 22 June 2020 relating to his appearance before the Committee on 8 June](#)

275 *Ibid*

276 [Q133](#)

277 LGA, [Sustainability of Right to Buy](#), April 2018

278 [Q63](#)

279 Nottingham City Council ([SAH 060](#))

Limiting the transfer to the private rented sector

126. Where someone sells their home within five years of buying it through Right to Buy, they will have to pay back some of the discount. Within the first year, the whole discount must be paid back; 80 per cent in the second year; 60 per cent in the third year, 40 per cent in the fourth year; and 20 per cent in the fifth year. Additionally, if sold within ten years of purchasing, it must first be offered to either the former social landlord or another social landlord in the area at full market value (known as the ‘right of first refusal’).

127. Despite these restrictions, a BBC News investigation in March 2019 found that 139 council tenants resold their properties within one month, making £2.8 million collective profit though the average time people kept their Right to Buy home was seven-and-a-half years.²⁸⁰ In 2017, analysis by Inside Housing of FOI data concluded that 40 per cent of former Right to Buy flats were being privately let, a phenomena it called ‘Right to Buy to Let’.²⁸¹ Based on previous studies, *Inside Housing* predicted that 50 per cent of all former Right to Buy homes would be rented privately by 2026.

128. Local authorities often end up renting back homes they once built and owned, to meet the needs of homeless households, due to a shortage of social housing in the area. Other former Right to Buy properties are subsidised by central Government paying out housing benefit to private landlords. George Clarke expressed concerns about Right to Buy properties ending up in the private rented sector:

Around 42% of all homes that have been sold under Right to Buy are now in the hands of private landlords who are renting it back to the system. I hear stories every day about councils that are now trying to buy back Right to Buy properties, which just seems mad to me.²⁸²

CIH said that, while they agreed “one way or another, tenants should be given the opportunity to buy a home”, Right to Buy should be suspended as it was not good value for money due to 40 per cent of sales ending up in the private rented sector.²⁸³

129. When we put these concerns to the Minister, he said that “it is for individuals to decide how they wish to dispose of the property that they have bought.”²⁸⁴ While we agree in principle, the purpose of Right to Buy is not to transfer thousands of social homes into the private rented sector. Any property which is then rented back by a council or the rent is subsidised by central Government brings into question the value for money of the initial public investment. The combination of generous discount repayment rules and no restrictions on the use of the property following its sale has created an inadvertent perversion of Right to Buy’s true goal: to increase access to homeownership. We note that Help to Buy, which also aims to improve access to homeownership, prevents a property being sublet unless the owner repays the equity loan assistance in full.²⁸⁵

280 [“Right to Buy homes made £2.8m in profit ‘in weeks’”, BBC News, 14 March 2019](#)

281 [“Exclusive: 7% rise in former Right to Buy homes now rented privately”, Inside Housing, 7 December 2017](#)

282 [Q13](#)

283 [Q43](#) (Session 2017–19)

284 [Q134](#)

285 With some exceptional circumstances allowing subletting, including a serving Member of the Armed Forces on a tour of duty. Homes England, [Help to Buy Buyers’ Guide](#), February 2018 (amended June 2020)

130. In 2012, our predecessor committee considered Right to Buy reinvigoration.²⁸⁶ It concluded that the Government should reconsider its decision not to opt for a local model for the replacement of Right to Buy sales, suggesting that:

We further recommend that the Government grant exemptions from increased discounts to places such as rural villages and other areas where social housing is limited and cannot easily be replaced. These places could otherwise be left with no social housing stock if there is significantly increased take-up of the Right to Buy.²⁸⁷

The committee concluded that the Government should give councils the option to apply “for an exemption to the Right to Buy where the council can demonstrate that housing is limited and cannot be easily replaced”.²⁸⁸

131. The purpose of Right to Buy is to introduce a route into homeownership, and not reduce the number of social homes or to supplement the private rented sector.

132. 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. This will require legislating to implement a covenant against letting for a five year period. This is not without precedent: Help to Buy properties include a covenant which prevents private renting. The Government’s justification is that Help to Buy is designed to assist you to move on or up the housing ladder, words that could apply just as aptly to Right to Buy.

133. 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.

134. 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.

135. 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.

286 Communities and Local Government Committee, Eleventh Report of Session 2010–12, [Financing of new housing supply](#), HC 1652, 23 April 2012

287 Communities and Local Government Committee, Eleventh Report of Session 2010–12, [Financing of new housing supply](#), HC 1652, 23 April 2012, para 123

288 *Ibid*, para 125

Conclusions and recommendations

History of social housing

1. The housing market in England has changed substantially since the last time there was political consensus on the need to build large numbers of social housing. The decades in which social housing was delivered at scale featured different mechanisms than are used today—some of which might be revived and reused in modern circumstances—but ultimately the most important factor was shared political will. (Paragraph 16)

Definitions of affordability

2. 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. (Paragraph 23)
3. 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. (Paragraph 29)

Land

4. 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.* (Paragraph 36)
5. We agree with the Public Accounts Committee that the Government missed a crucial opportunity to alleviate the housing crisis through its disposal of public land. While we understand the constraints around managing public money, it is nonetheless short-sighted to sell public land to the highest bidder when social housing providers struggle with the cost of land. The programme has not addressed the housing shortage nor the social housing shortage. (Paragraph 44)

6. *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. (Paragraph 45)*

Increasing social housing supply

7. *There is compelling evidence that England needs at least 90,000 net additional social rent homes a year. 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. (Paragraph 53)*
8. *It is disappointing that the Government does not have a published plan on social housing, nor has its own assessment of social housing need. We regard an estimate of need to be essential to calculating how much investment the Government may need to make to meet social housing need and deliver such a "step change". (Paragraph 54)*
9. *The cross-subsidy model has reached its limit. Without grant funding from central Government, providers will be vulnerable to the economic impact of COVID-19. Housing associations have commendably made up for reduced Government grant investment in the last decade by developing homes for sale and investing these proceeds, but the subsidy gap remains high for social rent. The Government believes housing associations can continue to financially innovate to build more homes, despite registered providers telling Ministers they have reached the limit of their flexibility. If the Government does not increase grant funding, social rent housebuilding will not increase and may drop even further. (Paragraph 67)*
10. *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. (Paragraph 70)*
11. *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. (Paragraph 75)*

12. 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. (Paragraph 89)
13. It is time for the Government to invest so the country can build 90,000 social rent homes a year. We appreciate that even with the funding we set out below, any programme will take time to scale up, but we expect the Government should be able to increase delivery to 90,000 within five years. (Paragraph 90)
14. The sector estimates that £12.8 billion a year in grant funding will be needed to deliver 90,000 social rent homes every year, alongside continued support for affordable rent and shared ownership. Central government grant funding is necessary because the current funding model is not delivering the numbers required to meet demand. The removal of the borrowing cap for local authorities will contribute only a small percentage of what is needed. This is around a £10 billion increase on current future funding for affordable housing. (Paragraph 91)
15. We estimate that land value reform could reduce the cost of the programme by up to 40 per cent. By building more social housing on Government-owned public land, the overall cost of the programme could be further reduced. Some of the money could also be redistributed from existing budgets within the Department, and the rest could be borrowed while interest rates are historically low. While the overall savings gained from the long-term reduction in the housing benefit bill are difficult to quantify, it is clear that, over time, as the programme delivers social rent homes, the Government could use savings in housing benefit to subsidise the programme. Therefore, although there are many factors that might impact the overall cost of the programme, it is unlikely to cost £10 billion in extra spending. (Paragraph 92)
16. *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.* (Paragraph 94)

Changes to the planning system

17. We are concerned the Government is letting history repeat itself, rather than learning its lessons from Starter Homes consultation. The Government has not conducted an analysis of the impact of implementing First Homes on the delivery of social housing through section 106 agreements. The Government has not conducted an analysis of the impact of implementing First Homes on the delivery of social housing through section 106 agreements. *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*

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. (Paragraph 99)

18. Permitted development rights can be a route to provide fast and cost-effective housing, but given that the Government is aware of concerns around their use, it should publish its review as soon as possible. We remain concerned about the lack of affordable housing obligations and lack of safeguards for quality. Without reforms, it is likely the planned expansion will further reduce the delivery of social housing through the planning system. (Paragraph 103)
19. It is right that the Government has identified the importance of reforming planning fees to support the capacity and skills of planning departments. It is imperative that local planning authorities have the right resources to deliver the social housing this country needs, and to ensure private developers deliver sufficient social housing on new developments. *We recommend that the setting of planning fees should be devolved to local authorities, with a national minimum rate. (Paragraph 109)*
20. We are mindful that the Government expects to implement substantial changes to the planning system in the near future. We will continue to monitor the impact of these changes on social housing supply, as well as scrutinising the reforms more generally. (Paragraph 110)

Right to Buy

21. *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. (Paragraph 125)*
22. The purpose of Right to Buy is to introduce a route into homeownership, and not reduce the number of social homes or to supplement the private rented sector. (Paragraph 131)
23. *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. This will require legislating to implement a covenant against letting for a five year period. This is not without precedent: Help to Buy properties include a covenant which prevents private renting. The Government's justification is that Help to Buy is designed to assist you to move on or up the housing ladder, words that could apply just as aptly to Right to Buy. (Paragraph 132)*
24. *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. (Paragraph 133)

25. 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. (Paragraph 134)
26. *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. (Paragraph 135)*

Annex A: Glossary of terms

There is no single statutory definition of affordable housing, social housing, council housing, and other terms. This can lead to a degree of ambiguity. As a result, people use different terms for the same thing or the same term for different things. To avoid confusion, this glossary sets out how we understand each term.

We use **social housing** throughout the report, as we believe it is the most commonly-used term for low-cost rented homes managed by local authorities or private registered providers, and made available to people on housing waiting lists. Other options have immediate disadvantages: **council housing** refers only to social housing managed by local authorities; **affordable housing** includes homeownership and is used both descriptively and prescriptively; **social and affordable rented homes** is more precise, but less well-known. Social housing can also low-cost home ownership, but is generally used for rented housing.

The terminology for housing has changed over time, notably because of the changes in the types or organisations providing that housing. Until the 1970s the usual terms were either **public housing** (which stressed the relevance of public finance and subsidy) and **council housing** (which stressed ownership). Both these terms are still in use in certain contexts. **Social housing** became the accepted term from the 1970s when housing associations began to play a larger part of the sector.

Affordable housing: An all-encompassing term for ownership and rented properties below market value and market rent. In Government statistics, it includes social rent, affordable rent (including London affordable rent), intermediate rent (including London living rent), affordable home ownership (the majority of which are now shared ownership).²⁸⁹ In the definition for planning purposes in Annex 1 of the National Planning Policy Framework, it also includes starter homes (now defunct), discounted market sales housing, “relevant equity loans”, and rent to buy.²⁹⁰ Both Help to Buy equity loans and ISAs are described the Government as “affordable home ownership schemes”.²⁹¹

Affordable rent: Introduced in 2011, affordable rent is a form of social housing allocated in the same way as social rented homes, where the rent level is up to 80 per cent of market rent.

Council housing: Prior to the introduction of housing associations, social housing was often known as council housing, as all forms of social housing were provided by local authorities. The term is still used to describe social housing owned by local authorities.

Intermediate rent: Sub-market rent where the rent does not exceed 80 per cent of the current market rate. Distinct from affordable rent as it is not connected to housing waiting lists. This often includes schemes with specific eligibility criteria, like key workers. There is sometimes a future opportunity to purchase the property as part of the intermediate rent arrangement.

289 See, for example, the definitions in used in [Live tables on affordable housing supply](#)

290 MHCLG, National Planning Policy Framework, February 2019, [CP 48](#), Annex 2: Glossary

291 MHCLG, [‘Affordable home ownership schemes’](#), accessed 6 July 2020

Shared ownership: A low-cost homeownership scheme where a person purchases an initial leasehold share of between 25 per cent and 75 per cent of a house, with the option to increase their share later on. The register provider owns the remaining share and the purchaser must pay rent on this remaining share.

Social housing: Low-cost rented homes managed by housing associations and local authorities, offered to people on housing waiting lists. For the purposes of regulating social landlords, social housing is defined in Sections 68 to 71 of the Housing and Regeneration Act 2008 as low-cost rental and low-cost homeownership accommodations. Low-cost rented homes must be let to people whose needs are not adequately met by the commercial housing market.

Social rent: Social housing owned and managed by local authorities and other private registered providers, for which target rents are determined through the national rent formula (which has typically been around 50 per cent of market rents). The national rent formula takes account of values of properties and local earnings relative to national earnings, with a ‘bedroom weighting’ factor. Social rent may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with Homes England.

Tenure: Housing tenure describes the legal status under which people have the right to occupy their accommodation. The most common forms of tenure are homeownership (including owned outright and mortgaged) and rented (including social and private rented housing). The Government now uses the term tenure—rather than sub-tenure or type—to include different types of social provision usually defined by the type of rent set or different types of ownership model such as a shared ownership.

Formal minutes

Monday 20 July 2020

Members present:

Mr Clive Betts, in the Chair

Ian Byrne Paul Holmes
Brendan Clarke-Smith Rachel Hopkins
Ben Everitt

Draft Report (*Building more social housing*) proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 135 read and agreed to.

Annex and Summary agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned until Wednesday 22 July at 9.00am.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 9 September 2019

Greg Beales, Director of Communications, Policy and Campaigns, Shelter; **Kate Henderson**, Chief Executive, National Housing Federation; **Terrie Alafat**, Chief Executive, Chartered Institute of Housing [Q1–48](#)

Professor Ken Gibb, Director, UK Collaborative Centre for Housing Evidence; **Kathleen Scanlon**, Distinguished Policy Fellow, London School of Economics; **Professor Ian Cole**, Sheffield Hallam University [Q49–83](#)

Monday 21 October 2019

Fiona Fletcher-Smith, Group Director of Development and Sales, L&Q; **Clare Miller**, Chief Executive, Clarion Housing Group; **Ged Walsh**, Director of Development and Asset Management, Karbon Homes [Q84–145](#)

Brian Robson, Executive Director (Policy and Public Affairs), Northern Housing Consortium; **Matt Thomson**, Head of Planning, Campaign to Protect Rural England; **Victor da Cunha**, Chair, Homes for the South West [Q146–174](#)

Monday 9 March 2020

George Clarke, TV presenter and housing campaigner [Q1–37](#)

Councillor Rachel Blake, Deputy Mayor and Cabinet Member for Planning, Air Quality and Tackling Poverty, London Borough of Tower Hamlets; **Mayor Philip Glanville**, London Borough of Hackney, and Member of the Environment, Economy, Housing and Transport Board, Local Government Association; **Deputy Mayor Lynn Hinnigan**, Cabinet Member for Housing, Liverpool City Council; **Councillor Richard Johnson**, Executive Councillor for Housing, Cambridge City Council [Q38–84](#)

Monday 8 June 2020

Tom Copley AM, Deputy Mayor for Housing and Residential Development, Greater London Authority; **Nick Walkley**, Chief Executive, Homes England [Q85–116](#)

The Rt Hon Christopher Pincher MP, Minister for Housing, Ministry of Housing, Communities and Local Government; **Tracey Waltho**, Director General, Housing and Building Safe, Ministry of Housing, Communities and Local Government [Q117–170](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

[See the list of written evidence](#) submitted to the inquiry during the previous Parliament.

DSH numbers are generated by the evidence processing system and so may not be complete.

- 1 Affordable Housing Commission ([DSH0019](#))
- 2 CPRE ([DSH0021](#))
- 3 Chartered Institute of Housing ([DSH0024](#))
- 4 Confederation of Timber Industries ([DSH0017](#))
- 5 Country Land and Business Association ([DSH0009](#))
- 6 David Kutas ([DSH0020](#))
- 7 Dolphin Living ([DSH0018](#))
- 8 Home Builders Federation ([DSH0008](#))
- 9 Homes for the North ([DSH0023](#))
- 10 Karbon Homes ([DSH0003](#))
- 11 Labour Housing Group ([DSH0025](#))
- 12 Liam Halligan ([DSH0011](#))
- 13 Local Government Association ([DSH0006](#))
- 14 London Borough of Tower Hamlets ([DSH0014](#))
- 15 Maureen Corcoran ([DSH0027](#))
- 16 National Housing Federation ([DSH0026](#))
- 17 New Economics Foundation ([DSH0012](#))
- 18 Northern Housing Consortium ([DSH0005](#))
- 19 Royal Institution of Chartered Surveyors ([DH0013](#))
- 20 SHOUT ([DSH0015](#))
- 21 The Almshouse Association ([DSH0007](#))
- 22 Tom Copley ([DSH0028](#))
- 23 Tom Kenny ([DSH0010](#))
- 24 UNISON ([DSH0022](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2019–21

First Report	Protecting rough sleepers and renters: Interim Report	HC 309
First Special Report	Waste Strategy: Implications for local authorities: Government Response to the Committee's Nineteenth Report of Session 2017–19	HC 363
Second Report	Cladding: progress of remediation	HC 172