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New opportunities = new homes?

About the author

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We are grateful to Wates for permitting use of the photograph representing the Bromley Scheme's first purchaser and the quotation on page 2, and to Social Housing magazine for use of statistics which have appeared in their issues in 2019 and 2020.

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FOREWORD

Robert Jenrick and Chris Pincher, Secretary of State and Minister of Housing and Planning respectively, should spend an hour reading the well-informed and at times radical document produced by Simon Randall and the Society of Conservative Lawyers; and then instruct civil servants to ensure the housing strategy paper expected shortly adopts their recommendations.

The paper is written with Simon's deep insight into the public and private sectors of the housing market, combined with an acute sense of the Government's vulnerabilities on the housing front. To help young people aspiring to home ownership, who see their prospects disappearing, the paper proposes new schemes for Low Cost Home Ownership using Land Value Capture, and the adoption of the "Bromley Model" on land owned by local authorities.

For those for whom social housing is the right answer it suggests increasing relets by promoting Portable Discounts for current tenants a policy I have long favoured – and encouraging local authorities to sell high value properties by enabling them to keep 100% of the receipts. A preferable policy to the option in the 2016 Housing and Planning Act which topsliced the proceeds. Selling a few houses in one road could enable Islington Council to build around 100 flats. But Ministers may pause as the suggestion that life time tenure for social tenants should be reviewed – "a bold suggestion" as Sir Humphrey might have said.

The paper brims with ideas for reforming the funding and governance of Housing Associations, getting more institutional investment into rented housing through REITs, tweaking the planning system – and much else.

The Rt Hon Lord Young of Cookham CH PC

NEW OPPORTUNITIES = NEW HOMES?

Introduction

On 12 March 2020, a day after the Budget and a few days before the start of the first Covid-19 lockdown and the Chancellor's announcements on supporting the nation's employees, Robert Jenrick, the Secretary of State for the Ministry of Housing, Communities and Local Government ("**MHCLG**") set out plans for "the future to get Britain building" and promised a range of further proposals covering planning, building safety and private renters together with a social housing White Paper. The announcement stated that "taken together these will form the bedrock of a housing strategy to be published later in the year, setting out our longer-term plans to deliver the homes this county needs and create a fairer housing market". The economic effects of the lockdown including the huge amount of government borrowing will inevitably involve a considerable adjustment of housing priorities taking into account increased emphasis on homelessness, the need for greener and safer housing with better quality design and stimulating greater attention both to investment in our housing and attracting alternative (and new) sources of finance.

Jenrick's March 2020 paper, titled "Planning for the Future", has joined a myriad of announcements over the years including the "Fixing Our Broken Housing Market" White Paper in February 2017, "A New Deal for Social Housing" in August 2018 and the most recent (confusingly also named) "Planning for the Future" White Paper in August 2020 addressing planning. These are coupled with a plethora of financial announcements and commitments such as the recent £11.5 billion Affordable Homes Programme over five years which appeared to involve confirmation of sums contained in the last Budget.

However the expenditure arising from the Covid-19 pandemic and the moral obligations arising from the costs associated with the Grenfell unsafe cladding affecting 500 high rise flats (as well as many lower height blocks which fall outside current provisions for help) across England, enhanced green building regulations for new homes at £10 billion and home insulation for existing homes plus programmes aimed at eradicating rough sleeping will require difficult decisions on priorities.

Summary

This pamphlet explores some of the issues referred to above after drawing attention to a number of key housing statistics dealing with changes in housing tenure between 2001 and 2019, highlighting the condition of our housing stock and aspects of housing benefit, with statistics as to housing ownership by local authorities and housing associations. The pamphlet stresses the importance of treating social housing stock as an investment with a view to its sale and reinvestment of the proceeds and rationalising its stock where better value for money could be achieved.

The Right to Buy ("**RTB**") is considered in some detail with a new proposal for a Portable RTB to assist any existing local authority or housing association tenant to buy a private sector home. Some comments are incorporated upon the Planning for the Future White Paper.

The important issue of intergenerational fairness in the provision of housing is raised in the context of ideas to increase the number of available homes for younger people and couples including the issue of low cost home ownership through the Bromley Model promoted nearly 50 years ago.

“Bromley – a unique partnership

Work has started on 404 homes to be built over the next two years in conjunction with London Borough of Bromley. Won in competition, this link with a local authority is unique and the first ever of its kind in this country.

Wates designed the scheme and Wates are going to build it. We are going to sell all the properties but, and this is the unique part, they are to be sold to people on the Bromley housing list or those in council homes.

This is the important and different aspect of the link. As far as Wates are concerned customers will be helped in exactly the same way as we have always helped our customers. They will have the same brochures, assistance with mortgages and after-sales service. To all, outward appearances the development will look just like any other Wates development. But as the land cost is subsidised by the Council, it will be possible to offer homes at a much lower price. And they will only be offered to those on the council list. Would-be purchasers having to apply to Bromley housing department who will vet applicants and pass on those who are suitable to our housing sales department.”

The first purchasers of a house on the estate were Mr & Mrs Victor Soffe. They were handed their keys on 1 November 1973 by Reginald Eyre MP, then Parliamentary Under-Secretary of State at the then Department of the Environment. Victor Soffe said “It’s always been my ambition to own a home by the time I was thirty – I was thirty yesterday!”

The future of housing associations is raised in the context of accountability, charitable status, change of emphasis in regulation and the role of tenants and shareholders. The significant assets owned by the housing association movement reinforces the need to maintain a robust regulation regime. A section on new financing for housing associations highlights the potential for real estate investment trusts (“**REITs**”) and the desirability of institutionalising investment in the private and affordable rented sector so that it becomes a recognised recipient from pensions funds and private investors alike.

We urge the government to look urgently at the opportunity to create land value capture (“**LVC**”) to facilitate its challenging housing targets by an amalgamation of all existing taxes and charges on land to support infrastructure costs, promote the Bromley Model on new developments and affordable housing.

Lastly, we provide a snapshot of housing policies in a number of European countries which echo some of those in England.

Introductory Statistics

The Dwelling Stock Estimates published a few weeks ago by the MHCLG for the year ended March 2019 for England make sober reading particularly when comparing the figures for the various tenures between 2001 and 2019 as illustrated below:

Table A

Owner-occupied	Private renting	Housing association Rented	Local authority or other public sector	Total
2001 – Thousands of dwellings				
14,735 (69.5%)	2,133 (10.1%)	1,424 (6.7%)	2,915 (13.8%)	21,207
2019				
15,581 (63.8%)	4,725 (19.4%)	2,479 (10.2%)	1,629 (6.7%)	24,414

The number of vacant dwellings in England on 7 October 2019 was 648,114 – or 2.6% of the dwelling stock – which included 225,845 of long-term vacant dwellings both of which figures were an increase on the previous year.

The statistics as a whole show the drop in social renting over the period due partly to the effect of the right to buy and the drop in local authority housing and corresponding increase in housing association stock is due to the large scale voluntary transfer of stock during the early years of the period. The private rented sector has had a sustained increase throughout the period owing to initiatives to encourage growth, such as the former Business Expansion Scheme, introduction of REITs and prospects of both capital gain and net returns plus the availability of buy to let mortgage loans.

The English Housing Survey for 2018/19 contained various statements relating to the condition of our housing stock which had improved over the years but in 2018, 18% or 4.3 million homes did not meet the Decent Homes Standard with social rented homes representing 12% of the above total and privately rented homes representing 25%. The Decent Homes Standard required dwellings to meet the statutory minimum standard for housing under the Housing Health and Safety Rating System, be in a reasonable state of repair, have reasonably modern facilities and services, and provide a reasonable degree of thermal comfort. It was estimated that the cost of the work to bring all homes up to Decent Homes Standard (where the cost was around £7,500 per home) would be around £32 billion with the private sector costing £29 billion alone, local authorities having benefited from Decent Homes funding.

Another element of the English Housing Survey 2018/19 covered the proportion of social housing and private renters receiving housing benefit outlined in Table B below.

Table B – Housing Benefit Recipients

	Private Renting	Local Authority Renting	Housing Association	All Renters	London	Yorkshire
% receiving some housing benefit	20.3	59.7	55.9	37.6	–	–
% where benefit exactly covers rent	17.4	51.6	51.3	41.8	33.1 (Lowest)	52.6 (Highest)
% where benefit covers part of rent	82.6	45.1	46.4	56.1	64.5	44.5

This table shows the percentage of tenants of both local authorities and housing associations receiving 100% support for their rent and the fact that London renters as a whole have the lowest housing benefit support in England.

The other group of statistics which informs the proposals in this pamphlet relates to those local authorities who have retained their housing stock within the housing revenue accounts (HRAs), these statistics were contained in the Social Housing magazine issue for May 2019 and relate to the year ending 31 March 2019. A summary of the statistics is in Appendix 1.

The information on the sample of local authorities is intriguing in that the local authorities with the largest housing stocks are Birmingham and Leeds with over 61,000 and nearly 56,000 homes respectively and the London Boroughs owning the highest value stock. The latter include Southwark with stock valued at £3.4 billion, Islington at £3.2 billion, Lambeth at £2.4 billion, Camden at £2.7 billion and Hackney at £2.5 billion. The authorities with the highest value per unit are Barnet at £200,428 and Brighton & Hove at £172,863. The implications of these figures are discussed below.

The Housing Crisis?

There has rarely been a period in our recent history when governments of whatever colour have not stressed the importance of increasing housing supply to increase opportunities for home ownership or the provision of affordable or social housing for those unable to contemplate ownership or renting on the open market. We use the term “affordable” or “social” in the same context. Indeed there has often been a competition as to which party would promise to build the most housing during their term of office for both the private, public and housing association sectors. As the figures above show home ownership and social housing has dropped as a percentage over the last twenty years and private renting has increased. However, the Covid-19 pandemic has created both new opportunities and obligations upon government which will need to be taken into account. These include the fallout from the Grenfell Tower disaster, commitments to rough sleepers and the imperative of incorporating the new green standard for homes which, in October 2019, was estimated to cost housing developers £10 billion over 70 years.

Social Housing as an Investment

The House of Commons Housing, Communities & Local Government Select Committee started work on its review of affordable housing in the Summer of 2019 only to have their work curtailed by the December General Election. They received many submissions from interested parties, one of the more important of which was from the Local Government Association ("**LGA**"). The LGA stressed that *"social housing should be treated as an important national investment and seen as a desirable long-term option for a home" on the basis that any policy for "social and affordable rented housing [should provide] a stable financial environment for councils and social landlords. This means setting out plans for long term investment, for example through grant funding and support for infrastructure, and giving long term certainty over funding through borrowing, rent-setting and Right to Buy".*

Values and Returns

Any investor in property or any other assets needs to review their investments regularly both to realise any increase in value and make new investments. Local authorities and housing associations alike are always reluctant to sell any property even though such property could realise a significant sum from the private sector and/or be subject to refurbishment/repair with private finance. This is partly evidenced from Appendices 1 and 2 taken from Social Housing which indicate the size and estimated value of the housing stock owned by the largest local authorities and housing associations. These Appendices record that Birmingham and Leeds have the largest local authority housing stocks which, in turn, are significantly smaller than the four largest housing associations, and the total value of the housing association assets is not surprisingly far higher than the local authority stock. However the asset value and debt per unit reflects the higher value in London, although the local authority debt per unit is low for the London authorities with significant equity.

Freedom of Information Requests have been lodged with a number of London authorities to ascertain the extent of their individual street properties within a number of better residential areas and the first response (in mid-2019) from London Borough of Islington revealed that in six wards there was a total of about 3,000 properties divided as to flats, maisonettes and entire freehold properties with 354 of the latter. A more detailed examination in one ward indicated that the Council owns a large number of early to mid-Victorian street houses, which are always identifiable by a contracted scaffolding firm used for maintenance of Islington's properties, and the houses with vacant possession would fetch between £1.5 and £3 million where potential open market rents would be around £5,000 per calendar month for a four bed house or £1,950 per calendar month for a one bed flat.

Using the figures for Islington in Appendix 1, this equates with an average rent of £8,560 per year and an average asset valuation per property of £128,134.

There is one road in Barnsbury where Islington Council in the 1970s purchased freehold interests in 19 of the road's 25 grade II listed 1820s four storey houses, 16 of which are still owned. Details from HM Land Registry indicate that the Council have six of these houses in hand, seven have one flat owned by a leaseholder and the remaining three involve combined properties with five leaseholders. There have been few sales within the privately owned properties in the road although one whole house sold for £2.2 million in 2017, and two RTB leasehold flats sold for approximately £1 million in 2016 and one two-bedroomed flat is currently on sale for a similar price. It is difficult to place an accurate value on the Council's stock in the road as there are either two large or three smaller flats in each sub-divided house, but if each house in hand fetched £2.5 million, and there were at least ten two-bedroomed flats in the remaining houses, these could be valued at between £800,000 and £1 million. The total value could be around £22 million. Estimates from Architecture for London indicate that the cost of building a new two-bedroomed flat (including common parts) on land owned by the Council could be between £200,000 and £250,000 excluding professional fees and financing costs. Thus if the Council was permitted to retain the entire proceeds of sale of these properties it could build about 100 new flats and extend their building programme without additional borrowing.

The Need to Rationalise Stocks

Local authorities and housing associations generally hoard properties and rarely sell any other than through the right to buy. The larger housing associations also have properties in many different local authority areas arising principally through mergers with other associations. The January 2020 issue of Social Housing produced statistics of such ownership and Table D records details for the largest associations. Places for People have property in 215 local authority areas, Clarion Housing Group are in 161, Sanctuary Group (191), Guinness Partnership (127), Metropolitan Thames Valley (103) and L & Q (79). Clarion's details were contained in Social Housing and recorded that in 25 local authority areas they had no more than 19 properties in each one. Clarion realising that it could reduce its overhead costs and enable local associations to cater for those tenants is currently engaged in rationalising its stock. More housing associations should be encouraged to engage in rationalisation as frequently their tenants may live many miles away from the nearest management office.

The government removed the HRA borrowing cap at the end of 2018 and thus it is tempting for local authorities to take advantage of record low interest rates to fund the building of more council housing particularly bearing in mind the significant amount of equity available and detailed in the largest local authorities in Appendix 1.

The need to use powers under the Housing And Planning Act 2016

However, the government should consider two options to reduce the amount of additional borrowing. Under Sections 69 to 79 of the Housing and Planning Act 2016 the government have powers – but not yet activated – to implement provisions whereby local authorities with vacant higher value property are obliged to make payments to the Secretary of State from the proceeds of sale. The government should actively encourage the sale of such vacant properties by permitting authorities to retain the entire proceeds of sale on condition that these were reinvested in the construction of new council housing within their boundaries or elsewhere or refurbishment of existing homes. Alternatively in the light of the estimated expenditure of £29 billion required to upgrade the private rented sector, local authorities should use such proceeds in this sector if necessary using compulsory purchase powers and exercising their new powers and obligations under The Homes (Fitness for Human Habitation) Act 2018 and the Fire Safety and Building Safety Bills necessitated following the Grenfell disaster. These obligations should apply to local authorities, housing associations and the private sector.

Right to Buy

We also consider that the government should permit local authorities to retain 100% of the proceeds of right to buy sales to be used for the two purposes referred to above. The table below records the right to buy statistics produced by the MHCLG in March 2020.

Table C – Right To Buy Statistics For Local Authorities

Year	Number of Sales	Right to Buy receipts £ millions	Starts on site and acquisitions
2012 – 13	5,944	367.9	574
2013 – 14*	11,261	750.7	1,397
2014 – 15	12,304	930.9	2,459
2015 – 16	12,246	985.4	2,507
2016 – 17	13,427	1,128.7	4,749
2017 – 18	12,876	1,016.1	5,134
2018 – 19	10,225	878.4	4,900

* *Increased London RTB discount*

In the last full year there was a significant shortfall of just over 5,000 homes as between the number of RTB sales and number of starts on site or acquisitions. As local authorities only retain a third of RTB receipts with the remainder being kept by the Treasury, a proposal for the former to retain 100% of the proceeds would go a considerable way towards covering the annual sales in the future and reducing previous losses.

The RTB provisions should remain in force and one member of our working group, Judith Barnes, has a scheme as an additional or alternative to right to buy without the resulting loss of any social housing (see following two sections).

A Portable Right to Buy

Housing regularly comes high on the list when the public's concerns are canvassed. This has turned the spotlight back onto social housing, reviving questions about the sale of council houses.

The RTB has never been without its critics but it has proved its worth over the years. The benefits are undeniable. Hundreds of thousands of council tenants have been given the chance to own their home and pass it on to their children. Many of them were doubtless in need of a subsidised home when they first became council tenants, but had long ceased to qualify, so it removed the burden of subsidising their housing from the taxpayer.

It all came at a price and not just the cost to the public purse of the discount allowed; it removed a home from the stock of council housing available for those who did need a subsidy from the taxpayer. For many years governments, whether Conservative or Labour, largely addressed this by facilitating the switch of provision of affordable housing to housing associations rather than councils through large scale voluntary stock transfer.

The result was that, by the mid-2000s (as shown in Table A), the amount of social housing in the hands of housing associations was beginning to outstrip that provided by councils and the total social housing stock in England had reduced from some 5 million in the early 1980s to just under 4 million. It did not, of course, follow that a million households in need went without homes; housing benefit was available for those renting in the private sector, as recorded in Table B.

Then came the expansion of the EU in 2004, which led to a marked increase in the population of the UK, while the financial crisis saw a drop in the number of houses built in the private sector. So housing generally has been in short supply in recent times, pushing the cost of buying beyond the means of an increasing proportion of the population and driving up rents.

A New Portable Use of the RTB Discount to Buy Private Sector Homes

This prompted a pivot back towards council housing by the Coalition government and subsequently the Conservative government. But to many it will not make sense that local authorities are empowered to build social housing and at the same time forced to sell it. There is a way to avoid this contradiction, while preserving RTB and the benefits it brings. It would involve revamping RTB so that it is no longer a RTB for the home the tenant occupies, but a right to use the discount to buy a home in the private sector and it would be attractive for a tenant who wished to move away from the area.

This is the way it would work:

- The tenant would get a valuation from the local authority of the market value of the council-owned property the tenant occupies and the amount of the discount for which the tenant is eligible – just as the tenant would now, if thinking of exercising the RTB.
- Instead of buying the council-owned property for its market value less the discount, the council would pay an amount equal to the discount towards the price of a property the tenant has chosen to buy in the private sector.
- The tenant would finance the balance of the purchase price by getting a mortgage – just as the tenant would if exercising RTB in its current form.
- The portable discount would be subject to repayment if the new property was sold within (say) seven years or, as an alternative, an interest free loan.

This Portable Right to Buy would deliver many benefits. The home vacated by the outgoing tenant would become immediately available for a new tenant. The proceeds of a sale would be foregone, but, with the sale price discounted, those proceeds of sale are likely to be less than the cost of building a new home; so the change would mean savings for councils in delivering vacant homes for rent. It would increase the number of people able to buy in the long term, as a tenant exercising the RTB would free up a home, whose new tenant could in turn be eligible for RTB. Lessons learned from earlier attempts should be taken into account in this new scheme.

There are obvious benefits for the tenant, who would have greater choice in what to buy and where, and, in particular, the size of the property. Those looking to downsize after raising a family could opt to buy a smaller home, thus reducing the proportion of the price they would otherwise have to finance themselves (and also mitigating the under-occupation of homes by older people, a problem which affects all sectors of housing). Buying in the private sector might have been difficult in recent times, given the shortage of housing. This is changing though, with the number of houses started and completed in the private sector in England in 2017/18 at its highest since 2007/8.

Would tenants still buy if they had to look for a home in the private sector? Experience to date suggests they would. Some councils run schemes under which council tenants are offered a payment towards a home in the private sector if they agree to move out of their council home. These schemes have, according to Shelter, proved popular even though the payment offered is less in many cases than the discount obtainable on exercising the RTB. (Such schemes, which have been a valuable adjunct to RTB, would no longer be necessary if this proposed reform is adopted.) Here is a reform that could appeal to council tenants as well as playing a valuable part in providing social housing faster and more cheaply than under current policy. Consideration should be given as to whether, and the extent to which, the Portable RTB applied to housing association tenants with the preserved RTB or any new housing association RTB.

Tackling Intergenerational Issues in Housing

Intergenerational fairness is an increasingly pressing concern as acknowledged in a House of Lords Select Committee Report of April 2019 and no more so than in the provision and availability of housing for young people and couples. There are always concerns that the younger generation currently look forward to a less prosperous future than the older generation in the context of the latter often living in high value and mortgage-free homes and the former likely to pick up the cost of the older generation's care. However there is an opportunity to start remedying this unfairness through suggestions such as ensuring there is adequate and suitable housing for all age groups particularly to facilitate downsizing by the older generation within their existing communities as suggested by Alex Morton in his April 2013 Policy Exchange paper.

We have some further concrete suggestions which could be implemented as part of the suggested land value capture policy and perhaps the Bromley Model of low cost home ownership could be incorporated in plans for the £8 billion community at Thamesmead for which the joint venture between Peabody Trust and Lendlease is seeking a "visionary masterplanner" as referred to in two articles in the Times on 30 October.

Ideas to Increase Number of Available Homes

Vacant homes

As mentioned on page 3, as at October 2019 there were over 640,000 vacant properties with over 225,000 long-term. Some action has been taken with government funding and range of powers available to local authorities but the numbers continue to increase. Bringing these properties back into use should be given a greater priority by, for example, enabling local authorities to give empty property grants for essential repairs to bring them up to decent homes standard. The usual conditions require the property to be let on a private sector lettings scheme to people nominated by the authority or to key workers and the recipient must retain ownership and rent the property for a minimum of 5 years. The charity, Action on Empty

Homes has drawn attention to the fact that use of the empty homes could help the NHS during the Covid-19 pandemic particularly as it is estimated there are an additional 100,000 Airbnb lets also standing empty.

Low cost home ownership – the Bromley Model

The 2018/19 English Housing Survey statistics recorded that there were around 727,000 first time buyers in England, compared to around 785,000 in 2017/18. The average age for first time buyers was 33 years (37 in London) which was 5 years older than the average age in 2007 (28 years old). During 2018/19, 56% of private renters (2.4 million households) and 27% of social renters (1.1 million households) stated that they expected to buy a property at some point in the future. These statistics graphically illustrate the difficulties for young people wishing to buy their first home and the aspirations of tenants of both housing associations and local authorities. Robert Jenrick promises to build 180,000 discounted homes for new buyers. This idea is not new as nearly 50 years ago Bromley Council, joined with Wates to promote a low cost home ownership scheme on two areas of land owned by the council in Orpington consisting of unused land in Zelah Road/Bournewood Road and the former Poverest Allotment Site. The Wates press announcement at the time is reproduced on page 2 above.

The purchasers of the 405 homes were existing council tenants, those on the waiting list, key workers including teachers. The estates were built on two ten acre sites and the homes were two and three bedroomed houses, and one and two bedroomed flats. The former were over five times over-subscribed and they were sold for approximately £11,000, whilst the flats were £8,200 and £9,600. The two estates are now described by local estate agents as "popular".

All necessary approvals were obtained from the then Department of the Environment and there was a requirement to repay a proportion of the subsidy if the house was sold by the purchaser within a fixed period. Wates gained their usual building profit on construction costs.

A similar scheme has reportedly been introduced in Cambridgeshire and Peterborough, and could well be promoted by housing authorities or housing associations on available land owned by them including in particular the 160 authorities who have transferred their housing stock and no longer have a housing revenue account, and community land trusts in rural areas could undertake similar schemes. Such a scheme could be introduced under a system of LVC discussed below.

In any event, public accountability requires that this potentially very significant initiative must account for and actually allocate monies to the infrastructure costs of servicing the publicly owned land in the overall appraisal in the same way that any privately own land must.

Efficient use of Social Housing

Many local authorities and housing associations have adopted schemes to reduce under-occupation of their homes which should clearly be encouraged. The time is perhaps right for the government to activate the provisions of Section 118 and Schedule 7 of the Housing and Planning Act 2016 to phase out lifetime security for local authority tenants in the light of the growing pressure for such housing.

More importantly in the light of the huge changes in employment opportunities due to the pandemic, there should be an increased effort by local authorities and housing associations to actively encourage social housing mobility. A right to move was incorporated under Section 160ZA of the Housing Act 1996 and brought into force under The Allocation of Housing (Qualification Criteria for Right to Move) (England) Regulations 2015 (SI 2015 No.967). This right would enable direct transfers or exchanges pursuant to employment opportunities which could be extended for tenants wishing to be close to other family members.

Future of Housing Associations

Housing associations were originally formed by a small number of committed individuals who formed an industrial and provident society as its corporate entity to provide rented housing on a local and limited basis. There had been in existence a number of charitable trusts providing housing for working people formed by philanthropists such as George Peabody, Samuel Lewis, Sir Edward Guinness and William Sutton. Since then they have developed into large residential property-owning entities and the race to become the largest is evident from Appendix 2 with significant turnover and assets. Over the years regulation of the sector has grown as increasing amounts of public housing grant have been provided towards development costs moving from the Housing Corporation (of blessed memory) to the current independent Regulator of Social Housing ("**RSH**") as recommended in the Government's 2017 White Paper.

In the 2017 White Paper the Government reiterated *"its position that housing associations belong in the private sector and we are committed to implementing the necessary deregulatory measures to allow them to be classified as private sector bodies"*. Indeed the housing association governance regime does not reflect modern expectations of such large private sector entities and we explore some of the issues below.

Housing associations have a somewhat privileged existence and benefit from the following:

- Charitable status with its huge tax benefits including ability to covenant profits for non-charitable activities undertaken by its subsidiaries, joint ventures or associated entities to save corporation tax.
- Ability to access social housing grant although the contribution toward development costs has been reducing dramatically over the years and its long term future may depend upon various factors, including operation of Section 106 and low interest rates.
- Over 50% of their tenants have 100% of their rent paid through housing benefit which underpins their rental income (See Table B).
- As housing association surpluses are ploughed back into the business, this enables them to have a high credit rating.
- An antiquated governance system inherited from the industrial and provident regime based upon shareholders purchasing a share for £1 whose role is generally limited to formal approvals at annual general meetings and occasionally approving a merger with another association.

Housing Associations should not be treated as "Public Bodies"

The principal downside for associations is the fact that they are obliged to observe the public procurement regulations following discussions which took place between the then Deputy Prime Minister John Prescott and his opposite number in Paris. This arose from a mistranslation of the original 1977 European Commission Directive 2004/18/EC.

Associations should never have been included as a "public body" under the regulations. Sadly the government has introduced draft regulations which simply accept the existing Public Contract Regulations 2015 with amendments consequential upon our departure from the EU. It is to be hoped that further amendments will be introduced soon after January 2021 to delete housing associations as public bodies and anglicise the new regulations as a whole.

Key issues for housing associations:

- **Accountability** – housing associations have created structures often with a parent corporate entity which controls activities within the group, appoints (and dismisses) boards members in subsidiary entities, appoint auditors for the group and appoints and approves the Chief Executive's remuneration. This creates a self-perpetuating oligarchy as the only shareholders of the parent are often the board members. Vesting responsibility for assets of up to £12 billion and a gross turnover of up to £900 million to a small board, however talented and experienced, would not be acceptable in the private sector with range of investors.
- **Charitable status** – most housing associations are charities and, as community benefit societies, responsibility for charitable supervision rests with the RSH. There is anecdotal evidence that little interest is taken by the RSH in the charitable activities of registered housing associations including, in particular, the extent to which the non-charitable or trading activities are supported, financially or otherwise, by the charitable arm. Many housing associations are involved in trading activities including building homes for sale or market renting, and, in one case, supporting a subsidiary specialising in providing leisure activities which will have suffered from restrictions imposed during the Covid-19 pandemic.

  The very recent Supreme Court decision in *Lehtimäki and others v Cooper [2020] UKSC 33* raises some potentially far-reaching implications for all charitable corporate entities and, in particular, the obligations of their shareholders or members. It implies that this class of individuals may be expected in future to have a greater involvement with charity decision-making.

  We consider that regulation of housing association charitable activities should become a shared responsibility between the RSH and the Charity Commission. Social Housing magazine has highlighted the increasing dependence of associations on shared-ownership or market sales and details of the larger associations appear in Appendix 4 although with variable net surpluses.
- **Social housing tenants** – in the Government March 2020 paper Planning for the Future there was a proposal to "bring forward reforms to ensure that residents in social homes are treated with dignity and respect. These measures will empower tenants, provide better redress and regulation and improve the quality of social housing". This Social Housing White Paper was published on 16 November 2020 and some of the proposals in this pamphlet could add weight to the recommendations in the White Paper. For example, some housing associations do not have tenants or residents serving on their boards and this should be a mandatory requirement with obligations to provide all assistance and training for them to undertake this important role. All of this opportunity for tenant decision-making should be supplemented by active involvement and consultation accompanied by element of self-help in individual communities. The RSH's Consumer Regulation Review 2019/20 contains encouraging and detailed comments on the RSH's operation in this area, covering housing associations and local authorities. In addition

the proposals for supporting the Bromley Model for low cost home ownership and the Portable RTB should apply to housing association tenants as hinted at in the White Paper.

- **Shareholders** – some associations regard shareholders as a nuisance and on occasions arrange for their boards to appoint additional compliant shareholders to ensure controversial rule changes can be implemented. The role and function of shareholders needs to be reviewed as their involvement should be regarded as an important element to increase accountability. The provisions of the Corporate Insolvency and Governance Act 2020 created a heaven-sent opportunity to reduce or eliminate any discussion of controversial issues by shareholders at annual general meetings through Zoom meetings controlled electronically by the chair.
- **Funding** – housing associations have been hugely successful in raising funding from full range of sources through direct borrowing and bond issues as they are seen as a safe harbour. Indeed some funders are now creating their own entities to invest directly in social housing, including supporting local authorities housing the homeless, with underpinning from either local authorities or housing benefit. We set out below some alternative sources of capital.
- **Regulation of Vast Assets** – the need to strengthen the RSH. The RSH and its role must be strengthened in a number of areas because it is now responsible for housing associations in England with close to 3,000,000 homes, a total turnover of over £19.5 billion, pre-tax surplus of £3.3 billion and assets, of the largest English associations, valued at £168 billion according to the December 2019 edition of Social Housing. In addition the sector has between 1986/87 to 2016/17 benefited from government grant totalling £60 billion. The areas of concern are as follows:
  - The RSH has inherited a range of standards from its former parent body the Homes & Community Agency which will have been incorporated in their own new and updated manual. Both the RSH and housing associations take their roles and expectations seriously and diligently when dealing with the important governance and financial viability ratings which are published and updated regularly for the benefit of funders and other organisations dealing with associations. The RSH needs to continue its more robust approach to all housing associations to ensure they observe these standards including a more sceptical approach to the creation by merger of such large housing association groups, thereby supporting smaller associations whose local focus benefits the communities they serve.
  - The RSH should appoint experienced forensic accountants to examine the audited accounts of selected housing associations as there are growing concerns at the reducing choice of auditors. This reflects the current concerns about, and reducing confidence in, the audit sector as a whole where the Institute of Chartered Accountants in England and Wales found, in a report issued in September 2020, that 26% of audits were substandard.
  - The RSH appears to adopt a light touch approach to some housing associations which, if true, is misguided and may occasionally be due to a reluctance to become involved with the decision-making of the association. In the light of the growing challenges being faced by the sector, the RSH must treat all associations with the same amount of supervision and support. To date only one housing association has collapsed and was bailed out by another larger association. If (because of such inadequate supervision) such a fate befell one the associations listed in Appendix 2, bailing out would present the sector with huge difficulties. They are "too big to fail".

We have referred to the perceived lack of supervision of the charitable and non-charitable activities of associations and identified the potential solution above. There will be growing concerns about housing associations relying on non-charitable or trading activities to fund their charitable/social housing particularly when the former are adversely affected from market fluctuations caused by pandemics or otherwise.

New financing for Housing Associations

Some ten years ago the Policy Exchange published a pamphlet on financing housing written by Natalie Elphicke (now MP for Dover) which proposed two different housing association structures aimed at utilising housing association equity to raise capital. Since then many more funders have entered the social housing market as this investment class is regarded both as having a significant asset base, growing both in size and value, and a reasonably stable income half of which is government-backed housing benefit.

Perhaps more interesting are the three social housing REITs, namely Civitas, Triple Point and Residential Secure (ReSi) REIT, the latter specialising in shared ownership. Although the market for social housing REIT investment has been adversely affected by the Covid-19 pandemic, specialists in the field believe that the overall environment is a healthy one for investors. Indeed in the Daily Telegraph on 7 September 2020 a new REIT was announced with a view to raising £250 million to buy accommodation across the UK to house homeless people with the chairman of the company indicating that they believed that a significant opportunity exists in the UK homeless accommodation asset market.

A REIT is a tax efficient vehicle built around real property assets on the basis that no tax would be payable on either income received by the REIT from its rents or corporation tax on any profits on sales, provided that most of the REIT's taxable income is distributed to shareholders. This is attractive as the double taxation – consisting or corporation tax within the REIT and tax on dividends to shareholders – is eliminated. As indicated in Appendix 3 the four largest property companies and the two largest quoted residential landlords are all REITs. The tax advantages within the REIT approximately equate with the comparable tax regime of a charitable entity.

It is clear that despite the ability of the housing association sector to attract debt finance, the need for more social housing far exceeds the debt capacity of associations. The assets of the largest English associations are valued at £168 billion which is subject to debt totalling £74 billion plus social housing grants of about £60 billion leaving a net figure of £34 billion.

Institutionalising investment in the private and affordable rented sector

Many household names have been investing their pension and general capital funds in rented housing including L & G, Aviva, M & G and local authority pension funds. Experience from the US, Australia and Japan (amongst other countries) indicates that, in addition to pension funds, many individuals (as long term participants) have invested in the rented sector through REITs. One such entity is Camden Property Trust, a Texas REIT, with nearly 65,000 apartments which undertakes its own development, construction and management of their properties which are multi-family homes in about 200 urban and suburban communities.

Their estates are dotted throughout the US with many in Texas, Florida, North Carolina and California and their investors are often individuals identifying with the host area.

Accordingly UK REITs should be encouraged as an institutional investment both as a vehicle along the lines of the Camden REIT but also to promote investment in affordable housing. In particular the existing UK REIT structure should be simplified to permit the same entity being able to undertake all the key functions associated with the rented stock.

Although 2020 is probably not the most opportune time to consider a listing on the LSE, such a move would certainly attract new investors particularly as a reasonable and stable yield would seem possible. However there are a number of significant hurdles so far as housing associations are concerned:

- Regulatory approval from the RSH and government support would be an essential first step.
- As assets of the housing associations listed in Appendix 2 are, in each case, held by a charitable entity, there may either have to be a long lease of the housing assets to be included within the proposed REIT or, as a last resort, legislation to enable de-registration as a charity. There would be less difficulty transferring the non-charitable activities, such as market sales or renting, to the REIT.
- If the housing association were to be de-registered as a registered provider, the RSH would expect there to be appropriate regulation by another authority and repayment of any social housing grant, perhaps over a period of years. In addition the RSH will wish to ensure that there are satisfactory arrangements in place to ensure the continued protection or tenants and retention of their existing rights, which may include those with preserved RTB following a large voluntary transfer. Depending upon the situation concerning grant, the RSH will require satisfactory arrangements are in place to ensure there is no misuse of public funds.
- There would be a significant change in ethos as the former housing association would fall wholly within the private sector with greater accountability to its shareholders as investors through a new form of partnership. This could shape the future activities of the new entity to encourage further investment. This would be a natural progression to capitalise on the enthusiasm of investors for the social housing sector.

If one had any doubt as to the strength of the housing association movement, a comparison between the associations in Appendix 2 and the largest quoted property companies plus the two largest exclusively residential quoted companies in Appendix 3 shows that the former would be a match in terms of the strength of their asset values and gross turnover. The government should facilitate the move for housing associations to become REITs, improving the REIT structure and thereby attract further investment in social housing in England including stimulating the shared ownership sector.

Land Value Capture

In the August 2020 planning White Paper, it is proposed that the existing Community Infrastructure Levy ("**CIL**") be replaced by an extended Infrastructure Levy and the system of Section 106 Agreements be abolished, with the Help to Buy scheme being extended by an earlier announcement to 31 March 2023. We agree with the intention behind the desire expressed in the White Paper to capture more land value than currently and would emphasise that the current system fails in this despite having the tools available to do so. If greater LVC is to be achieved then the process needs to be embedded in the system in a way that recognises accountability for land value generated and ensure that the costs of delivery are fully captured in appraisal. We therefore think the government needs to be strategic as well as ambitious if LVC is to be embedded in a national planning system as to date LVC has only be partially addressed as part of a sporadic opportunity-led approach to accelerating housing delivery.

LVC has been considered by both the Housing, Communities and Local Government Select Committee in the House of Commons and the All Party Parliamentary Group.

The former reached a number of important conclusions highlighting a number of property taxes and charges relevant in the development of land in the LVC context:

- Charges relating to raising revenues for essential infrastructure arising from new developments, primarily Section 106 agreements and the CIL
- Taxes levied on assets and businesses such as corporation tax, which do not capture land value increases
- Mechanisms such as capital gains tax, business rates and stamp duty land tax, which are not specifically designed to capture land value increases but will have this effect in practice
- Other community benefits under Section 106 agreements, such as affordable housing requirements and public realm improvement

The Committee recommended legislative and taxation reforms which, in conjunction with consideration of the Planning White Paper, could better encourage the building of new homes particularly with the first-time buyer in mind. We do not consider that the proposed government-backed 95% loan to value mortgage is the way forward for first-time buyers as this is likely to increase the price of residential land and houses and, according to a recent report from the Bank of England, increase monthly mortgage repayments.

Whilst LVC is not a panacea to supersede the new Infrastructure Levy (if approved) it could operate to create both low cost home ownership and social housing opportunities incorporating the suggestions above:

- Consideration should be given to:
  - Replacing capital gains or corporation tax on land value uplift within the new LVC system to embrace the additional costs of low cost home ownership, and
  - Implementing the green energy regulations on new buildings and to encourage shared ownership and affordable rented homes.
- Low cost ownership along the lines of the Bromley Model could be provided from local authority, housing association, government or private sector land (including that owned by developers) at a discounted figure with a 25 year clawback on the basis that the developers would only obtain their profit from the construction costs. Residential developers apparently own sufficient land with planning permission to build 800,000 homes and such land could be incorporated within the low cost home ownership scheme. The homes could be offered to either existing local authority or housing association tenants, within the proposed Portable Right to Buy discount, or to those on the waiting

list and key workers with the housebuilder assisting with accessing mortgage funding for prospective purchasers outside any government-backed scheme.

- The proposed LVC arrangements would operate well within larger developments planned strategically by local authorities and developers whether they are residential builders or housing associations but smaller and particularly rural schemes, should not be overlooked. It will be important to achieve a fair allocation of any increase in capital value to ensure sufficient funds are available for infrastructure and green energy costs and those associated with low cost housing or affordable housing all of which should be designed to leverage larger returns from land assets for the benefit of the community and the provision of better quality housing.
- Concerns have been raised about the proposed new system of granting planning consent through local authority plan-making. The government in its proposals should insert a mandatory requirement upon local authorities to incorporate a minimum requirement of 15% of the new homes to be on the basis of low cost housing along the lines of the Bromley Model.
- The government should aim to direct its funding across England with the emphasis towards the Midlands and the North where there would be best value for money in the light of lower land costs.
- The government should seek to recognise variations in land values across the country within a national system, rather than have an opportunistic and, by definition, partial approach, which has been the norm to date. Otherwise partial intervention in land values across regional land markets and nationally will sustain the unaffordability of housing sale prices and under investment in infrastructure. The latter is well recorded by the National Audit Office. Any system must recognise that funding must be directed towards low sale value areas rather than high sale value areas.

Planning for the Future White Paper

August 2020

This White Paper was published in early August and has not met with universal approval. Although it deals principally with planning and development issues there are a number of matters touching upon the provision of housing which merit comment. In the foreword from the Secretary of State stresses the need to increase housing provision, with which we agree, but states that "Our proposals seek a significantly simpler, faster and more predictable system". The proposals do indeed predicate a predictable system the principal beneficiary of which will be the large scale developers. For these, the opportunity to build estates on "virgin" land is far more preferable than utilising urban brownfield sites or taking up the existing planning permissions for one million homes as estimated by the LGA in their statement on 20 February 2020 and a significant amount of the land with permission is owned by developers.

The following key issues arise from the White Paper:

Plan-making – it is suggested that the process of plan-making would encourage greater democratic involvement on the basis that government would set out and impose the housing targets for local authorities for incorporation in the local plan process and more people would take part in the consultation as approval of any development site would automatically receive planning approval. This is an unlikely scenario as there is far more interest in details of any planned development rather than decisions on designating planning zones, whilst the proposal for digitisation of the process could exclude those without the necessary technology or training to use it.

Urban brownfield sites – there must be greater emphasis on developing these sites particularly outside London and the South-East which has become one of the most densely populated areas in Europe and any such sites should lend themselves to the proposed "gentle densification".

Flood risk – an insufficiently tough proposal. The White Paper indicates that areas of flood risk would be excluded "unless any risk can be fully mitigated". There should be a blanket ban on any development in all flood risk areas which should include land adjacent to rivers bearing in mind that every house built on most sites involves covering green fields and, despite big improvements in permeability of surfaces used to manage water run-offs, increases the risk of flooding elsewhere. As climate change continues to disrupt our weather patterns with heavier downpours, the risk from flooding increases as would the cost of remedial measures.

Building Beautiful – a realistic proposal? It is interesting that most of the illustrations in the document were of two or three storey buildings with few high rise flatted developments the design of which is largely very unattractive. The building design is often the most controversial and nevertheless subjective element of detailed planning and thus its policing would make for difficult decision-making. Whilst the White Paper proposes that streets should be tree-lined there needs to be emphasis also upon landscaping and appropriate open areas or parks plus interesting streetscapes.

Some European Examples

Interesting Aspects of Social Housing in Europe: Appendix 5

The Netherlands impose strict obligations for the majority of social housing tenants being on lower incomes and believe that non-social housing should be handled by a separate commercial partner. France has built an average of 100,000 new social homes per year during the last decade and believes in churning its stock either to existing tenants or with vacant possession.

Germany has a very small social housing stock representing 3.3% of their housing stock with private renting being the preferred and overwhelming housing option, and landlords, such as pension funds, are given tax breaks to reduce rents.

The Republic of Ireland, Belgium (Flemish Region), Austria and Finland all permit various forms of RTB to sitting tenants with separate opportunities for shared or part ownership.

Conclusions and Key Recommendations

Planned housing expenditure on housing will, following both the damage to the economy from the effects of the Covid-19 pandemic, inevitably have to be prioritised taking into account the financial implications of climate change, the overall costs of remedying poor quality cladding on blocks of flats and the growing inter-generational implications for all housing tenures. This publication highlights some of the immediate actions which could be taken plus those requiring either primary or secondary legislation to facilitate medium and long term action:

- Social housing should be treated as an investment to be realised, reinvested and rationalised to ensure continuous value for money including building new homes and refurbishing existing homes with any proceeds of sale 100% of which should be retained by the local authority or housing association for such purpose.
- A new Portable Right to Buy should be introduced to permit tenants of local authorities and housing associations to take a cash sum equivalent to the discount on their current home to buy a private sector home of their choice thus releasing the existing home for a new tenant.
- The government should trigger the operation of Sections 69 to 79 of the Housing and Planning Act 2016 to oblige local authorities and housing associations to sell vacant high value properties on the basis of retention of 100% of the sale proceeds and reinvestment as above.
- The government should introduce a land value capture scheme incorporating all direct and indirect taxes and charges on land and property. This scheme would aim to cover infrastructure and green energy costs and, in particular, incorporate a proportion of low-cost homes for first time buyers on every new housing development along the lines of the Bromley Model.
- Greater effort should be made to reduce the number of vacant homes, increase more efficient use of social housing and increase mobility of social housing tenants to take up employment opportunities or be close to family members.
- Housing association governance requires a wholesale review as it is undesirable that entities with such substantial assets are often subject to a self-perpetuating board, perceived light touch regulation and little opportunity for shareholder or tenant influence.
- The Planning for the Future White Paper needs adjustment to ensure genuine local consultation and delegated decision-making at all stages of the process and a complete ban on any building on flood plains.
- Most housing associations rely on their charitable status, a range of non-charitable activities and underpinning of their rental income by housing benefit. The existing regulator needs to expand its activities, in conjunction with the Charity Commission, in the area of housing associations' charitable activities, ensuring their tenants have a close involvement in policy and management and preparing a watching brief on housing associations' audit arrangements.
- The government should examine the case to enable housing association activities being incorporated within newly created REITs so as to enable the sector to access new sources of funding and investors.
- The government should work with existing providers of residential homes for rent, their funders and investors to institutionalise investment in this sector through REITs or otherwise.

APPENDIX I – Some Local Authority Housing Details

Local Authority	No. of Units	Total Assets (£000)	Asset Value per Unit (£)	Debt (£000)	Debt per Unit (£)	Turnover (£000)	Operating Surplus (£000)
Birmingham	61,452	2,346,500	38,184	1,090,153	17,740	283,505	89,980
Leeds	55,897	2,170,943	38,838	815,075	25,683	245,714	86,336
Southwark	37,597	3,478,582	92,523	429,166	11,415	265,248	57,457
Islington	25,294	3,241,029	128,134	442,261	17,485	216,517	51,905
Lambeth	24,050	2,466,102	102,541	399,630	16,617	203,130	61,036
Camden	23,449	2,789,475	118,959	467,647	19,943	186,787	11,819
Hackney	21,966	2,535,606	115,433	100,080	4,556	141,093	11,260
Lewisham	14,227	1,311,300	92,170	57,543	4,045	101,011	-3,783
Brighton & Hove	11,552	1,996,910	172,863	125,502	10,864	58,633	19,992
Barnet	9,819	1,968,000	200,428	201,614	20,533	59,795	9,942

Source: Social Housing May 2019

APPENDIX 2 – Housing Association 2018/2019 Accounts

Housing Association 2018/2019 Accounts	No. of Units	Gross Turnover £m	Operating Surplus £m	Total Assets £m	Asset Value per Unit £	Debt £m	Debt per Unit £	Number of LAs with Units
Places for People	197,712	827.1	200.8	5,260	26,604	2,927	14,803	215
Clarion Housing Group	125,881	816.0	249.0	8,371	66,499	3,869	30,735	161
Sanctuary Group	101,218	735.4	177.9	4,088	40,388	2,816	27,816	191
L&Q	95,539	937.0	198.0	12,523	131,077	4,992	52,251	79
Notting Hill Genesis	65,458	670.6	136.5	8,483	129,594	3,576	54,634	61
The Guinness Partnership	64,944	360.5	85.8	3,450	53,122	1,250	19,249	127
Sovereign	57,987	402.1	140.3	4,002	69,015	1,709	29,472	48
Metropolitan Thames Valley	57,043	410.8	112.7	4,905	85,987	2,011	35,254	103
Peabody	56,678	565.0	149.0	6,304	111,224	2,199	38,798	38

Source: Social Housing December 2019

APPENDIX 3 –
London Stock Exchange Quoted Companies and REITS

London Stock Exchange Quoted Company and Structure	Nature of Property Interests	Revenue £m	Profit before Tax £m	Total Assets £m	Liabilities £m
Segro Plc REIT (Y/E 31.12.2019)	Commercial, industrial and joint ventures	432.5	902.0 – including joint venture profits and realised / unrealised property gain	10,082.7	2,405.1
Land Securities Group Plc REIT (Y/E 31.3.2020)	Commercial, retail, industrial, office and joint ventures	741.0	Loss of 690.0 due to deficit on revaluation	14,360.0	5,610.0
The Unite Group Plc REIT (Y/E 31.12.2019)	Residential letting (particularly students) and joint ventures	156.0	Loss of 101.2 due, principally, to impairment of goodwill and intangible asset	5,016.7	1,918.7
Grainger Plc REIT (Y/E 30.9.2019)	Residential letting and some joint ventures	222.0	131.3	2,631.2	1,407.7
British Land Plc REIT (Y/E 31.3.2020)	Commercial, retail,office and joint ventures	526.0	318.0	11,245.0	4,098.0
Derwent London Plc REIT (Y/E 31.12.2019)	Office and joint ventures	230.0	280.5	5,633.1	1,156.2

APPENDIX 4 –
First Tranche and Non-Social Housing Development Income 2018/19

Association	First tranche sales £m	Non-social housing development £m	Share of total turnover	Net surplus on development £m
Places for People	5.2	186.9	23%	1*
Clarion Housing Group	57.1	37.1	12%	12
Sanctuary Group	13.7	11.7	3%	8
L&Q	56.8	119.0	39%	7
Notting Hill Genesis	43.5	91.4	20%	24
The Guinness Partnership	14.6	0.2	4%	2
Sovereign	55.2	20.0	19%	16
Metropolitan Thames Valley	59.7	23.9	20%	10
Peabody	42.0	90.0	23%	38

Source: Social Housing April 2020

** Net surplus on first tranche sales income only*

APPENDIX 5

ASPECTS OF SOCIAL HOUSING IN EUROPE

The Netherlands

- Housing associations in the Netherlands (Woning corporaties) are private non-profit organisations with a legal obligation to give priority to housing households with lower incomes.
- In 1995, the Dutch Government's 'grossing and balancing operation' gave housing associations independence from the state by writing off their existing debts against future government subsidies.
- Housing associations now operate according to the 'revolving fund principle', which assumes that income received from letting and selling homes is sufficient to cover investment in new stock, home refurbishments and neighbourhood regeneration.
- A three-layer security scheme exists to guarantee loans from banks to housing associations. This allows interest to be charged on loans at below the market rate.
- The EU considers the scheme to be a form of state aid. So that Dutch housing associations can be considered as Services of General Economic Interest (SEGIs), making them eligible for state aid, it was decided that their activities should focus on providing services for socially disadvantaged groups. Since 2011, 90 per cent of their vacant homes must be allocated to households with an annual gross income below €34,229.
- In 2015, a new Housing Law was passed by the Dutch Parliament, which states that the primary task of housing associations is to build and manage social rental housing for their target group. All other existing activities (non SGEI) should be transferred to commercial parties or be separated from the SGEI activities.

France

- Social housing in France is provided by Habitation à Loyer Modéré (HLM) organisations – groups entrusted by the state to provide housing at discounted rates. HLMs oversee the construction, development, allocation and management of social housing.
- There are annual income limits to access the social rented sector, which is met by 60% of households. A tenant's right to stay is absolute, whatever their income.
- A low threshold for eligibility and security of tenure means that there is a high demand for social housing in France.
- The construction of social housing is financed by off-market loans (75%), grants from the state and local authorities (10%), and equity from HLM organisations (10%). The off-market loans are provided by funds deposited by private individuals in 'Liveret A' accounts – tax free savings accounts available in all banks. Collateral for the loans is provided by local authorities or by a Guaranteed Fund for Social Housing (financed through contributions by all social housing organisations).
- On average, the social housing sector in France has produced 100,000 new homes per year over the past decade.
- In December 2007, an agreement was reached between the Social Union for Housing (the representative body of HLM organisations) and the French Government to permit the sale of social housing.

- Under the terms of the agreement, HLM organisations decide which housing units are to be sold to sitting tenants. Empty flats may also be sold and HLM tenants interested in purchasing a property receive priority.
- Rental social dwellings can only be sold 10 years after the construction or acquisition by the HLM provider.

Germany

- Social housing is provided through time-limited subsidies, mainly to private landlords. Housing providers receive subsidies in the forms of grants or tax relief in return for enforcing income ceilings and discounted rents.
- Three fifths of the social housing rented stock has private owners. Municipal housing companies and cooperatives provide the other two-fifths, which constitute the traditional non-profit sector.
- Municipalities are in charge of ensuring affordable accommodation for those unable to secure adequate housing themselves, while the Lander (Provinces) are responsible for housing allowances to individual households and for rent regulations.
- The social housing sector is very small, accounting for only 3.3% of the German housing stock.

Overview of Social Housing Tenures in Europe

Schemes exist across Europe that allow social housing tenants to become homeowners by purchasing their rented accommodation from a local authority or housing provider. As with social housing tenants in the UK, sitting tenants in Europe generally have a right to buy; however, properties in France can only be sold with the consent of the housing provider. Intermediate tenures are also available in the Republic of Ireland and Finland.

Republic of Ireland

Three schemes allow tenants in social housing to purchase their dwellings to from the local authority.

1. *Incremental Tenant Purchase Scheme.*

    - This scheme allows local authority tenants to buy their homes. Applicants must have been tenants for one year or longer and are required to have a minimum income of €15,000. Successful applicants will be entitled to a discount between 40% and 60% on the price of the house.
    - The local authority will place an incremental purchase charge on the house equal to the value of the discount the buyer received. This charge will reduce to zero over 20, 25 or 30 years.
    - If the house is sold before the end of the charge period, the owner will have to pay the value of the outstanding charge to the local authority.

2. *Tenant Purchase of Apartments Scheme.*

    - The scheme permits local authorities to set aside apartment complexes for purchase by tenants.

- For a complex to be set aside it must comprise of at least 5 apartments, not contain retail units or apartments designed for older people, and tenants must have been able to vote on whether they want the complex to become available for sale.
- Tenants can purchase their apartment from the local authority at a discount, which will also be subject to an incremental purchase charge.

3. Incremental Purchase Scheme for New Built Houses

- Local authorities will advertise when newly built units are available for individuals in receipt of social housing support to purchase.
- Buyers can purchase their apartment from the local authority at a discount, which will be subject to an incremental purchase charge.

There is also a Mortgage Allowance Scheme that assists social housing tenants and tenant purchasers tod become owner-occupiers of private housing:

- Eligible individuals receive a mortgage allowance for purchasing or constructing a private dwelling in exchange for their current dwelling, which is returned to the local authority.
- An allowance of up to €11,450 is paid to a lending agency over a 5 year period and repayments are reduced accordingly for the first 5 years of the mortgage.

A shared ownership scheme allows social housing tenants to buy a proportion of a home, with ownership shared between the buyer and the local authority. The proportion is increased in steps until the buyer owns the property outright. The scheme closed to new applicants in 2011.

Belgium (Flemish Region)

- Social tenants have the right to buy the dwelling that has been rented out to them for at least five years and that has been available as social accommodation for a minimum of fifteen years.
- The new owner is obliged to reside in the dwelling for a minimum of fifteen years. If the buyer does not abide by this obligation, the social housing company has the right to buy the dwelling back.
- The revenues received by social housing companies must be reinvested into new social housing but will normally be insufficient to maintain the housing stock.

Austria

- An unusual feature of Austrian social housing is that tenants finance the construction of their own housing through capital contributions. These are repaid in the form of lower rent.
- Tenants that pay capital contributions are granted a delayed right to buy. After ten years of living in a limited-profit housing association (LHPA) rental apartment, sitting tenants have the opportunity to buy their apartment.
- While the sale of social rented housing is permitted, the percentage of sitting tenants who have opted to buy has been lower than expected. The units that are purchased tend to be larger and of higher quality.

Finland

Finland has two forms of intermediate tenures for social housing: right of occupancy and shared ownership.

1. *Right of Occupancy*

- Right of occupancy homes are built with a state subsidy. A resident will pay a right of occupancy fee, which amounts to 15 per cent of the price of the unit. This provides the tenant with a lifetime tenure.
- The tenant will pay a monthly residence charge to cover capital expenses and maintenance costs. The amount of the charge may not exceed the rental prices for apartments of similar quality in the same municipality.
- On termination of the right of occupancy agreement, the tenant is paid back the right-of-occupancy fee that was paid for the unit.

2. *Shared Ownership (also referred to as Part Ownership)*

A tenant buys part of the apartment by paying a percentage, usually 10-15% of its price. As with other home ownership schemes, a tenant may increase their shares in the property and over time can purchase the property outright.

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