Briefing by the Kent Housing Group, incorporating the views of the Kent Developers' Group, on the impact of proposals in the Budget and housing and welfare legislation on housing delivery, especially affordable housing

An invitation to work with us on the suggestions to and asks of Government to accelerate the delivery of new homes in Kent and Medway

Summary

The Government has proposed a package of measures, including the Right to Buy for housing association tenants, re-definition of affordable housing to include starter homes, reduction in social housing providers' rents, 'Pay to Stay' for better-off council and housing association tenants, and welfare reforms including a reduction in the level at which total welfare benefits are capped.

The Kent Housing Group and Kent Developers' Group support the Government's ambitions to increase home ownership, accelerate delivery of new housing, and reduce both benefit dependency and the overall benefits bill. We want to help in the achievement of the Government's target of 1 million new homes being built during the current Parliament. The present package of proposals includes measures, such as the Starter Homes initiative, that are welcomed and supported by KDG members, particularly private developers; but some proposals have potential negative consequences that give cause for concern. Uncertainty over recent months has already slowed down or stalled development schemes, which will take some time to recover. The proposed package may enable the level of 'affordable housing' delivered to be retained, but the shift towards home ownership will place severe pressure on the rented sector and it is unclear how much additionality it will deliver. This will both hit the poorest and most vulnerable households hardest, and have the greatest negative impact on Housing Providers, particularly Local Authorities, who are trying to do the most in response to the Government's agenda to deliver more homes.

The attached **Annex** sets out some analysis of the housing situation in Kent & Medway, and estimates the effect that emerging policy proposals might have. We are keen to work with Government to help refine its proposals. We offer a number of suggestions to and asks of Government, including alternative approaches or models of delivery, designed to mitigate potential negative consequences and support delivery of more – and more affordable – new homes. We hope that Ministers and their Departments will respond positively to this offer and be willing to take the conversation further.

In summary, our observations, suggestions and asks are as follows:

Right to Buy 2 (section 2)

- Financing RTB2 discounts by the sale of higher value council homes carries numerous implementation risks and inequities. Housing association discounts should be funded directly by Government rather than by the sale of council homes.
- Local Authorities that have new-build programmes should be allowed to keep their own RTB receipts in full to accelerate and expand beyond one-for-one replacement.
- Rural exceptions sites should be altogether exempted from RTB, to ensure supply of affordable rented homes in rural areas in perpetuity.
- Wherever possible, rented homes sold under RTB2 should be normally be replaced on a like-for-like basis, with Housing Associations having flexibility to vary type, tenure and location where like-for-like would not be viable.
- The option of portable discounts for tenants to buy an open market property should be available as an automatic option rather than as a last resort, building on experience of previous models used with local authority RTB applicants.

- There is a case to be made for a product to help private sector tenants take an initial step onto the home ownership ladder. We offer to work with Government to develop a portable discount product for private rented sector tenants, particularly linked to initiatives to bring empty homes back into use.

Starter Homes (section 3)

- We are willing to work with Government on the details of the proposals to ensure the scheme brings additionality, contributes positively to a balanced housing market and brings affordable home ownership within reach of Kent & Medway residents.

1% Rent Reduction (section 4)

- The reduction in housing association and local authority rents could more than halve Registered Providers' future development pipeline for affordable homes, and will certainly slow it down. Uncertainty as to the level and viability of offers from Registered Providers has been having a knock-on effect in stalling decisions on broader development schemes. To help overcome this problem, and particularly the prospects for affordable housing development of any kind in lower value areas, we suggest the following exemptions from the 1% cut:
    - Supported housing schemes, including housing for Older Persons (over 55s) and Extra Care (EC) projects, together with other types of accommodation and tenants currently exempted from the Rent Standard.
    - Affordable homes provided under contracts concluded since the CPI+1 agreement was implemented.
    - We suggest there could be an area-based exemption for low value areas where delivery of affordable housing is not financially viable with a 1% cut. This could take the form of 'Housing Opportunity Zones' with Local Authorities (in partnership with Registered Providers) applying for designation of such zones on the basis of agreed criteria.
- Social rented housing is already let at around 40% below the Local Housing Allowance. Besides the impact of a 1% rent reduction on HRA business plans and new building programmes, this will widen the gulf between social rents and the private rented sector. An alternative approach of reduction to CPI only would deliver a saving to tenants and the housing benefits bill compared with CPI+1, whilst still enabling the greater part of future building programmes to continue.
- We ask for an increase in the HRA debt cap for Local Authorities who are at their limit and have specific proposals for new rented housing and shared ownership schemes.

Pay to Stay (section 5)

- Give Local Authorities and Registered Providers flexibility to set their own rents within a framework agreed with Government.
- We offer to work with Government to develop the Living Rents model which offers more flexibility than Pay to Stay and with a less punitive approach.
- If Pay to Stay is introduced, tenants' liability for higher rents should be tapered.
- Housing Providers that have active build programmes should be allowed to retain additional rental income from Pay to Stay (or Living Rent-style arrangements) to finance new housing provision, rather than return the income to H M Treasury.

Welfare Reforms (section 6)

- We are concerned about the increased risk of homelessness and use of temporary accommodation as households struggle to meet shortfalls between rent and reduced income from benefits and tax credits. We suggest that safeguards should be introduced to ensure that no family is made worse off by changes to tax credits and the freezing of Local Housing Allowance.

About Us

Kent Housing Group

'The Voice of Housing in Kent'

KHG is a forum for social housing organisations in Kent. Acting as the 'Voice of Housing in Kent' the group serves to represent the collective voice of Kent's housing bodies, Local Authorities and Housing Associations, providing advice and a Kent perspective to regional and national organisations. The aims of KHG are: to provide strategic leadership, shaping and setting the housing agenda; to build relationships and influence decisions for the benefit of Kent; to draw in resources from both traditional and alternative sources; to work together to improve the supply and quality of affordable homes; and to create sustainable communities in Kent.

Kent Developers Group (KDG) is a group of organisations actively involved with the delivery of quality sustainable development in Kent and Medway. We aim to represent all developers in Kent: commercial and residential, large and small, private companies, registered social landlords, public bodies and owners, agents, planners, construction companies, etc. KDG is readily accepted as a trustworthy and proactive body, providing advice and guidance to Kent County Council, the Districts, Government and associated bodies. Committed to making a difference and passionate about the Kent growth agenda, in conjunction with the other related groups across Kent and Medway our aim is to encourage effective working relationships and trust between the private and public sectors to bring about deliverable, high quality and sustainable development, a functional property market, and growth in jobs and housing. We work to address strategic issues affecting Kent and Medway, engaging with major public sector organisations such as DCLG, Highways England, the Environment Agency and Natural England.

October 2015

Annex

1. Introduction

1.1 The members of the Kent Housing Group (KHG) and the Kent Developers' Group (KDG) ("the Groups"), on whose joint behalf this briefing has been prepared, share many of the Government's ambitions for housing in England. There is consensus around the need to increase housing supply to tackle the chronic under-supply of housing over the past 30 years or so, and to accelerate the delivery of new housing. We need a balanced housing market that offers choice of housing type and tenure to meet peoples' different needs, circumstances and preferences.

1.2 Many people aspire to home ownership, either now or at some point in the future. Home ownership offers a degree of stability and security not usually found in the private rented sector, as well as investment in an asset that will usually deliver a return on that investment. A healthy and good quality rented sector, on the other hand, offers flexibility and enables mobility in ways that owner-occupation, with its in-built inertia and high transaction costs, does less well.

1.3 There will always be people whose choices and options are limited, whether for financial reasons, low paid employment or unemployment, health, geography, vulnerability, family or other circumstances, or some combination of these. The housing market does not serve these people well. Where left purely to market conditions, the outcome for people with limited options is usually poor housing, over-crowding and, in too many cases, homelessness. Homelessness can also affect anyone – no-one is immune – though it is a particular risk for those who are already vulnerable. Poor housing can exacerbate other domains of deprivation – skills and training, health, access to services, crime (as victims and perpetrators), quality of environment, and so on – and trap people in a cycle of multiple deprivation which can be hard to break.

1.4 There will therefore always be a need for non- or sub-market solutions to ensure that people for whom market solutions are not available or effective can be adequately housed. That is the role of social and affordable housing, whether fully in the public sector through Local Authorities or through Registered (and non-Registered) Providers in the Housing Associations sector.

1.5 In commenting upon the Government's package of proposals affecting the social and affordable housing sectors, the Groups affirm the following points/principles:

- We are ambitious for sustainable growth
- We are committed to increasing housing supply across all types and tenures to address unmet need and demand, and to support strategic growth ambitions in Kent & Medway
- We are committed to working with the Government to help deliver welfare reforms that incentivise and reward those who are able to work, and help reduce the overall welfare bill
- We are committed to working with the Government to help deliver its ambitions for increasing opportunities for home ownership, whilst ensuring that appropriate solutions are available for those excluded from market housing options
- The comments and suggestions in this paper are designed to help refine formulation of the Government's proposals, and support delivery including identifying and mitigating unintended negative consequences
- Whilst some issues are of greater concern to some sectors than others, the comments and suggestions reflect a consensus across the membership of Local Authorities, Housing

Associations, house builders and developers and are not intended to reflect the specific interests of any one sector.

2. Right to Buy for Housing Association Tenants

2.1 The Groups note that the Government has accepted in principle proposals set out by the National Housing Federation for a discretionary Right to Buy for housing association tenants. The Groups broadly endorse the approach suggested by the NHF, subject to the reservations set out below.

Comments on the NHF proposal to Government

2.2 The suggested exemptions/situations in which Housing Associations would have discretion not to sell properties, such as rural exception sites and special needs or supported housing, are strongly supported by the KHG. We would go further in suggesting that there should be an **even stronger presumption against the sale of affordable rented homes provided under Rural Exceptions policies**: such homes were provided on the basis that they would remain affordable homes for eligible local people in perpetuity. If that protection is eroded, it might well result in land owners being unwilling to make exceptions sites available in future, thus choking new affordable housing supply in rural areas. Land owners who have already provided exceptions sites at low or nil value might feel aggrieved and/or look for a financial uplift if the properties are sold and not retained in perpetuity for local people, as per their intentions when offering the land.

2.3 The option of **portable discounts should be available automatically to purchase on the open market** rather than another Association's stock. Since tenants would have to pay full market value less the discount, it should mean they could find a property of similar value on the open market with the benefit of the portable discount. In this way the affordable housing stock is therefore not eroded by the sale, Associations are not pressurised to sell stock to other Associations' tenants, and at the same time a tenant is assisted into home ownership. (See also paragraph 2.18 below)

2.4 There is not complete consensus around the desirability of extending permitted development rights and certain other measures suggested (Chapter 2, paragraph 8) to speed up the availability of land for housing. The Government's proposals are broadly welcomed by KDG members, but Local Authorities in particular want to be sure that measures do not result in development in inappropriate and unsustainable locations. In Kent and Medway there are planning permissions in place for the delivery of thousands of homes: what is tending to hold them back is protracted negotiations on s.106 agreements and developers' view on risk and confidence in their viability/profitability. **It is vital the any measures introduced in the Housing and Planning Bill support the development of sustainable communities**, where housing development is supported by investment in infrastructure, commercial and employment opportunities, community and other facilities.

2.5 The Groups concur that Housing Associations should have a degree of flexibility over the type, tenure and location of replacement properties built. But we suggest that **the presumption should be that replacement will be on a like-for-like basis, with flexibility to vary from this only exceptionally where the model is non-viable**. Local Authorities are concerned that whilst Housing Associations may need flexibility as to the type and tenure of replacement homes, recourse to building homes for shared ownership, other intermediate models or outright sale would not assist in responding to the ongoing need for social/affordable rented housing. The erosion of the stock of homes available for social or affordable rent, in the face of sustained pressure from the Housing Register and Local Authorities' obligation to discharge their statutory duties under homelessness legislation, will exacerbate what is already an extremely challenging situation (see panel below).

Facts and figures 1: sustained pressure on social/affordable housing providers in Kent & Medway

- The housing register (waiting list) in Kent & Medway stood at **37,890 households** in 2014, down from the peak of 2013 but still **11% above the average of the last 20 years**.
- In Kent and Medway, total homelessness decisions have **risen by 114%** between 2010/11 and 2014/15, compared with 10% nationally; and the number of acceptances has risen from 1.67 per thousand households to 2.32 **(0.65 points**), compared with 2.01 to 2.4 (0.39) points nationally.
- In the latest quarter (April to June 2015), even with incomplete data[1], there were 1,316 decisions compared with 1,189 in the same quarter in 2014, an **11% increase**, and a similar number of acceptances (430 compared with 440). The number of households in temporary accommodation has risen steadily and now stands at 860 at 31 March 2015 compared with 588 at 31 March 2011, a **46% increase**, with increasing reliance on bed & breakfast accommodation.
- In the same period (2010/11 to 2014/15) there were **608 RTB sales** of local authority homes in Kent & Medway.

2.6 There is also **risk of residualisation of social/affordable housing**, with units being replaced in lower value areas where there may already be higher concentrations of council- or housing association-owned properties, rather than in the areas where sales occur. Local Authorities and Housing Associations alike are concerned that replacement homes might not be provided in areas that enable them to respond to locally arising need. Other proposals, notably the 1% rent reduction, could make replacement even in lower value areas non-viable (see paragraph 4.17).

2.7 Allocations policies (Chapter 3, paragraph 15): there need to be **locally negotiated agreements around allocations policies**, within a national framework, to ensure that all social/affordable housing providers are sharing equitably in meeting housing need obligations.

Other observations on the Government's policy proposal

2.8 The primary issue is about **how the scheme would be financed**, and the impacts of the financing arrangement on housing delivery and the availability of affordable housing in the areas where properties are sold under RTB2.

2.9 We endorse the approach suggested by the NHF that **the Government should directly compensate Housing Associations for value of the discounts given to tenants**. RTB2 is a national policy, whereas control over local authority housing is a matter for local determination after what was meant to be the once-for-all reforms of Housing Revenue Accounts. As a matter of principle it is inappropriate to interfere in Local Authorities' asset management in order to fund a financial incentive to non-local authority tenants. As well as the point of principle, there are practical and risk-related reasons to reconsider the proposed funding arrangements.

2.10 The Government has said the scheme would be paid for by the sale of high value local authority properties as these become vacant. The Groups would argue strongly against this approach on the basis of the **significant implementation and viability risks** it carries. These are outlined in more detail below.

2.11 High value is defined as in the top third by value of all properties of that type irrespective of tenure. It is unclear whether this means within the area of the local authority owning the

[1] Data are not available for Gravesham Borough Council.

stock or according to some other geography (e.g. nationally). **Whatever geography is used, this is likely to disadvantage Authorities in areas of high land and property values**, who could be liable to sell off a larger proportion of their stock than in areas where council housing features less or not at all in the upper third by value and type.

2.12 There is the obvious point that in areas where Local Authorities have transferred their housing to Registered Providers (e.g. through LSVT), **they have no stock to sell**. The implication would be that replacement of housing stock in those Authorities' areas would be funded by other Authorities, who would not therefore see one-for-one replacement in their own area to meet their own local needs. Five of the 12 districts in Kent have transferred all or part of their stock to Registered Providers.

2.13 There is **no guarantee that high value local authority properties will become vacant at either the rate or in the localities needed to correspond with RTB sales by Housing Associations**. The average sale price (2014/15) of RTB properties in Kent is £81,533 (£76,200 in Medway), ranging from £90,676 in Dartford to £64,250 in Thanet. If the discounts applied mirrored the national average (47%), these would average £72,302 (£67,573 in Medway) – not far short of the maximum outside London of £77,900. This indicates an average market value for RTB properties sold of about £153,836 in Kent and £143,774 in Medway. In the same period, the average house price in Kent was £273,699 (78% above the estimated RTB average) and £207,402 in Medway (44% above the estimated RTB average). The turnover in local authority lettings nationally was 8.6% in 2013/14, including transfers and mutual exchanges; new lets were only 58% of total lettings. Without an open market valuation of local authority stock it is hard to estimate the impact this financing approach would have. Averages mask the wide variation in values across local authority areas and dwelling types. But the figures above suggest that the incidence and turnover of council-owned properties within the top third value bracket according to their type is going to be low across Kent & Medway as a whole, and **is unlikely to bear any volumetric relationship to the exercise of RTB by housing association tenants**, 20% of whom are estimated by the NHF to be likely to take up the offer of RTB2.

2.14 Higher value homes are more likely to be family homes (although even modest two bedroom homes in some parts of Kent could fall into the top third price bracket). In Dartford, for example, the only higher value Council properties are larger family homes, which are in high demand and for which the average wait is three years. Households with dependent children are overwhelmingly the largest category of homeless acceptances, so **loss of family homes from the social rented stock would make it harder for Local Authorities to discharge their statutory duties in a satisfactory manner**, and could result in more families spending longer periods in bed & breakfast and other temporary accommodation.

2.15 Unlike RTB sales, which are discounted and where Local Authorities only retain a portion of the receipt, the Government's proposal is understood to mean that council homes would be sold on the open market. On average, the discount on Registered Provider Social Housing Sales nationally is 52% of the market value; and the market value of local authority homes sold is about 22% higher than housing association homes. If up to 20% of housing association tenants were able to take up RTB2, this could affect 12,010 properties in Kent & Medway and, based on national averages, would require the sale of over 5,090 council homes (15% of stock) to fund the average housing association discount (without making any provision for offsetting notional debt). However, as noted above, it is unlikely that this many council homes in Kent & Medway would fall within the top third valuation bracket, which would mean funds would have to come from elsewhere to make up the shortfall. The cost in Kent & Medway alone would be over £650 million on the basis of national average discounts, but more like £758 million at estimated average Kent & Medway discounts. **This presents an overall affordability challenge for the policy and a potential crisis for local authority landlord functions and HRA business plans.**

2.16 The reality of implementing one-for-one replacement under the existing RTB regime **does not inspire confidence that one-for-one replacement of housing association homes would be achieved**. Replacement rates for local authority properties sold under RTB are currently running at one-for-nine (measured on the basis of housing starts).

2.17 It seems anomalous to introduce a system whereby Housing Associations would be expected to deliver one-for-one replacement of homes sold with the benefit of full market value proceeds (retained receipt plus compensation for the discount), yet Local Authorities selling council homes under RTB are expected to achieve one-for-one replacement with only a portion of the receipt retained and no compensation for the discount. We suggest that it is time to allow Local Authorities that have building programmes to **retain their RTB receipts in full**. Even without compensation for discounts, this would **enable expansion and acceleration of their new-build programmes and increase affordable housing supply**.

2.18 There is a point of principle about whether RTB gives tenants who are well-housed an unfair advantage compared with private rented sector tenants who may be less well housed, financially no better off and paying higher rents, but have no access to a financial incentive equivalent to RTB in value to assist them into home ownership. **The Groups would urge the Government to consider measures along similar lines to portable discount to assist private rented sector tenants who might be able to afford a mortgage (but with no presumption of a right to buy their privately rented home)**. There have already been portable discount models available to local authority RTB applicants, e.g. in Canterbury and Shepway. This might complement the Government's proposed Starter Homes initiative, and subject to similar conditions, enabling private tenants to get onto the property owning ladder in areas where new-build starter homes are in short supply. This could be combined with initiatives to bring more empty properties back into use (on which Kent has a strong record).

Suggestions and asks

- **Housing association discounts should be funded directly by Government and not by the sale of council homes.**
- **Rural exceptions sites should be altogether exempted from RTB, to ensure supply of affordable rented homes in rural areas in perpetuity.**
- **The presumption should be that affordable rented homes sold under RTB2 should be normally be replaced on a like-for-like basis, with Housing Associations having flexibility to vary type, tenure and location on an exceptional basis where like-for-like would not be viable.**
- **The option of portable discounts should be available as an automatic option rather than as a last resort.**
- **We offer to work with Government to develop a portable discount product for private rented sector tenants, particularly linked to initiatives to bring empty homes back into use.**
- **Local Authorities that have new-build programmes should be allowed to keep their own RTB receipts in full to accelerate and expand beyond one-for-one replacement.**

3. Starter Homes

3.1 In his Party Conference speech, the Prime Minister announced proposed changes to planning rules to facilitate the building of 200,000 starter homes for first-time-buyers under the age of 40. We welcome initiatives to increase housing supply. We are concerned, however, as to whether the redefinition of affordable housing to include starter homes for purchase will bring genuine additionality. Unless these measures actually deliver a net increase in the

housing supply, there is a risk that re-definition will further erode the supply of affordable rented homes for those who cannot afford to buy, and increase pressure on Local Authorities seeking to meet their statutory obligations under homelessness legislation.

3.2 We have not yet seen the detail of the Prime Minister's proposal, so are not in a position to assess the full implications. However, at the same time as welcoming measures to stimulate provision of homes for first-time buyers, we would reiterate the importance of working towards a balanced housing market offering a mix of tenures, including continued support for build to rent and other stepping stones towards owner occupation such as shared ownership.

- Build to rent has enormous potential to deliver additional homes to the UK. We are aware of interest shown by a number of institutional investors to work with housing providers and private developers to build affordable homes for rent; it would be unfortunate if the attention focused on starter homes for purchase were to undermine new investment in flexible, good quality and affordable rented homes. We need both.
- Shared ownership and other intermediate solutions are already an important feature of new affordable housing supply. 30% of all new affordable dwellings provided in 2013-14 were intermediate properties, including shared ownership – still significant despite the decrease attributable to the closure of affordable home ownership schemes under the Open Market HomeBuy and HomeBuy Direct schemes (replaced by Help to Buy Equity Loans). **Redefinition of affordable housing to include starter homes for purchase will broaden options for Housing Providers but make it harder for them to make viable offers to developers for schemes involving homes for rent**.

3.3 We have some concern about how affordable starter homes may be, particularly in the higher value areas of Kent & Medway. That will be partly shaped by market forces, but the proposed scheme's **sharp differentiation in allowances proposed between London and the rest of England may not offer sufficient flexibility to reflect realities on the ground.** For example, the lower quartile house price in Sevenoaks in Q2 2013 was £220,000, higher than the adjoining London Borough of Bromley at £217,000; and at £160,000, Dartford was only 8.6% below the adjoining London Borough of Bexley at £175,000 and higher than LB Barking & Dagenham (£157,250). Lower quartile prices in Tunbridge Wells (£190,000) and Tonbridge & Malling (£187,500) were both higher than the London Boroughs of Barking & Dagenham, Bexley, Croydon and Havering. Whilst these 2013 lower quartile prices fall below the suggested £250,000 discounted price limit for starter homes outside London, it may prove challenging for new buyers to find affordable homes. One Registered Provider in west Kent has given the example of new two-bedroomed shared ownership properties being valued at £355,000. We will, however, look as a group as to how affordable home ownership can be achieved and provided across Kent and Medway.

3.4 The other aspect of affordability is being able to raise a deposit and pay a mortgage. Average weekly full time earnings in Kent were £541.50 in 2014 (£548.60 in Medway), part time earnings were £157.90 (£154.60), giving overall resident earnings of £431.30 (£456.30). The full time figure equates with £28,158 annual gross earnings. Assuming a 20% discounted price, 5% deposit and 95% mortgage based on 3.5 times salary, **a first-time buyer of a flat/maisonette in Tunbridge Wells would need income of £55,053** and even higher in Sevenoaks. This is only 2.25% below the average earnings of two Kent residents working full time. For people on overall average earnings (e.g. a household with one full time and one part-time worker), all properties would be unaffordable in Sevenoaks, Tonbridge & Malling and Tunbridge Wells, and terraced properties would additionally be out of reach in Canterbury, Dartford, Gravesham and Maidstone.

3.5 This highlights the **affordability challenge** in many parts of Kent & Medway where property prices are above the England average but earnings are only around the same as the England average (though much lower in areas such as Thanet, Shepway and Gravesham). For the

starter homes initiative to bring additionality, more flexibility may be needed over the parameters of the scheme. **We are willing to work with Government on the details of the proposals to help ensure it makes a positive contribution to a balanced housing market**.

4. Reduction in social rents by 1% per year to 2020

4.1 At a time when a freeze is put on working age benefits this measure could be a real help for some tenants although we understand the main beneficiaries will be those not in receipt of housing benefit. However, the policy will make it much more challenging for both Local Authorities and Housing Associations to continue to drive housing growth and new jobs.

4.2 We would emphasise at the outset that Housing Associations and stock-holding Local Authorities play a much wider role in communities than just landlord functions. The reduction in rental income will impact on their ability to continue with the level of investment in activities such as assisting residents into employment and training. Such investment has helped residents become financially resilient and independent, including helping them on the road to home ownership through RTB, shared ownership and other intermediate models. The social rate of return on such investment should not be underestimated.

4.3 The Government's intervention may prompt Registered Providers to work harder to develop new business models so that they can continue building houses. That in itself is no bad thing. But we forecast that sector output will be smaller, and a higher proportion of what is delivered is likely to be shared ownership or intermediate housing options rather than affordable rent, which will squeeze the supply of homes for people unable to afford any model of home ownership. The reality of this is that Councils will not have the ability to house households on their Housing Register and it will **compromise their ability to meet their statutory duties in relation to housing need and homelessness**. The private sector is not considered a viable alternative due to rental costs being much higher than local housing allowance rates (see paragraph 4.9 below), presenting severe affordability issues. It is anticipated that an unintended consequence will be an **increase the use of temporary accommodation**, leading to an increase in the cost to the public purse.

4.4 As things stand, the proposed 1% cut could include supported housing schemes, including Older Persons and Extra Care (EC) projects, although the Impact Assessment (IA) published by DWP (28th September 2015) does indicate that some of these might be exempted. Supported housing schemes are more expensive to build and as such are more marginal to make financially viable. Where there is potential for older persons' housing to be provided as the affordable element of a development scheme, **exemption from -1% might enable delivery of the scheme as a whole whereas imposition of -1% could undermine viability**. In addition, the move to the Living Wage, in the care sector, will particularly affect cleaners and support workers in supported and EC schemes, leading to increased service charges. There is an argument that the Affordable rent model (gross rent less service charges) will not work on <u>any</u> supported or older person scheme.

4.5 **It is vitally important not to create any disincentive that would reduce new provision of older persons' housing, and particularly Extra Care**. These are a strategically important element of responding to pressure on Adult Social Care provision and budgets, by enabling older people in need of care to live in suitable accommodation where their needs can be met efficiently and effectively, releasing pressure on hospitals and other care services and also making more effective use of the existing stock by enabling homes that are under-occupied or unsuitable for older people to be available to new owners or tenants.

4.6 The rationale underpinning the IA, which includes that social rents have risen by far more than private rents over the same period, does not reflect the reality on the ground.

4.7 In Kent & Medway, local authority rents have risen 50% on average over the decade to 2014, and Registered Providers by 46% - much less than the average 60% suggested in the IA. The increase in social rents has, of course, been driven by formulae set by the Government.

4.8 The IA suggests that private rents have risen only 23% in the same period. In the decade to 2013/14, mean rents after housing benefit in social rented housing increased by £15 (50%), from £30 to £45 per week; but in private rented housing the increase was £41 (38%), from £106 to £147 per week (Source: DCLG, Table S428). **Percentages therefore only tell part of the story and mask the true disparity between private and social rents**.

4.9 In Kent & Medway, average local authority rents stood in 2014 at 60% of the Local Housing Allowance, Registered Providers at 67% and private rents at 116%. **The average private rent in Kent & Medway is almost double the average local authority rent (£168.25 compared with £84.44).** On a per household basis, the pressure on the Housing Benefit bill is coming more from those recipients who are in private rented accommodation than those in local authority or registered provider housing. In Kent & Medway, 42% of housing benefit recipients are private sector tenants compared with 32% nationally; and we estimate these account for 48% of the housing benefit bill compared with 37% nationally (DWP, Housing Benefit Caseload Statistics to May 2015).

4.10 The Government's announcement on rent reduction comes one year after an assured 10 year rent agreement and, for Local Authorities, only three years after reform of the Housing Revenue Account (HRA) was meant to provide for self-financing and self-determination in carrying out landlord functions. **The reduction in rental income will impact on both Authorities' and Associations' ability to plan for and invest in the development of new and existing housing.** It has also removed an element of trust and certainty from the process. So even if the Housing and Planning Bill were to state that the rent increases will revert back to CPI+1% in 2020, there is less confidence in the likelihood of that happening as other legislation could supersede this.

4.11 Equally, reverting to CPI+1% after 2020 would not recover the hole created in Business Plans. Government is confident that the hole will be tackled through efficiencies and drawing upon Housing Associations' surpluses (and, presumably, HRA headroom). The IA suggests that Housing Associations' rental income will drop by a total of £3.55bn over the four years to 2019/20: the NHF estimates this would be £3.85bn. Based on rents data to 2013/14 (VOA/DCLG), we estimate that for Kent & Medway, Associations' **rental income in the period 2016/17 to 2019/20 could drop by around £148 million and Local Authorities' income by over £68 million**. Whilst there may be room for some efficiency savings to offset this loss of income, **the main impact will be reducing the delivery of new housing**.

4.12 There are at least three aspects to this negative impact, none of which appears to be recognised in the Government's Impact Assessment.

(i) Impact on Local Authorities' and Registered Providers' building plans

4.13 For Local Authorities already constrained by the HRA debt cap, the rent reduction will halt their new build programmes. Many of the Registered Providers operating within Kent have strategies to increase the number of new homes year on year. Whilst they are still committed to this growth the majority of the rental income lost will come off the development capacity, therefore taking far longer to achieve the desired level of growth and consequently resulting in significantly reduced affordable housing delivery.

Facts and Figures 2: Modelling the impact of 1% rent reduction on new homes delivery

- One Kent local authority with 5,500 stock has delivered 150 new homes since the HRA reforms of 2012, maximising its debt cap. This authority now faces a deficit of £10m over the next 4 years and £160m over the duration of its 30 year business plan. This reduced capacity

means that it **cannot plan for any future new homes delivery** and will need to reduce its own resources of the next 4 years at a time when Welfare Reforms are likely to increase pressure on landlord services and statutory housing functions.

- One HA operating within the South East with a stock holding of 27,601 has modelled the rent loss from its rented housing stock as £40m until 2020. It will also then lose £19m per annum income growth in perpetuity as the baseline rent position is lower. Its development strategy, which aimed to grow up to 1,000 new homes per year, will be fundamentally re-thought as such **targets would take much longer to achieve since almost all of the income lost will translate into loss of development capacity**. This association would also have to review its rent policy and tenure mix.
- Another association operating in various parts of the country including Kent & Medway estimates that its income will reduce by £12m per year by 2019/20, resulting in a **halving of its 750 unit per annum development pipeline**.
- A registered provider operating primarily in Kent and South East London estimates that even if the rent formula were to revert to CPI+1 from 2020 onwards, a reduction to CPI-1% would reduce the number of new homes built over the next 10 years from 2,372 units to 419, **a reduction of 82%**. Cumulative reductions of -1% from 2016-2020 would reduce that figure still further.

4.14 We do not have a comprehensive picture of the effect this might have on delivery of new dwellings by all Housing Associations and Local Authorities in Kent & Medway. **But if the development pipeline were to be halved, based on current completion rates this would mean around 600 fewer new homes each year**. This might be offset by Registered Providers increasing development programmes of housing for sale, or by private developers producing starter homes either directly or in partnership with Registered Providers. So whilst the development pipeline may be recovered over time, this intervention is also likely to fundamentally alter the tenure across the majority of schemes, with more homes being provided for outright sale and shared ownership at the expense of a significant reduction in much needed rented homes. **This will adversely impact on Local Authorities' ability to meet the housing need of low income households on their housing registers**, who cannot afford any form of home ownership, as the provision of rented homes dwindles.

4.15 Accommodating a shift in the tenure mix of development schemes will require exceptions to be approved in the short term where the revised mix would be non-compliant with Local Plans. Changing Local Plan policies, for example to allow change in the proportions of shared ownership v rental units permissible will take time to implement.

(ii) Impact upon developers' confidence and decision-making

4.16 Housing Associations are having to review (in other words, lower) their offers to Developers/House Builders for existing schemes, as they are no longer viable on the basis of a lower future rental yield. This also applies to new pipeline schemes. The change in Housing Associations' financial position affects their credentials as development partners. The mood from the development sector is that where schemes (including s.106 agreements) are already contracted, they will honour those contracts. But where a s.106 agreement is signed without a social housing contract being in place, this is likely to be at risk. In other words, **lowering social rents will reduce the volume of new homes delivered and possibly even private homes in the short term**.

4.17 One issue here is that differentials in build costs from area to area are slight – it costs much the same to build a house in Thanet as in Sevenoaks – but the differential in rent levels is significant. For example, average Registered Provider rent in Sevenoaks is £447 per month compared with £392 in Thanet (or £334 for local authority rent) – a differential of between

14% and 34%. **It is thus hard for Registered Providers in lower value areas to make a viable offer to developers, and the 1% cut will make that even harder**.

4.18 The Boards of development companies will not allow contracts to be signed or site starts to be made where margins would be squeezed beyond a point that Boards are prepared to accept. The uncertainties around the possible contents of the Housing and Planning Bill and the Autumn Statement could prompt developers to hold back on some schemes, especially whilst they wait for changes to the regime for affordable housing to kick in. The impact goes beyond the delivery of affordable housing: it is affecting development schemes as a whole. For many schemes during the period since the 2008/9 recession, it has been the cash flow arising from the affordable housing element that has kept broader development schemes going. The changed economics of the affordable housing component is affecting delivery of market housing, where the overall viability no longer stacks up. As a consequence, commitments relating to delivery that would otherwise be expected to come on stream in 6-9 months time are not being made: in early to mid-2016 developers are anticipating a downturn in site starts.

Facts and Figures 3: Housing completions- the present reality

- New housing completions in Kent & Medway are at their **lowest level since 1981/82** and are not yet showing signs of reversing the decline since 2008/9.
- According to DCLG data, total housing completions in Kent & Medway were 4,208 in 2013/14, of which an estimated 83% (3,493) were new builds. This is nearly 700 units below the five year average and 31% below the ten year average.
- Of new completions in 2013/14, **1,180 (28%) were affordable homes** (24% social rented, 30% intermediate and 46% affordable rents).

4.19 The Groups are very concerned that the scaling back of local authority and registered provider building plans will have severe knock-on consequences for broader development schemes in what the facts and figures above show is a fragile market, particularly in lower value areas where viability is already squeezed. For reasons of commercial confidentiality, developers do not want to cite details of specific schemes in a printed document but would be prepared to discuss specific examples in an appropriate context.

(iii) Impact on lending and development finance

4.20 Local Authorities and Housing Associations are still working through the impact of the reduction in rental income on their business plans, and on how re-definition of affordable housing might affect their modus operandi and objectives (including charitable purposes). Some may decide not to deliver any rented accommodation at all in future as it may not be financially viable, or may adjust downwards the affordable housing element of schemes. For example, one housing association has changed the profile on a scheme that was to deliver 68 affordable homes above the 106 requirement, and is now forced instead to put them on the open market.

4.21 For some Housing Associations the change in future rental income and the impact on balances will affect their agreements with lenders, the terms surrounding existing debt and the ability to attract finances in the future. To date, lenders and investors have regarded the housing association sector as delivering low returns but offering high certainty and therefore overall a low risk. Feedback suggests that the combination of lower returns and lower certainty will prompt investors to look upon the sector as a more risky proposition, which is likely to translate into more constrained availability and terms of scheme financing. So it may be that building for rent will be squeezed by lenders' view on risk, driving Associations towards a mix that favours homes for sale as the only way to secure satisfactory covenants.

Suggested solutions

4.22 The Groups welcome the Government's commitment to support the building of 1 million new homes in this Parliament. Collectively, as Local Authorities, Housing Associations and developers, we want to play our part in delivery. However, the 1% rent cut and the uncertainties this creates in the development market could cause a 12 month hiatus in delivery, and the Registered Provider contribution towards future delivery is likely to be smaller. If that pattern is repeated across the country the Government's target will be decidedly less attainable.

4.23 The Groups suggest that some of the negative impact of the change could be mitigated by granting certain exemptions from the imposition of the 1% cut.

Suggestions and asks – exemptions from the 1% rent reduction

- **The Groups are unanimous in pressing for supported housing schemes, including Older Persons and Extra Care (EC) projects, to be exempted, as the IA suggests might be the case. It is suggested that the exemption should apply to all housing specifically provided for over-55s. The Groups would welcome the exemption also being applied to other types of accommodation and tenants currently exempted from the Rent Standard, as referred to in the IA.**
- **Clearly some affordable homes will have been, or are being, provided under contracts concluded since the CPI+1 agreement was implemented. We suggest that these should be exempted from the change on the basis that, unlike earlier developments, the terms of these contracts were predicated specifically on the CPI+1 model of future rental yield.**
- **An area-based exemption for low value areas where delivery of affordable housing is not financially viable with a 1% cut. There is a continuing need for some kind of direct or cross-subsidy into lower rental value areas, otherwise Registered Providers would have little incentive to continue new provision except in areas where rental values would enable a viable offer to be made to developers. This could be positively structured, for instance as 'Housing Opportunity Zones' with Local Authorities (in partnership with Registered Providers) applying for designation of such zones on the basis of agreed criteria.**

4.24 Clearly the Government's intention, as set out in the IA, is for the policy to be neutral in its impact on tenants, with the reduction in rent being matched by a reduction in housing benefit for those in receipt of it. We would not want the exemptions above to result in some tenants benefiting from a reduced rent where others do not. One possible mechanism might be to **reflect area- or scheme-based exemptions in HCA grant levels for Local Authorities and Registered Providers that have building programmes**. This would mean that Authorities and Associations that are developing new housing in designated zones (which could cover an entire district) would receive a level of grant to compensate for the loss of rental income.

4.25 As indicated above (paragraph 4.9), social rented housing is already provided at 60% (67% in housing association properties) of the Local Housing Allowance. There is an argument for exempting social rents from the 1% cut. But an alternative, more radical, alteration to the policy that the Government might wish to consider would be to **reduce any increase in Local Authority and Housing Associations rents to CPI only**. This would deliver an immediate 1% reduction on rent compared with what tenants would otherwise have experienced, and ongoing reductions in future years compared with where rents would otherwise have been set. This would still lead to a likely reduction in future development, but enable more schemes to remain viable and other schemes to deliver affordable rented housing than under -1%. One housing association has estimated that with rents at CPI until 2020 (and reverting to CPI+1 thereafter) it would be able to deliver 58% of its new build programme over a 10 year period, compared with less than 17% if the 1% cut is introduced. This would also go some way

to mitigating the widening gulf between private sector and social/affordable rents. This model would cost less and save less, but enable delivery of more new housing.

4.26 Whatever is finally determined on rent levels, there should be a presumption in favour of lifting the HRA debt cap in the case of Local Authorities who have reached the debt cap and have specific proposals for delivery of new homes.

Suggestions and asks

- **Amend the rent reduction to CPI only. This would deliver a saving to tenants and the housing benefits bill compared with CPI+1, whilst still enabling the greater part of future building programmes to continue.**
- **We ask for an increase in the HRA debt cap for Local Authorities who are at their limit and have specific proposals for new rented housing and shared ownership schemes.**

5. Pay to Stay

5.1 There has not been an opportunity to study the consultation paper issued on 13th October, but it is clear that more work remains to be done on the detail of the proposals. **We would welcome the opportunity for dialogue with Government on the shape of those proposals**.

5.2 With regards to the broad proposition on Pay to Stay, Housing Providers do not routinely collect, store and monitor data on their residents' earnings. Some Housing Providers have carried out resident surveys that provide some indication, but this is not replicated across the piece. It is therefore hard to estimate how many residents in social/affordable rented property might earn over £30,000 per year and might therefore be liable to pay a higher rent.

5.3 There a general consensus amongst Housing Providers that this proposal will present difficulties and expense in administering the checks required. **The only plausible arrangement for overcoming these difficulties would be for HMRC to advise residents' earnings**. This would help drive down the cost of administering the scheme and assist with real time information. Much more detail is needed on these proposals, including clarity about whether thresholds would be index-linked (e.g. to CPI) to assist modelling.

5.4 There is also consensus that any Pay to Stay model should have a **graduated taper** (in a similar manner to the taper applied to Stamp Duty) rather than a 'cliff-edge' which could create perverse incentives for avoidance of liability for higher rent, for example refusal to accept higher paid or full time work, or family separation into smaller households to reduce household income below the threshold, with all the disruption and dysfunctionality that could cause.

5.5 It is currently unclear what incomes would be taken into account in calculating whether the £30,000 threshold has been exceeded. Calculations by a number of Registered Providers suggest that two adults earning £15,000 each within a household would struggle to afford market rent, and this would be likely to increase their dependency on Housing Benefit.

5.6 Another potential unintended consequence could be that if the incomes of older children in a household were included in the calculation, parents may be unwilling to continue to house them with the result that they might end up presenting as homeless if they were unable to secure accommodation elsewhere.

5.7 The £30,000 threshold outside London seems somewhat arbitrary and inflexible, and does not reflect the real costs of living on the fringes of the Capital. Some Authorities in west Kent, for instance, are similar to outer London boroughs in their socio-economic profile, very different from some districts in the east of the county, yet treated in the same way under these proposals. (Similarly, outer London is very different from inner London but is treated in a uniform manner.) **It would be more effective if Housing Providers were given more**

flexibility in setting their own rents which reflect government spending constraints but also local housing and employment markets and people's ability to pay.

Case Study: Improving affordability: Living Rents

Living Rents are designed to be a modern, flexible response to the need to provide housing that is affordable to people on low earnings. The focus on affordability has been, to a large extent, lost from the current low-rent housing supply system and rent setting policies. We need to develop a mechanism to re-establish the crucial links between:

- Housing and the labour market; and
- Rents and the ability of people on low incomes to afford them

In most areas of England, Living Rents are considerably lower than Affordable Rents - which link rent levels to a maximum of 80% of market rents. As Living Rents are set relative to local earnings this difference highlights the fact that in many areas Affordable Rents are beyond the budget of households on low wages.

When compared to social rents – the main rent for existing social housing tenants – Living Rents deliver a larger rent differential between property sizes and a range of variations depending on location. For individual landlords, the financial impact of adopting Living Rents would depend very much on the level of earnings in the communities in which they work, the range of sizes of properties in their portfolio and some of the asset management decisions they make about their stock. An approach involving Living Rents being applied to re-let properties and new homes developed with government support would, while not being without its challenges, allow landlords to plan a move to charging Living Rents.

A move to Living Rents would produce three big opportunities:

- Adopting Living Rents rather than Affordable Rents would give a long-term, annual saving to the housing benefit bill and improve affordability for tenants
- Building more homes let at Living Rents the potential to reduce the dependence of low-income households on the higher rents in the private rented sector
- Living Rents would provide a stable base for working households to access a dynamic labour market, as well as security for those who are unable to participate in the jobs market.

Suggestions and asks

- **Give Local Authorities and Registered Providers flexibility to set their own rents within a framework agreed with Government.**
- **We offer to work with Government on refining the Pay to Stay proposals and to develop the Living Rents model which offers more flexibility with a less punitive approach.**
- **If Pay to Stay is introduced, tenants' liability for higher rents should be tapered.**
- **Housing Providers that have active build programmes should be allowed to retain additional rental income from Pay to Stay (or Living Rent-style arrangements) to finance new housing provision.**

6. Welfare reforms

6.1 When taken together the package of welfare reform measures are likely to increase the pressure on tenants on low incomes and there is a significant risk that rent arrears will increase for both LA and HA tenants.

Reduction in the Benefit Cap

6.2 Housing Providers have been very effective in proactively targeting households impacted by Welfare Reforms to date and this has resulted in improved performance in rent collection/ income maximisation. However, with the new welfare cuts, e.g. further reduction in benefit cap, there will need to be revisions to the bad debt provisions in business plans. **An increase in bad debt will reduce further projected capacity to finance the development of new homes and carry out improvements to existing stock**.

6.3 It is projected that the new cap will bite far more deeply than the existing cap: it will hit a much larger number of tenants and children than before, and its impact will not be confined to larger families. In some parts of Kent it is expected to make smaller sized units (2 and 3 bed homes) unaffordable to households affected by the cap; 4 bed homes are already affected by the existing arrangements. A major concern is the impact that this will subsequently have on evictions and homelessness and the knock on effect of an increase in the use of temporary accommodation. **If social housing becomes unaffordable then there is no other tenure available to respond to the unmet housing need arising from the implementation of this policy**.

6.4 We suggest that temporary accommodation charges should be exempted from the overall benefits cap. If they are not, it is unclear how Local Authorities will fund placements whilst they investigate options and carry out their statutory functions.

Changes in Housing Benefit Entitlement for 18-21 Years Olds

6.5 The proposed exemptions included as part of the Government's proposals are welcomed; however there is still major concern about an increase in homelessness amongst young people. Housing Benefit provides a vital safety net when people find themselves in housing need. Staying at home is simply not an option for many young people. **For those leaving care, who need support to live independently, this benefit is essential if they are to realise their education or employment ambitions**.

Changes to Housing Benefit Backdating Regulations

6.6 Currently housing benefit can be backdated for up to 6 months under certain circumstances. This assists with sustaining a tenancy. Households can get into difficulty with claiming housing benefit for a variety of reasons, particularly those in work with fluctuating incomes and who are in receipt of partial housing benefit. Within current regulations, evictions can be prevented and tenancies maintained. **The proposal to reduce the period for backdating claims to 4 weeks gives cause for concern about the impact it could have on rent arrears, evictions and homelessness**.

Benefit and tax credit updating freeze

6.7 In recent years benefit rates have not kept pace with inflation and earnings growth. These changes will see many families on low incomes facing an additional squeeze on their finances.

Case Study 1

A couple with 2 young children under 3 years of age reside in a 2 bedroomed Housing Association property in West Kent. They are on a fixed term tenancy and are charged an affordable rent of £136.68 per week.

Dad works 30 hours a week, earning a gross salary of £15,608 per annum. Mum stays at home to look after the children. The family are in receipt of partial housing benefit (approximately 50% is paid towards the rent) and also receive child tax credits, working tax credits and child benefit.

Once the benefit and other changes are implemented from April 2016 (reduction in rent levels, changes to tax credit taper and thresholds and changes in income tax thresholds) the family will

be circa **£1,000 per year worse off, equating to £19 per week**.

Further modelling has shown that in the event mum returns to work, for example, working 30 hours per week at a pay rate of £8 per hour, notwithstanding the assistance the family will receive with childcare costs and taking into account transport and other costs associated with a return to work, the family will be no better off than after the above changes have been implemented from 2016. **In this case the family will lose out and there is no financial incentive for both adults to be in work.**

6.8 The private rented sector has played a key role in helping meet the housing need of residents given the shortfall in social housing, helping reduce levels of homelessness and the use of temporary accommodation. But this comes at a cost, and depends on the availability of private rented stock and the willingness of landlords to contract with housing benefit claimants. As shown above (paragraph 4.9), private sector tenants make up a much higher proportion of total housing benefit recipients in Kent & Medway than the national average. It is highly unlikely that private landlords will reduce rents to accommodate the freeze in Local Housing Allowance. We forecast that a number of tenants in the private rented sector will be unable to meet the shortfall which will result in arrears and ultimately evictions, impacting on homeless services. Not only will this impact on existing tenants, it will also constrain Local Authorities' ability to use the private rented sector to meet future housing need. It is within the private rented sector where there is now the highest number of evictions and cause of homelessness. Amongst those accepted as statutorily homeless in Kent & Medway in the most recent statistics (April-June 2015), the largest category (26%) comprised private tenants whose tenancy agreements had been terminated; and the only cases made homeless on account of rent arrears were in the private sector.

6.9 The following case studies, supplied by a Housing Provider based in west Kent, illustrate how the figures do not add up for low income families:

Case Study 2: Single Parent receiving ESA main phase with Work Related Activity			
3 dependants		2 dependants	
£102.15	JSA/IS/ESA	£102.15	JSA/IS/ESA
£48.10	Child Benefit	£34.40	Child Benefit
£169.48	Council Tax Credit	£116.45	Council Tax Credit
£319.73	Total	£253.00	Total
£384.00	Cap	£384.00	Cap
£64.27*	Amount available towards rent	£131.00*	Amount available towards rent
£210.00	Average weekly affordable rent (3 bed)	£145.00	Average weekly affordable rent (2 bed)
£145.73	**Weekly rent shortfall**	**£14.00**	**Weekly rent shortfall**

Case Study 3: Couple receiving ESA main phase with Work Related Activity			
3 dependants		2 dependants	
£143.90	JSA/IS/ESA	£143.90	JSA/IS/ESA
£48.10	Child Benefit	£34.40	Child Benefit
£169.48	Council Tax Credit	£116.45	Council Tax Credit
£361.48	Total	£294.75	Total
£384.00	Cap	£384.00	Cap
£22.52*	Amount available towards rent	£89.25*	Amount available towards rent
£210.00	Average weekly affordable rent (3 bed)	£145.00	Average weekly affordable rent (2 bed)
£187.48	**Weekly rent shortfall**	**£55.75**	**Weekly rent shortfall**
* Any rent above this figure would be subject to HB claim reduction under Benefit Cap			

6.10 These case studies amply illustrate the inroads that meeting rent payments will make into family finances, reducing the amount available for all other expenditure including food, clothing and energy bills. **We suggest that safeguards should be introduced to ensure that no family is made worse off by changes to tax credits and the freezing of Local Housing Allowance**.

7. Conclusion

7.1 Local Authorities and Registered Providers in Kent & Medway support the Government's ambitions to increase home ownership, accelerate delivery of new housing, and reduce both benefit dependency and the overall benefits bill. The present package of proposals has a mixture of measures to be welcomed and a number of significant, negative consequences, the effect of which is both to hit the poorest and most vulnerable households hardest, and to have the greatest negative impact on Housing Providers who are trying to do the most in response to the Government's agenda to deliver more homes.

7.2 The Kent Housing Group and Kent Developers' Group are keen and willing to work with Government to refine its proposals to mitigate any negative consequences as far as possible, and to test the suggestions made in this paper for alternative approaches or models of delivery. **We hope that Ministers and their Departments will respond positively to this offer and be willing to take the conversation further**.

Paper prepared on behalf of and approved by:

Kent Housing Group

Kent Developers' Group

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