

## KENT COUNTY COUNCIL

---

### SELECT COMMITTEE - AFFORDABLE HOUSING

MINUTES of a meeting of the Select Committee - Affordable Housing held in the Wantsum Room, Sessions House, County Hall, Maidstone on Thursday, 27 February 2020.

PRESENT: Mrs P M Beresford, Mr D L Brazier, Mrs T Dean, MBE, Mr D Farrell, Ms S Hamilton and Mr R J Thomas (Chairman)

ALSO PRESENT:

IN ATTENDANCE: Mrs K Goldsmith (Research Officer - Overview and Scrutiny), Miss G Little (Democratic Services Officer) and Mrs J Medhurst (Democratic Services Officer)

### UNRESTRICTED ITEMS

**1. Mr Mike Whiting (Cabinet Member for Economic Development, Kent County Council)**  
*(Item 2)*

1. The Chair welcomed everyone present and asked them to introduce themselves. Highlighting the Committee's terms of reference, he invited Mr Whiting to explain the role that the Cabinet Member for Economic Development could play in affordable housing.
2. Mr Whiting explained that his primary role was to improve the productivity of Kent by promoting inward investment and making the county a great place to live, work and visit. Living in Kent also needed to be affordable. Whilst the local authority's powers in relation to housing were limited, it did have the power of influence and numerous partnerships available to it.
3. KCC was working on a Productivity Strategy and a key feature was skills. He felt that good jobs with good wages were key.
4. Mr Whiting expressed that coastal communities faced particular challenges, in that whilst housing was cheaper than non-coastal areas, the work opportunities were constrained therefore making homes unaffordable.
5. He explained that for each housing development a team in Economic Development (ED) would collate the internal bids for Section 106 (S106) contributions and submit those to the relevant district council for consideration. He believed that it was often the case that highways and education needs took precedence over those of affordable housing.

6. Mr Whiting felt that one area that could be reviewed was whether the bids put forward by KCC services for S106 contributions were always fair and reasonable. In addition, he expressed that KCC should lobby government for more infrastructure funding. By allocating separate funds to larger infrastructure requirements (e.g. roads) there would be more opportunity for S106 contributions to fund needs such as affordable housing.
7. In relation to government infrastructure funding, Mr Whiting gave an example of a housing development where money from Homes England was secured. However, due to a variety of reasons, the project did not move forward quickly enough, and the grant money was lost. The development still proceeded and therefore called upon S106 contributions.
8. In answer to a question about prioritising the items included in the Growth Infrastructure Framework (GIF), Mr Whiting explained that each KCC service had its own delivery plan and it could only request S106 money for items that featured in those plans. For example, the Education Commissioning Plan set out future school place numbers. He reminded the Committee that the local authority was only one of a number of public bodies that drew on S106 requests, and prioritising those needs was difficult.
9. In terms of what should come first, affordable housing or the infrastructure, Mr Whiting felt that one really needed the other. For larger developments, it was perhaps more straightforward to get all the elements in place at the same time. For example, the garden villages in Essex had received forward funding from government which allowed them to build the houses at the same time as the required infrastructure. This was much more difficult when looking at smaller developments of around 50 – 200 houses.
10. The Chair questioned whether there was opportunity to work with the districts to make the approach to planning more holistic. Mr Whiting confirmed that partnership working with the districts and other interested parties did already take place but agreed the S106 “pot” must not be overburdened.
11. One Member voiced their disappointment at not being made aware of housing developments and S106 contributions that were in their electoral ward. They felt that input from an elected representative may be helpful in some situations. Mr Whiting confirmed this was being looked into, so that Members would be notified of larger housing developments in their ward.
12. Another Member expressed their opinion that the County Council should be taking a more proactive role in supplying affordable housing by offering their land for development. Mr Whiting explained that he was in conversation with Essex County Council who had been very proactive in their garden village schemes and attracted substantial money from central government. He was not against the idea for Kent, though advised the property portfolio was held by Peter Oakford who would be better placed to comment on KCC’s land holdings. He offered to invite a member from the select committee along to his next meeting with Essex CC.

13. There was consensus around the table that the power appeared to lay with property developers, and only lobbying government for legislative change would tilt that balance of power.
14. The Chair raised the idea of placing a charge on a piece of land acquired for development. Mr Whiting said that approach was taken by the Council's No Use Empty initiative where KCC put a charge on a property acquired for development, then when the property was sold at the end of the process KCC got their money back plus a small surplus to cover administration costs. He agreed KCC should lobby government to get similar schemes underway.
15. A Committee Member referred to so called "low-skilled" workers. She felt the jobs classified as low skill (such as cleaning, catering) would always be needed and the individuals doing those jobs did not require upskilling. But it did mean there would always be individuals needing financial support to live in a home.
16. There were also individuals working in public sector roles (such as teachers, police, prison officers) that did not earn enough to get them on the housing ladder. Mr Whiting felt there was an opportunity for the Key Worker Scheme to be reintroduced.
17. A Member referred to feedback received from another hearing session, in which district councils found it difficult to know who to contact at KCC. Mr Whiting said the regular Kent Leader's forum would be the opportunity for such issues to be raised.
18. A Member drew upon the Committee's visit to Ebbsfleet Garden City earlier in the week. To date, no social housing had been built despite over 3,000 homes being delivered. Mr Whiting offered to raise this at the soon to be held Board meeting of which he was a member.
19. Mr Whiting said from his personal experience, the Help to Buy scheme had not been as helpful as the government promised. There was a fair amount of red tape when it came to selling properties that made it difficult for homeowners to move on.
20. Finally, Mr Whiting expressed that there was nothing stopping landlords from providing affordable homes in a new development, then after a few years selling those homes on for profit, at which point there would be no requirement for them to remain classified as affordable houses.
21. The Chair thanked Mr Whiting for attending the hearing session.

2. **Vicky Hodson (Partnership Manager, Kent Homechoice)**  
(Item 3)

1. The Chairman welcomed Vicky Hodson to the meeting.

2. Vicky is the Kent Homechoice Partnership Manager and has responsibility for overseeing the partnership of 14 Kent and Medway Local Authorities, including KCC and 25 Housing Association Partners. This involves activities such as dealing with partnership agreements, contractual arrangements with system providers, production of statistics and relevant data, customer reviews, training and management of the Kent Homechoice website, as well as ensuring that all systems and processes comply with new legislative requirements, for example GDPR.
3. Vicky explained that Kent Homechoice is the largest choice-based lettings partnership in the UK, and is well respected for its success in partnership working, leading on innovation, and continuous improvement in systems and customer services.
4. Vicky gave an overview of the process:-
5. **SLIDE 1** explained that the Kent Homechoice website was a central access point online that where anyone wanting to apply for social housing could complete a pre-assessment, the system looks at eligibility and assesses the individual needs of an applicant and provides them with an action plan. She explained that you needed an e. mail address and password and you were then able to upload details and log in to enable you to see what you were able to bid on.
6. **SLIDE 2** explained that the system was as transparent as possible, and applicants were able to work out for themselves how long they would possibly have to wait.
7. Every property advertised /listed shows the outcome of who was offered the property by Band and length of time. Applicants can then work out their options. If for example it shows a wait of 4/5 years, they may want to change their preference to another area within their district.
8. **QUESTION** - Kent Homechoice are advising clients to move to other areas?
9. Only within their Borough/District
10. **QUESTION** -Eligibility? Residents find this difficult to understand. You need to be articulate. Does local connection relate to jobs? How do we ensure people working locally get accommodation in their area?
11. There are certain residency and immigration status, Government Policy, Local Connection Criteria is set locally. (Armed Forces is different). Every Local Authority has a different criteria. On the whole they only apply to the Borough that they live in, could look to another Borough if had a family connection or employment.
12. **QUESTION** - Does Kent Homechoice have a constitution? Is it a Charity?

13. It has a written partnership Agreement with all 14 Kent and Medway Local Authority's including KCC and 25 Housing Association Partners.
14. **QUESTION** - How does the applicant deal with Kent Homechoice? If I need housing – why Kent Homechoice and not a District Council?
15. We are a partnership with the District Council's – it is one central point of contact.
16. **SLIDE 3** depicted the Housing Register Figures for each area.
17. **QUESTION** - In Maidstone and Tonbridge and Malling it is only those in need that are placed on the register. In Dartford for example there are 7,820 on the register but only 799 in need? Do some Districts advise that you can't register?
18. No, everyone is assessed individually.
19. **QUESTION** - If the figures don't measure need is it just each District's Policy?
20. That is correct.
21. **QUESTION** - Has anyone measured need across the Country based on the same criteria?
22. Policies are very similar but take account of local needs so it wouldn't be possible to provide a figure on the exactly the same need across the County
23. **QUESTION** - How does the Government assess? There are hidden statistics? Whose figures does the Government use?
24. All policies are broadly similar and meet the government guidance.
25. **SLIDE 4** showed the Housing Register Demographics.
26. **SLIDE 5** explained the housing need and Vicky advised there were always challenges around size and type of properties.
27. **SLIDE 6** explained that between 5,000 and 6,000 social and affordable homes were advertised via Kent Homechoice each year, statistics show that in Band A you would wait an average 367 days before being housed. In 2019 there were 1,146 applicants housed across Kent and Medway in Band A and there were a further 1803 applicants that had been waiting in Band A for 4 to 5 years that had an urgent housing need.
28. **QUESTION** - If I had waited 367 days in Band A – where would I have been at this time?
29. With family members or in some form of inadequate housing.

30. **SLIDE 7** explained the procedure for vulnerable applicants, Kent Homechoice has worked hard to ensure it is accessible. Digital assistance was offered by support agencies and Local Authority's with an automated bidding option.

31. **SLIDE 8** explained that Kent Homechoice was the largest CBL Partnership in the UK with a total stock of 88,000 in Kent and Medway and 13% of the overall housing stock in Kent.

32. **QUESTION** - Please elaborate on KCC's role?

33. KCC has a supporting role and is a partner with a keen interest – it has limited access to the system (VH provides KCC with reports to assist them with assessing fraudulent activity).

34. **QUESTION** - In Band A, is there an opportunity to make adaptations to a property, building, lifts?

35. It is very difficult to adapt existing stock. We are not building the types of property that we require. There is a blockage, there are single people in family size accommodation because there is a lack of adapted properties. We are not building lifetime homes.

36. **QUESTION** - Does mutual exchange help?

37. To a degree.

38. **QUESTION** - Is it Country wide?

39. Home Swapper is a National Scheme.

40. **QUESTION** - It all points to a shortage of affordable property – from your unique vantage point - what do you attribute this to?

41. Response:

- a. A shortage of adapted properties.
- b. Insufficient numbers of properties being built – often those that are built are not large enough ie often a 2 bed on a new development will only be suitable for a family with 1 child. A previous old council stock 4 bed house would have been suitable for a family of 6/7 but new builds only suitable for a family of 5.

42. **QUESTION** - Housing Associations have the highest number of units?

43. It seems that on the whole Housing Association developments fulfil financial requirements rather than sustainability.

44. **QUESTION** - Is there a minimum space standard?

45. They are constructed a smaller size than housing built in the past.
46. **QUESTION** - Is it a Government Regulation issue or is it the Planning Authorities?
47. That is difficult for me to answer – most housing developments build to a minimum size.
48. **QUESTION** - What are the reasons why stock becomes available, is it when people die?
49. Internal management – a % move, tenants transfer, and this frees up stock, some move out of the area or choose to privately rent. A % is a final home returned.
50. **QUESTION** - Adaptations Policy – a limited amount of finance – could KCC support financially or encourage Districts?
51. There is a Disabled Facilities Grant – someone could be accommodated in a 3-bedroom house but only needs a 1 bedroom house- this is a challenge. If there was a County wide design standard that Housing Associations could adhere for lifetime properties, KCC could help by applying pressure.
52. **QUESTION** - Wider value of KCC land?
53. Exciting prospect, looking at actual need across Kent, rather than for financial gain.
54. **QUESTION** - Right to Buy?
55. West Kent have more Housing Association stock. East Kent tend to lose Right to Buy.
56. Most of the good stock has been bought /sold. Agree if could halt it would be a good opportunity to sell Right to Buy back to Council's. Currently spending a lot of money on re-purchasing, not good value for money.
57. **QUESTION** - Data Collection? Deliverability? Movement of people within an existing system. Missing Link?
58. We should look at household sizes, historically there were larger properties.
59. **QUESTION** - How much affordable rental stock is there available to people who are looking at housing? For example, on a development, I have been advised that 50% properties were sublet and rented at the market rate. If Housing Associations do not realise this is happening this is not helpful? Problem?

60. The problem is that most Housing Associations are now centralised and there are no local offices, so they are therefore less aware of what is happening. Could see it as a growing issue. There are potential cuckooing and County Lines issues too.

61. **QUESTION** - Policy on Bedroom Tax?

62. Believe on the whole people are tending to stay where they are and pay the tax.

63. **QUESTION** - Of the 5,000 to 6,000 properties what is the balance social/affordable?

64. **INFORMATION TO BE PROVIDED TO THE COMMITTEE**

65. **QUESTION** - Total stock of 88,000 - Kent Homechoice has a contract with all Local Authority's – they have all transferred responsibility of 88,000 properties?

66. No, they are advertised and come through Kent Homechoice, most LAs have nominations agreements with housing associations and 25% of vacancies can be held back for them to manage their own stock.

67. **QUESTION** - Relationship to Kent Homechoice?

68. Support each other – Kent Homechoice are a subgroup of Kent Housing Group. Excellent partnership.

69. **QUESTION** - Do you share best practice?

70. Yes and work with them on important projects, it brings strength.

71. **QUESTION** - It is very difficult to quantify waiting times? It is important we quantify it as a measure. What else could KCC do? Although we respect the fact there is a variance in Districts, there needs to be standardisation in waiting times.

72. It is difficult to quantify – it varies so much from area to area. Measuring the time that someone has been housed against the time that someone remains on the register is challenging and may require an expert in the area of statistics to calculate? Waiting times depend on properties being returned, it depends on people moving out, sometimes there may not be movement in a particular village for years and then occasionally there may be 2 in 1 month, it is very unpredictable This is why we provide the feedback so they are able to work it out for themselves.

73. **QUESTION** - On average? - ie a 3-bedroom house?

74. You may never get one.

75. **QUESTION** - Is the waiting time different across different bands?



76. There are different variables in Bands C and D – can make a choice to look in a different area within the same District.

77. **QUESTION** - Why aren't people moving -is it a cost factor?

78. No there are other challenges, the cost of furnishings for example is an issue.

79. **Vicky advised that there were two issues that she would like to bring to the attention of the Committee.**

80. Firstly, the issues of asylum seekers in Kent care turning 21 years old – there are currently 60 who have all approached the Registers for housing – more work needs to be done on client expectation, they are all under the impression they will be housed in a separate dwelling, they need to consider private renting in shared housing.

81. Secondly, Gypsy Traveller Accommodation – Kent Homechoice is currently on a Policy Review, as the travellers currently assess the Register via KCC. The review is looking at the Gypsy and Traveller community potentially having to apply to all 13 areas as they have the option of choice. Teams in each Local Authority would accept them onto the housing register, the challenge is that they need to apply to 13 Local Authority's - with lower literacy levels within the community this would make the application process more difficult for them than it is currently. It would be beneficial if could apply to KCC first.

82. The Chairman thanked Vicky, he had found the session very informative and extremely valuable and thanked her for covering so many important issues.

3. **Dr Stanimira Milcheva (Associate Professor in Real Estate and Infrastructure Finance, University College London)**  
(Item 4)

1. The Chair welcomed Dr Stanimira Milcheva to the committee and asked her to introduce herself and to provide an outline of the main responsibilities of her post along with her main research interests.

2. **Dr Stanimira Milcheva, Associate Professor in Real Estate and Infrastructure Finance, University College London** – As an Associate Professor in Real Estate and Infrastructure Finance at the University College London (UCL), Dr Milcheva's most recent research encompassed various aspects of affordable housing, primarily from an institutional point of view. Her research also involved investigative work on how institutional investors approached affordable housing and real estate and their role on prices and the real estate market overall. Dr Milcheva combined a finance angle with an urban economics perspective to investigate the role of spatial linkages, linkages of assets across space and time, for prices and market dynamics. She had an established track record in this area and

was well known for her contributions in the intersection of spatial econometrics and asset pricing.

3. Dr Milcheva had published her work in a number of high-esteemed journals in finance, urban economics, real estate and economics, such as the Journal of Corporate Finance, Journal of Banking and Finance, Journal of Macroeconomics, Regional Science and Urban Economics, Journal of Real Estate Finance and Economics and the Journal of Housing Economics. She had presented her research and been invited as a panel member at numerous prestigious conferences and symposiums in the field of real estate. Dr Milcheva had been awarded various prizes for her research output, including Best Paper at the Asian Real Estate Society by the Royal Institution of Chartered Surveyors, best research output for 'Thinking out the Box' by the Homer Hoyt Institute, best research output by Cushman and Wakefield, and best research output by the University of Reading Research Endowment Trust Fund.

#### **4. Q – What is affordable housing?**

5. Dr Milcheva said that affordable housing varied depending on different income groups, as what was deemed affordable for one, may not have been affordable for another. Affordable housing also varied in terms of quality requirements as low quality housing was more affordable than good quality housing which meant that many people had to compromise on the standard of their living conditions. Affordable housing also varied by location, meaning that people were moving outside of less affordable areas (London) and commuting further to work. Dr Milcheva's research identified that different segments of the affordable housing market needed a tailored approach dependent on the area in which the affordable housing infrastructure was built. However, a significant factor that was highlighted in Dr Michela's research was that affordable housing was built in the wrong areas.
6. UCL ran two seminars on the study of affordable housing which were attended by a number of stakeholders from local authorities, housing associations, institutional investors and pension funds. A majority of those present said that affordable housing was linked to market rent, however, the other proportion felt that affordable housing should reflect local income levels. Within the current housing model there were two different tenures, one was social which was related to income and the other was affordable, which related to market price.
7. With regard to the number of affordable housing completions by Tenure in England, Dr Milcheva explained that the data presented had been extracted from the Ministry of Housing, Communities & Local Government (MHCLG) and that the evidence suggested a strong decline in social rent; this was predominantly due to a 50% reduction in capital funding for the development of new social housing announced in 2010. As social rent started to decline, the government's scheme of affordable housing started to rise.

8. In relation to the statistics on the number of Affordable Housing projects started by Kent Local Authorities since 2015, the data showed that very few Local Authorities had funded new affordable housing units.
9. In terms of housing affordability in Kent compared to Croydon, the statistics identified that affordability in existing dwellings compared to new build stock had risen. In 2002 affordability of housing started at 4.5x the average income (Swale being the most affordable area) with Sevenoaks starting at 7x the average income (the least affordable area in Kent). Croydon in comparison to Kent's affordability margin was relatively similar starting at 5.5x the average income. From 2002 to 2018 the affordability margin had increased considerably with those living in Swale needing to earn 7.7x more than their income and those in Sevenoaks needing to earn nearly 13x more than the average income to break into the housing market. In 2018, households within Croydon needed to generate 10x their average income to afford market prices which made Croydon a more affordable place to live compared to Sevenoaks. This was also reflected in the new build statistics with Tunbridge Wells reaching an unaffordability rate of x16 the average income whereas Croydon sat at 11x the average income. Dr Milcheva concluded that from the data, it was evident that some of the local authorities in Kent were more unaffordable than Croydon and the earlier evidence of 'housing starts' by local authorities would suggest that there was a clear need to build more social and affordable housing. Dr Milcheva noted that the evidence suggested that through the increased construction of affordable housing, this would reduce average house prices and therefore would make new builds a more affordable market for first time buyers to break into.

**10.Q – The current Government definition for affordable housing is not fit for purpose as it is currently based on market rent rather than income, what is your stance on this and what would you recommend to government?**

11. Dr Milcheva expressed her view on the need for more social rent and for this to be issued based on income or personal circumstance when allocating suitable housing. Over the years social rent dwellings were replaced with the governments initiative on affordable housing which was based on market price opposed to income. She noted that different tenures targeted different housing needs and household segments based on household earnings. The government and local authorities needed to focus on long-term provision of affordable housing by providing housing for rent, which was a tenure that would stay on the books for housing associations and local authorities, and encourage the provision of tenures linked to income in addition to existing products linked to market rents or prices.

**12.Q – In East Kent, affordability is relatively cheaper, however using the category of affordable related rent in West Kent could amount to substantial discount to the rented value of the property, so much so**

**that it becomes unaffordable for the provider to build, what are your views on this?**

**13.** Dr Milcheva said that the grant rate for social tenure was a percentage of the price to build and was much lower than the tenures which were market orientated. From the developer's point of view, they considered social rent to be less beneficial. The alternative, preferred option would be for developers to build several different tenures and enter into joint ventures. Cross-subsidy builds were the preferred models adopted by housing associations.

**14. How do demographics play a part in affordable housing?**

**15.** Dr Milcheva said that when making the decision of where to build social and affordable housing, adopting a very localised approach – i.e. looking at local authority or even more granular – was essential. It was important to do a feasibility analysis, analysing existing demographics and socio-economic data in the local area. It was also important to take into account factors that would influence market value or the attractiveness of an area such as amenities (i.e. train station, school etc.) and these would all need to be taken into account when determining the best housing tenure mix.

**16. Is there a lot of variance within the housing market in Germany in terms of what is available and affordable?**

**17.** Dr Milcheva informed Members that within the UK, on average, it was cheaper to have a mortgage than it was to rent. There were a number of reasons for this. One of them was due to the regulatory framework as tenants within the UK did not have the same protection rights as those within other European countries or even the United States. Furthermore, the quality of private housing stock was low compared to public rental or ownership housing. All these factors would make buying the most attractive option for people within the UK, however, more and more people have been forced into rental tenures due to price inflation of property and therefore have no other option other than rental accommodation. In Germany there was a very different institutional framework with strong renter protection (and rent control) which made rentable accommodation more appealing and more affordable for tenants in comparison to buying a property, in spite of academic research evidencing that it was not a feasible alternative. The quality of rentable accommodation was also better in Germany and due to the protection for tenants, there was often greater certainty in being able to stay in one place, whereas in the UK, those renting properties do not have the same protection rights and could face no-fault evictions. Germany also had a higher level of job mobility as a higher percentage of people moved across the country to accommodate their working conditions and so renting was considered to be a better option for this setting. In terms of buying, the fact that most mortgages in the UK had variable mortgage rates and transaction costs which were much lower than those in Germany, made the market more liquid, i.e. buying and selling happened more often. In Germany, the option to buy

may have been less attractive for households anticipating a move, as mortgages mostly offered fixed rates with high prepayment penalties.

**18.Q – What can Kent County Council do to alleviate housing unaffordability?**

19. Dr Milcheva expressed the view that Local Authorities had good expertise “on the ground” which would allow them to identify where to build affordable housing. Unaffordability varied largely even in small areas, so there was a need to analyse at every granular level where the need for housing was. She also felt that land needed to be released for affordable housing. There needed to be less constraints on housing supply such as planning permission, so this would include increasing the density of affordable housing along with introducing tenures that would alleviate unaffordability in the long run (rental accommodation). And finally, through securing finance for new developments and taking a more proactive approach in engaging with real estate institutional investors and registered providers in order to deliver housing at scale.

**20.Q – How can Kent County Council finance affordable housing developments and achieve scale?**

21. Dr Milcheva said that this could be achieved through the use of the Public Works Loan Board (PWLB) and/or institutional investors such as pension funds or insurance companies who could provide cheap and long-term borrowing in the form of loans. Another way to finance affordable housing was through joint ventures with registered providers (examples of this can be seen with Brighton and Hyde) and institutional investors. There was also the option of using the Kent County Council pension fund to invest in affordable housing indirectly by investing in a private Registered Provider with a mandate to invest in affordable housing. From a research entitled “Preferences of Institutional Investors in Commercial

22. Real Estate” together with D. Cvijanovic and A. van de Minne, it was shown that different types and sizes of institutional investors behaved differently on the real estate markets and had different preferences. In a follow up piece of research, the authors showed that holding periods and prices varied based on the size of investor. Therefore, when Kent County Council and its Local Authorities make the decision to engage with institutional investors (different from the traditional housebuilders that have dominated the market in the UK), they should be mindful that they do not all behave in the same way and were not all looking for the same thing. Kent County Council should be mindful to differentiate among the investors and their incentives.

**23.Q – From an academic point of view, what is the effect of the borrowing cap being removed?**

24. Dr Milcheva informed Members that the cap was only lifted in 2019 and that there was not enough data to look at the trend. Furthermore, housing developers were not willing to invest at a time when house prices were falling.

25. In terms of the funding options available, equity funds would operate differently from a pension or insurance company. In general, an equity fund would be looking to flip an asset quickly, whereas a pension fund would be looking to invest over a longer period. The latter would be looking for stable cash flow and hence would be willing to accept a lower rate of return.

**26. Q – The USA are looking to expand into the British market, but how will that benefit the British market in America?**

27. Dr Milcheva advised that Britain may be more cautious and would pull back capital if anything was to happen in America. Since the financial crisis, banks were more heavily regulated as a majority of European countries were dependent on loans from banks to build their economy. However, due to this, there was a decline in borrowing provided by banks for construction purposes and instead, loans were being provided by new lenders, i.e. institutional investors sourcing money from the capital markets, mostly adopting a fund structure.

**28. Q – Are companies such as Facebook and Google going into banking?**

29. Dr Milcheva said that it was quite common practice in China to see large corporations providing loans as they are not under the same regulatory restraints as banks and could invest their money in different ways. It was important that Kent County Council approached large institutional investors with a long-term view on housing investment to ensure more flexibility and less constraints in order to provide high quality affordable housing.

**30. Q – Do the dynamics change when local authorities own a lot of land?**

31. Dr Milcheva informed Members that most house builders adopted a speculative approach to development, i.e. built properties to sell, whereas some institutional investors sought to rent properties and would often work alongside housing associations to develop a process and have in-house expertise in construction and development.

**32. Q – In Kent Thanet has the lowest house prices and the greatest demand for housing. If Kent were to enter into funding with a major investor they would want to build in an area where the house prices were higher to make it a feasible investment, compared to Thanet where the cost of building would outweigh their return on investment as house prices were lower. What are your views on this?**

**33.** Dr Milcheva explained that this is what social tenure rent was there for – it was not always feasible but it was needed. Affordable rent instead, which was linked to market prices and rents, targeted people like herself who could not enter the priority housing list for social housing as she did not fall within the category of people who would qualify for priority residency, but could apply to other housing schemes – i.e. shared ownership. Those people who were identified as being most in need would require a different approach – i.e. social rent. Dr Milcheva said that there needed to be a mixture of tenures provided. For example, in Dartford, statistics showed that social rent would be the tenure that was most in demand. However, building the sufficient amount of social units to house all people on the waiting list may not have been a viable option to the private sector (housebuilder or investor) as a 100%% social rent tenure alone was not feasible. In this case, there would be the need for the local authorities to intervene in the process and co-ordinate the supply of social housing. The way it had been done was by using the cross-subsidy model where private sale would be used to fund social rent. However, if the need for social rent in one local authority was much larger, but the need for affordable tenures was less in the same local authority, then that local authority would need to work alongside other local authorities or Kent County Council to address the problem. Overall, left to market forces, it was likely that where social housing was most needed, it may not be built.