



Built Environment Committee

Corrected oral evidence: Meeting the UK's housing demand

Tuesday 20 July 2021

9.30am

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Members present: Baroness Neville-Rolfe (The Chair); Baroness Bakewell; Lord Berkeley; Lord Best; Lord Carrington of Fulham; Lord Grocott; Lord Haselhurst; the Earl of Lytton; Lord Moylan; Lord Stunell; Baroness Thornhill.

Evidence Session No. 2

Virtual Proceeding

Questions 14—24

Witnesses

I: Ian Fletcher, Director of Policy, British Property Federation; Toby Lloyd, Chair, No Place Left Behind Commission, and Independent Housing Policy Consultant; Anna Minton, Reader, School of Architecture at University of East London; Alex Morton, Head of Policy, Centre for Policy Studies.

Examination of witnesses

Ian Fletcher, Toby Lloyd, Anna Minton and Alex Morton.

Q14 **The Chair:** Welcome to the House of Lords Built Environment Committee's second public evidence session in our inquiry on meeting the United Kingdom's housing demand. This inquiry will investigate the demand for new housing in the UK and how barriers to meeting this demand can be overcome. We will consider the key factors shaping the type, tenure and quality of housing needed in the UK. We will also examine a range of challenges to meeting that demand, such as skills shortages in the construction industry as we adapt to climate change, and some aspects of the planning system.

Today I am delighted to welcome our witnesses: Ian Fletcher, director of policy at the British Property Federation; Toby Lloyd, independent housing policy consultant and chair of the independent No Place Left Behind Commission for the Create Streets Foundation; Anna Minton, reader in architecture at the University of East London; and Alex Morton, head of policy at the Centre for Policy Studies.

The session is being broadcast on parliamentlive.tv. A full transcript is being taken and will be made available to you to make any corrections shortly after the session.

If I may, I would like to pose the first question. When each of you answers, if there is anything extra you want to say by way of biography, please say so in reply to your first question.

What is the balance of demand for new housing between homes for private ownership, privately rented homes, and social housing? We have heard from other witnesses about shifts that are being caused by an ageing population, by changes in household formation and by immigration. How might these social and demographic factors and trends affect the balance of demand between the different housing tenures, which is our focus today?

Ian Fletcher: Thank you very much to the committee for the invitation today. I welcome this inquiry.

You said that I could perhaps give a short biography. My work on housing at the British Property Federation has focused on one of the quiet successes of the housing market over the last decade or so, Build to Rent. In 2012, a government review headed up by Sir Adrian Montague tried to encourage pension funds to invest in market-rented housing. The first developments came out of the ground in 2014. We now have a pipeline of nearly 200,000 Build to Rent homes. The average size of those developments is about 300 units. About 70,000 of that pipeline, so about 10,000 units a year, has been delivered. There is a strong emphasis on quality, customer service and 24/7 management. The sector's customers generally love it. I can perhaps give some statistics on that later.

To answer your question, clearly the Government have a target of 300,000 homes a year. There is no tenure split within that. The tenure

split is meant to be decided at a local level. Section 21 of the National Planning Policy Framework sets out that local authorities should be planning for affordable housing, families with children, older people, students, people with disabilities, service families, Travellers, people who rent their homes and people wishing to commission or build their own homes.

To give you one or two stats that have kindly been provided by Jones Lang Laselle, if you were to split the 300,000 on the existing tenure split, it would equate to 183,000 owner occupied homes a year—66,000 private rented and 51,000 social rent. Perhaps a better way to look at the market, however, is to look at it from a demographic profile. If you were to replicate existing population groupings, delivery would be 66,000 homes for singles and sharers, 54,000 for couples, 117,000 for families and 63,000 for retirees. I have a particular interest in that last category. We are significantly in deficit in providing sufficient shapes and form of housing for older people in our population.

Finally, a frustration of mine with this area of policy-making is that we do not look at the market at all in terms of raising capital in any of the policy decisions we make. Every home has to have capital behind it to get built. There are only three forms of capital: the debt markets, equity, or public spending. When one of those reduces, if we are to deliver the same number of homes, then others have to increase. We have seen that in the affordable housing market over the last decade as public spending on social housing has reduced. It has become more reliant on private debt. We are also starting to see some equity and some pension fund investment in that sector. That concludes my opening remarks. Thank you.

Toby Lloyd: We can get a little bit too obsessed about the precise metrics of exactly how many homes ought to be provided in any one tenure. First, the new-build housing supply is a fairly small proportion of the overall stock. The vast majority of the demand for housing will always be met by homes that are already there, because homes tend to be around for a long time. New build is important, but it is only a marginal factor on top of what is already there. Changes within the existing stock can therefore be far more significant to the balance of demand between tenures as new build supply.

That said, we are here to try to put some numbers on this. The Government have a target of 300,000 homes, which is slightly arbitrary, as are all these numbers, but it is reasonable. We are talking about adding about 1% of the stock per year. You can see that it is still relatively marginal to the overall total, but it is significant.

If you look at the balance of need for housing, you get different figures for different tenures than if you look at the demand. It is basically impossible to identify what demand means in this context. The demands for different tenures are interdependent. If house prices were to go down dramatically, huge numbers of people would want to buy a home who are

currently in the social housing category of demand, because they cannot afford the open market.

Equally, there is a constant shift between people who are currently classified as demanding private rented housing, but actually most of them do not particularly want private rented housing. They would much rather have social housing or owner-occupation. Of course they would. Not many people want the additional expense and insecurity of private rented housing, yet we have a large proportion of people in that tenure. Is that demand, is that need, or is that all that people can afford? We need to be slightly careful about the terms and assuming that there is a magic number that accurately reflects true demand in this space. It is far more productive to keep it quite simple and to say that we need more homes.

We do not expect that building more homes will solve all the world's problems overnight, because this is a marginal increase, but to the extent that we can influence the stock with new build, where do we need most of that increase? It is at the affordable end of the spectrum. I have to say here that there is genuine bad faith among quite a lot of commentators in this space. The private sector will simply never build enough market homes to lower the price. That will not happen. Why would any sensible business damage its own bottom line in that way?

Therefore, if prices are too high for most people—they are at the moment, with average house prices at least eight times average household income—we need to build non-market homes at the social end of the spectrum. My former employer Shelter has called for around 173,000 homes over two years. That would be about 30% of the 300,000 a year. That is a reasonable benchmark or ballpark figure for the sort of proportion we ought to be building.

That said, we have to keep in mind that there is always that constant movement between the different tenures. In fact, let us not forget that right now we are building a negative number of social houses. We are losing 17,000 net social homes a year. For all that talk of exactly the right proportion, it is definitely more than zero. At the moment, we are building significantly fewer than zero social rented homes, because we lose more stock than we build every year.

Anna Minton: Thank you very much for inviting me here today. To give you a brief biography, some of you may know me better as the author of a book on the housing crisis called *Big Capital: Who is London For?* It looked at many of the trends and drivers behind the UK's housing crisis in London and beyond.

I echo some of Toby's remarks, particularly with regard to the concept that the demand for different tenures is interdependent between them. The balance of demand for different tenures depends primarily on affordability and availability, with house price inflation being the key factor in the present market. House price inflation is a global as well as

local trend, with global and local drivers, and, above all, it shapes and interacts with social and demographic factors.

I do not know if this is the place to discuss house price inflation. I have some remarks on house price inflation which it might be more relevant to take under the later question about barriers to meeting housing demand. I will limit my remarks to the balance between tenures for this question, but we must come back to this issue.

With regard to the current balance, owing to the difficulty in accessing owner occupation, which is effectively unaffordable for the majority of people under 45 unless they have help from the so-called bank of mum and dad, and virtually no chance of accessing social housing unless families are in priority need, which means that they have physical or mental health needs or they have children, the demand for the private rented sector is currently the greatest, with just under a fifth of all households in private renting. That figure in London, for example, doubled between 1995 and 2019.

The pressure on private renting is set to increase as the cohorts accessing it include young people joining the market and older people who remain trapped there, plus a significant proportion of social housing tenants in receipt of benefits and in the private rented sector. I would like to address specific comments on that point as well later. At present, the private rented sector is the sector facing the greatest pressure, and it is the sector that many people would not choose to be in and find difficult to leave.

Alex Morton: I echo what Toby and Anna said. We can get too hung up on the exact numbers when the number-one goal has to be to increase the housing supply per se. To do that, we need a mix of tenures.

Instead of having targets on housing numbers, we need to move away from that and think about getting land to different types of builder and different sizes of builder so that there are different approaches. If you are in an area, it is easier to build a mix of affordable housing, shared ownership, Build to Rent, self and custom-build, SME housebuilding and barrack homes. That better way will sell into a series of market segments, which will increase the total amount of houses built.

I would plead that, rather than thinking about it as a top-down number, we think about how we can have lots of different markets and then sell into those markets to increase the overall stock of housing, including all the tenures we have been discussing, such as retirement housing and so on. A problem is that the top-down number and the guidance referred to in the NPPF about different types does not structure the market in a functional way.

I am probably the most free marketeer of the witnesses, but we will never have a pure free market in land unless we get rid of the planning system, and that will never happen. We have intervened in the land market and the planning system, but we have to do it more intelligently

than the current approach. Councils need to provide different routes to land for the different housing types that can be built. To some extent, that will be different in each area and for each council. Over time, we might have a surge in Build to Rent. We might suddenly find that the Government are prepared to spend a bit more on affordable rent so we can splurge on that. That is a better way of thinking about this than having a top-down structural approach.

I would also agree with Anna's point about house prices. I disagree with Toby on the idea that the private sector will build enough that prices will fall. We may be getting off the topic. I would like to pick that up again at a later point. The key point about the balance of tenures and the balance of mix is to think about this as getting land into different markets to build different types of homes to increase the total housing stock. We will get to a much better place doing that than if we start from a top-down number of X thousand for private rent, X thousand for social, and X thousand for whatever, and then try to cascade that across the country.

Q15 The Chair: Thank you for that. On this business of types of housing, we had a breakdown from Ian, which was interesting. Could we help with the new housing stock by using the existing housing stock better? A lot of old people, for example, are living in big houses. We could get them out of those big houses and into, for example, new types of tenure for the elderly. Would that help with this demand-and-supply problem?

Alex Morton: I strongly agree. There is the issue that we have not built enough retirement homes. It would free up family homes. Some people talk about taxing people out of their homes. It will not fly. We are not going to tax elderly people out of their homes. They are family and friends.

One problem, though, is social care. Councils do not want to approve new housing. I worked in the Number 10 Policy Unit and various council leaders told me off the record that they did not like building retirement housing in their areas, because they feared it would push up social care costs. Social care has to be fixed if we want to build more retirement housing in this country.

The second issue is the same old issue of land. Councils could not get land at good prices. They were usually either outbid or outmanoeuvred by the large housebuilders or strategic land purchasers, which meant that they could not get retirement housing built. That double whammy has meant that the flow of homes has been small.

Ian Fletcher: I echo Alex's last remark. Some of our members are seeking to enter the retirement living market and it is quite difficult to compete for land. Many local authorities still apply affordable housing requirements to retirement accommodation, which does not help. Our members have been able to compete for land by taking sites that the traditional housebuilders do not compete for, often brownfield, often large sites. That is also the case with Build to Rent.

Having a better range and quality of offers would attract more elderly people into other forms of housing. At the moment, that does not exist in the market. Little bits of the market have some good innovations and different gradations of housing with care. If we got this right, rather than putting pressure on social care budgets it could reduce pressure on social care budgets.

Q16 **Baroness Thornhill:** This question is to Alex, who, as a local authority mayor and according to your textbook, has done Build to Rent, Build to Let, retirement housing and so on—tick, tick, tick—so you will know that trying to get the real social affordable element into these mixed schemes still remains the biggest challenge. You used the word “splurge” about money from local government. I have never been aware of a splurge on anything at that end. We have to regard the fact that that end of the market still does not meet our community’s needs, which is where I would like to take our question.

All our questions talk about housing demand, whereas local authorities have to assess need. It is not helpful that those terms are often confused and sometimes used interchangeably. I would like to focus on need. It seems from Ian’s list that local authorities have to deal with everything except buy to let, investing and people who want to buy. In your opinion, do local authorities have the tools to meet the housing need of their communities and their areas, given the way, in the current framework, local authorities seem to be measured by an emphasis on the numbers, which that you are all keen to dispel, and not on meeting the needs of the community?

Alex Morton: The problem with need versus demand is that there will always be a waiting list for any submarket rents, because the definition of a market is where the supply and the demand meet. If you price something below that point, you will always have a waiting list for submarket housing.

The current framework is not as good as it should be, but hopefully it is moving in a better direction on the mix of tenures. Part of my plea to this committee is to make that point and to push the Government in the right direction. There is a legitimate argument about how much affordable or social rent there should be. For political reasons, people will always have different preferences. Even Conservatives can note that a group of people will always need affordable housing, and we all want to see that part of the supply, which is a different market niche that can increase overall supply.

I also note that the UK has the second or third highest amount of social or affordable submarket rent across the EU 27 plus us, or however we refer to it from now on. If it was just a case of needing more social or affordable rent, we have the second or third largest stock of that so we would have solved it.

The point about increasing the total amount and holding prices down across multiple areas remains relevant, but that is not to say that we

should not be building more affordable or social rent at the moment. That has place as part of the tenure mix.

Toby Lloyd: For a minute, I was worried that Alex and I were going to agree on everything.

You are entirely right, Baroness Thornhill, that need and demand are confusing here, both terminologically and for local authorities, who are under legal obligations to meet need, and then we start talking about demand.

The short answer to your question is, no, local authorities do not have sufficient tools to meet all the need in their areas. Planning is the main tool at their disposal. We could go on at great length about the inadequacies of the current planning system, but even the best planning system in the world is only one part of the toolkit needed to sort these problems out, and they do not have the other tools at all, the obvious one being sufficient access to capital to invest in infrastructure to support housing development or to invest in affordable housing directly. I was pleased when I was in No. 10 to be able at least to allow local authorities to borrow a little bit more to support affordable housing delivery, but it is still nowhere near enough.

Local authorities used to have a whole other set of tools that they do not have any more, for often quite complex reasons, the main one relating to the ability to intervene directly in the land market. As Alex has already said, a problem here is the way in which the land market plays out through the housebuilding system. If we go back to the days when we had a healthier balance between the tenures, there was less of an enormous gulf between them and it was much more feasible to move from social rented housing to owner occupation, for example, local authorities had a much broader range of tools for intervention, including the ability to strategically purchase land.

Without that power and ability, which they have essentially lost because case law and legislation have undermined the ability to compulsorily purchase land, and with the ending of the new towns programme and the removal of large amounts of central government grant for these purposes, local authorities are forced pretty much to use only a weak and inadequate planning system to achieve their statutory obligations to meet housing need. I do not blame them at all, because that is basically impossible. They do not have the tools they need, and we need to ensure that they do.

Anna Minton: I agree. Policy tools are broadly inadequate, but there are some tools if local authorities have the will to implement them. It is very much about the policy approach taken. The former Holloway Prison site is an example of best practice, where the local authority, Islington Council, worked closely with City Hall. This is a large site of nearly 1,000 homes. At the planning application stage, it needed a minimum of 50% affordable housing, of which a large proportion would be social housing. That brought the value of the site down before the site came to be bought.

That is an example of how, even within our constricted system, it can work quite effectively. If local authorities have the will to do this sort of thing, they can.

With regard to the amount of social housing we have in this country, it is a historical issue that our post-war housing system built large amounts of social housing. Between the 1950s and approximately 1980, we had a two-to-one system. The private sector built 150,000 homes and the social housing sector—council housing—built 100,000 homes. Broadly speaking, that stopped, which is one of the biggest reasons why we now face this shortage of housing.

A comparison with other European countries is not necessarily helpful, because in many southern European countries, for example, high levels of owner occupation are common, with families passing down homes to each other, building their own homes and so on. Our large proportion of social housing is historical but has been massively diminished from what it was. That is the salient point.

Toby Lloyd: On that point about European comparisons, it is true that we have a relatively high proportion of social housing stock. It is also true that we have by far the most expensive private-sector housing of pretty much anywhere in the known world. Those are two halves of the same coin. We need all that social housing, because we have rendered the private market so unaffordable. Unfortunately, until we address both sides of the equation at once, we will never get this thing to balance.

Alex Morton: My counterpoint to that is that sometimes there is too much of a focus on social affordable housing rather than fixing the overall major structural and macroeconomic problem of the land market and housing supply in general.

Anna made the point that councils can do it, which is correct but it is hard to do. You have to be a good councillor with sensible planning officers, and you have to be prepared to intervene in the market. Many Conservatives would say that they do not want to interfere in the land market in that way because it is a market, but once you have massively rationed the supply of land, you have a dysfunctional market that can be captured by only a small number of housebuilders.

My plea to free marketeers is that this is not a functional market that will work like bread, cars or anything else. If you are planning the land market, you have to do it intelligently rather than massively rationing the supply of land and walking away. Otherwise, a small core of land speculators and large housebuilders will dominate that trickle of land and it will not function.

Toby Lloyd: Absolutely.

Q17 **Lord Best:** I declare my interest in knowing all four of our witnesses. It is great to see you all.

Does the figure of 90,000 new homes per year for social rent accurately

reflect demand for new social housing? We have covered this pretty well. You broadly all agree that the actual number is not that important. All of you are agreed that we need a lot more social housing, irrespective of the exact number.

Perhaps we can move swiftly over that and get on to the second half of my question. Are the Government introducing the right policy initiatives to ensure homes for social rent are built?

Let us dig a bit deeper on this one. I always bear in mind that social housing has halved in recent years, from about 34% of the nation's housing to about 17%. Private renting has doubled to just under 20% of the nation's homes. Correcting that and achieving the larger number—whatever the exact figure might be for social rented housing in particular, and well-priced social housing—is a big issue.

Have the Government in their new planning White Paper outlined proposals that will make a significant difference? All of you have mentioned planning as a key issue, and the Government are planning to do big things on the planning front. Will these things make a significant difference? Will they satisfy your requirements for getting more social housing, particularly social rented housing, built?

Ian Fletcher: If I were to talk about the planning White Paper, I could be here for probably an hour. Applying it to social housing, I would flag two issues.

The first is a distribution issue. The planning White Paper does not solve the need for affordable housing and other developer contributions in the north that land values will not support. At the moment, we get 67% or thereabouts of affordable housing through developer contributions. Arguably, that works in the south, because land values are able to bear the cost of that. In the north, there is a need for affordable housing, but land values do not support that. The proposed infrastructure levy in the White Paper does not solve that. Developments in the north deserve exactly the same bells and whistles that people get in the south in the delivery of the social infrastructure, healthcare, schools and so on, which can also come from developer contributions.

The second issue is not so much about the White Paper but about broader policy and, at the moment, huge pressures particularly on the registered provider sector. Providing growth in the development of affordable housing has to compete with a huge number of other pressures. They have to find a lot of money for fire safety repairs and a lot of capital investment for government aspirations towards net zero by 2050. Many are running up against their debt covenants. They have coped over the last few years by having a cross-subsidy model. They would provide some element of market housing and use the profits from that to cross-subsidise the delivery of affordable housing. That seems to be on the wane as well.

I am supportive of your figure of 90,000. The waiting list is about 1.3 million at the moment for councils. There is a huge legacy of people who

would like to access social housing. Hopefully, I have highlighted some of the challenges.

Toby Lloyd: I would endorse your figure of 90,000 with all the above caveats. It is as good a number as any, rather than a magic statistic. Yes, we need to consistently provide a significantly larger proportion of social rented housing. But I would stress again that at the moment we are providing a negative amount of social housing every year. Even zero would be a significant improvement on where we are now. Yes, please, 90,000 would be fantastic.

In terms of the planning White Paper and whether it has the right policies, the honest but slightly weaselly answer is that it is too early to tell yet, because the devil is in the detail with planning policy. I absolutely endorse what both Alex and Anna have said about how planning policy can and should be implemented well to deliver proper social good and proper amounts of social housing. It can currently be done with a fair wind, the right situation, the right bit of land and the right council, but it is difficult. It does not seem to happen often. Will the new policies help or hinder that process? It depends.

The White Paper definitely does not signal a massive assault on affordable housing. There is a lot to recommend it. It is an attempt at the highest level to move towards exactly the stronger, clearer rules-based planning policies that both Anna and Alex have been calling for. In principle, that should enable planning authorities to drive better outcomes from the planning system.

I am definitely in favour of much stronger, clearer, more interventionist plan-making processes so that we get more clarity out of the political argument. Because of course planning is political. It is meant to be. This is a decision-making process in which society carves up benefits between different groups. It could not be more political. But that should happen at the plan-making stage, not in an ugly back-room argument over every single application. That should be a matter for publicly accountable argument at the plan-making stage. A lot in the White Paper would help us move towards that world. That is clearly the intention and I support that intention.

That said, the few details that have been mentioned were more problematic. For example, raising the threshold so that sites with fewer than 50 homes would not be subject to affordable housing demands would be disastrous. The devil will be in the detail. The principle of the White Paper could be beneficial, but we need to make sure that in the inevitable horse trading that goes on as it becomes law, we do not end up with a worse system than the one we have at the moment.

Anna Minton: Briefly, the 90,000 figure is almost interchangeable with the number currently in temporary accommodation. There were 88,330 just before the pandemic began. Families living in temporary accommodation are classified as homeless, so that figure would seem to

be the absolute bare minimum that we need. Shelter in fact recommends 155,000 a year.

That said, building homes for social rent does not, in my view, seem to be a policy priority for the Government at all. As Toby said, we are building negative numbers of social homes at the moment and the emphasis is on homes for affordable rent.

This definition is key, because affordable rent is now defined as up to 80% of market rent or market value. In cities like London, in parts of the southeast and in other hotspot areas, up to 80% of market rent is in fact far from affordable. The definition of affordable housing needs to be at the top of the debate on affordable and social housing.

How are we to move the debate? It is hard to imagine at present a shift in policy towards building more social housing and genuinely affordable housing unless cultural and political attitudes to social housing change significantly and it is no longer seen as a stigmatised tenure of last resort, which has been the case for some while now.

Building on last year's Housing, Communities and Local Government Committee report, I suggest that social housing is seen as infrastructure spending rather than day-to-day spending. In my blue-skies ideal world, I would like to see it widened as a tenure and opened to keyworkers, students, older people, cohorts who could move in and out according to their life stage, and providing for people in priority need. While it is seen simply as a tenure of last resort, there will not be that political will to move forward with social housing.

I also agree with Roger Madelin, the British land developer, who has questioned the whole system of developers providing affordable housing through Section 106 and then the various iterations of planning game that we have seen. It is not their job. It should not be their job. They are developers who are accountable to shareholders. The system has not worked effectively since it was introduced in the early 1990s. We need a complete overhaul of this. Politically, this is very difficult to achieve.

Alex Morton: I will disagree with most of my fellow evidence givers in that 90,000 homes seems a perfectly fine target, but the proportion of social rent versus affordable rent is particularly important. There is an extensive system of housing benefit. Beyond a certain point, giving people subsidised housing leads to waste and inefficiency. Once you get below a certain level of submarket rent, you are giving people something that people who are working on low or moderate incomes cannot afford, which is not the purpose of the welfare state.

To my mind, social housing is a form of the welfare state. Most people who live in it and work say that they want to own. Quite often, if you unbundle that and ask the others why they do not want to own, they do not think they can afford to. They would like to own, but they do not think it is realistic for them. The Government should be focused on

helping those people into ownership wherever possible, and providing a roof over their heads for everyone else.

Given that there will always be a limited amount of capital spending, there is clearly a trade-off between the size of discount you can give people and the number of homes. If you give people a larger discount, the capital grant will create fewer affordable homes. To be too focused on a higher level of submarket rent rather than the fact that there is a need for submarket rent per se and it is an extra form of supply is, in my view, a mistake.

On the White Paper, I echo Tony completely. It is too early to tell whether people on the Conservative Back Benches will respond sensibly and make legitimate points or whether they will throw out huge bits of it, which has not been helped by the Chesham and Amersham by-election, sadly.

Everyone likes streamlined planning until they actually get to it. When I was at No. 10, we wanted to try streamlined planning, but people said, "You want to streamline and make planning simple and just focus the land market on working better and building more houses, but we need more regulations on making housing age-adaptable, we need to combat the obesogenic environment, we need to ratchet up environmental and sustainability standards, we need to make sure there is a net biodiversity gain and we need to make sure that sustainable transport is supported".

The list goes on. You end up saying, "We'd like to streamline planning", but at the end of it somehow you come out with more bells and whistles attached than when you went in and there is a trade-off. So often bad policy is not the result of bad intentions or people but the result of stakeholder pressure on a particular hobbyhorse. Individually you can see why they have argued for it, but it becomes so complicated that it collapses under its own weight.

That is where the planning system has got to. If you read some planning applications—I would urge the committee to do that—you will begin to see why the large oligopoly of housebuilders exists as it does. Even putting the politics aside, which is difficult enough, it is hard to get through the complexity of the system.

Toby Lloyd: On the point that Alex and Anna raised about the relationship between social rented housing and affordable rented housing, without wanting to get into the precise affordability of each, although that is a real problem for an awful lot of people, I agree with Anna that 80% of market value is a bit of a nonsense in many places.

The real problem with affordable rent is not necessarily the level you fix it at per se but the fact that it is pegged to the market. With social rented housing, you can adjust the rents. There are parts of the country still where social rents are higher than market rents. It is possible. The point is that the social rent level is not determined according to a slightly imaginary pure market rent system, which makes a colossal difference

because that allows all these land market effects in the pricing to come through, as we have been talking about. Affordable rent, by being defined against an imaginary market rent, loses all the structural advantage and the intervention in the land market that a proper social rented planning policy can give. It is not just about the affordability level but about the structural impact on development.

Alex Morton: Flipping that around, Toby, it should focus councils and the Government on the fact that market housing is becoming more unaffordable, which in itself is a bad thing. It has not, sadly, but it could or should.

Q18 **Lord Stunell:** Thank you very much. You have successfully demonstrated that it is extremely confusing and there are lots of interactive elements, none of which you can pin down properly. I will lob another one in. I wanted to check with Alex Morton whether he actually thought that most social tenants wanted to own if they could. I notice that 40% of sold social rented housing is now in the private rented sector, because when an occupant dies that is what happens next. It is not inherited by children in 40% of cases at least. You might want to comment on that.

We still seem to mix up demand and need when we look at social housing. Our question was along the lines of demand. I want to go back to need. Apparently, over 1 million families are on the housing waiting list and there are 4 million homes. I do not know the turnover of existing properties as a result of deaths and other events, but clearly some of that need is met by existing properties. The proposition is that we need 90,000 extra to soak it up more rapidly, if I can put it that way.

In that context, is that looking at the problem sensibly? Is 1 million a realistic number for the families on that list? Is it too high or too low, or is it just the Goldilocks number we should be looking at? Given that, whatever your answer, on what timescale do you imagine that the most recent arrivals on that list are likely to get a social housing placement?

Alex Morton: On your point about people not passing on property, I suspect that if your parents buy a council house and you already own a house, when they die you will sell it. Often, it will be bought by buy to let. The problem is not with Right to Buy per se. There was a failure to build more properties and recycle money. There was also, even more importantly, a failure to fix market housing.

Between 1980 and 1997, the waiting list fell slightly, because market housing was affordable enough but the number of people going into the system was more than matched by the number of people going out of the system. The waiting list fell, despite the fact that due to Right to Buy a huge number of properties were sold off. Market housing throughout most of that period was quite affordable, so more people were exiting the sector and freeing up properties for people who needed it at the other end. This is why we talk about this fused ball of demand and need. We cannot separate them out.

On your point about the 1 million on the waiting list, whatever the Government spend, you can build more houses at a 20% to 25% discount than at a 40% to 45% discount. One of the biggest advantages for social or affordable rent is security of tenure. People who are affluent do not understand how bad it is for people who are not affluent. They are not renters like me or the people in this group. They do not have market power. They are more likely to be pushed around by landlords. They are as a group more vulnerable. I do not mean that they should be treated as if they are children, but there is a different market for the people at the bottom of renting than there is at the middle or the top. Therefore, given that you have a certain amount of money, build more houses for affordable rent and, crucially, with security of tenure rather than taking that pot of money to build a smaller number of subsidised properties.

Anna Minton: On the 1 million people on the waiting list and whether that is accurate, from the research I have done I would say that is a significant underestimate. That figure only represents families. Individual people are not eligible for social housing anyway.

A more key factor is that council waiting lists have changed quite a lot. I was surprised when researching my book in around 2016 to find that the way council housing waiting lists were defined went through quite a lot of alterations. It was different in different boroughs. Eligibility criteria would change significantly. In Hammersmith and Fulham, for example, the eligibility criteria meant that if you had not lived in the borough for a certain number of years, you were no longer eligible. In this way, literally millions of people fell off the housing waiting lists. So that figure is a significant estimate.

Lord Stunell: That having been said, can we pick up demand versus need in the turnover figures compared to new build? If we are getting negative numbers at the moment, which has been suggested, 90,000 may be a desirable outcome when one writes a PhD thesis, but what is it in terms of deliverability?

Toby Lloyd: Deliverability is entirely a policy choice. We could be choosing to build as many social homes as we want. It is like anything else. It is a balance of political priorities. I am highlighting the negative supply of social housing only because I feel that it is an important and underreported fact in this debate. We are talking about whether it should be 70,000 or 80,000, when the revealed preference of the Government's policy is that we are consciously and deliberately running down the supply of social housing. That feels like a fairly important starting point for any sensible conversation about the numbers.

In terms of the actual waiting list, I do not pretend to know. As Anna has said, there is lots of evidence that lots of people have been removed from waiting lists. Equally, whenever councils have done cleanses of their waiting lists, they often find a lot of people on more than one, or people who have died and have not been removed.

As Alex has said, council housing waiting lists will always be with us, because it is an attractive product and quite rightly so. Again, the exact number is not relevant. The point is that there is huge demand or need—call it what you like. It is there for more social housing and we are just not providing enough of it.

Ian Fletcher: We invest just over £2 billion a year in the affordable housing programme at the moment. The capital required to deliver 90,000 affordable homes a year would be something like £10 billion a year. We are £8 billion short.

Toby Lloyd: Absolutely, but when you consider that we are spending £25 billion on housing benefit per year, which is essentially a revenue cost of the price of housing market failure, it is not even that much.

Ian Fletcher: Toby, I was coming to that. Shelter and the Affordable Housing Commission said that something like £7 billion of that £10 billion would be saved in the long term. That equates to £3 billion a year over the long term; Shelter suggested 20 years.

Alex Morton: When increasing capital for affordable housing, it is good that we build multiple tenures, including affordable rent or social rent—my preference is affordable, for reasons I have set out; you always get more for the same amount of money—but if you do not increase the supply of land at the same time, you will increase the pressures in the land market. It is always important to consider what you are doing to loosen the amount of land going into the system or how you get that land there. Otherwise, once you sit down and work it through, you are essentially increasing slightly the pool of money chasing the existing land that is being dripped out of the system.

Q19 **Lord Grocott:** Thanks very much. Focusing even more perhaps on the private rented sector, this question is about the quality and affordability of homes in the private rented sector.

As a background note, I saw in the English Housing Survey the statistic estimating that 23% of private rented homes did not meet the decent homes standard compared with 12% of social rented homes. Can we have some observations from our experts on this aspect of the private sector's operation, please?

Toby Lloyd: Happily. I have worked on this for many years. We should not mince our words here. The private rented sector is by far the most expensive, by far the lowest quality and by far the least popular. It is absolutely the worst possible tenure for almost everybody in it. Few people are private renting out of choice. Again, this is where need and demand collapse into each other. Most people who are private renting would much rather be in something cheaper and higher quality. Who would not be? That means either social renting or owner occupation. It is absolutely the tenure of last resort.

There are good structural reasons why we will always need some private renting, and I am not saying that we should abolish it, but the figures you

quoted, Lord Grocott, on non-decency are another example. It is clearly the least good tenure out there. The fact that it has grown so high recently is another sign of a structural failure in our ability to deliver a housing market that works for everybody.

We urgently need to address it. New build supply has only a marginal impact on the sector as a whole. We are talking about the rules of the game for those living in private rentals.

By far the biggest factor here is simply insecurity of tenure. As Alex has said, people want social housing because it gives that security. I was heartened to hear Alex flagging that, because people like me who live in owner occupation underestimate how much it means to have a secure home or how dreadful it is to have an insecure home and to live in constant fear. I have spoken to so many people who are terrified of even mentioning to the landlord that there is water pouring down the walls, because they know full well that the first thing he will do is throw them out because he can. I am afraid it is usually "he".

I would encourage the Government to stick to their commitment. We know that security of tenure for private renters will make a difference to the structural balance of power in the private rented sector. That means abolishing no-fault evictions under Section 21, which the last Government committed to and the current Government committed to. We urgently need to see them come through on this.

It will not just make people feel an awful lot more secure in their homes, although that is the first thing it will do. Critically, it will change the balance of negotiating power between landlords and tenants. This is nothing particularly abnormal. We are only looking for something similar to the job market, say, where everyone knows that if you do not perform in your job you can be fired, but everyone also knows that your employer cannot fire you because they do not like the look of your face. They have to have reasons. That is not unreasonable to expect when a basic and fundamental need like a secure home is at stake.

One primary, quite straightforward but very powerful tool available to the Government is to change that one bit of the law, as they have promised to do. That could make a difference here.

Anna Minton: Can I follow on from that and talk specifically about the so-called bottom end of the private rented sector? The private rented sector is large and it might be simplistic but it is useful to characterise it as being split between the top, the middle and the bottom. A third of all social housing tenants are housed in the private rented sector, where it is widely acknowledged that conditions are often poor with large amounts of overcrowding.

Toby referred to the benefit bill earlier. It has long been the case that as we moved from a policy of moving social housing tenants or council housing tenants into the private rented sector, housing benefit would pay their rents. But as a result of a soaring housing benefit bill, about a

decade ago the whole housing benefit system was changed. Housing benefit is now called the local housing allowance and it is pegged to market rents in local areas. This has meant that the local housing allowance no longer covers rents in expensive parts of the country. In London, for example, there is a gap of more than £200 every month between the local housing allowance tenants receive and the rents they have to pay. People are therefore frequently evicted because they cannot pay the rent.

This insecurity of tenure is simply built into the system. As a result, a large number of councils in expensive areas, where they receive higher amounts of local housing allowance, are incentivised to work with councils in cheaper areas to house tenants. The upshot is that large numbers of London councils effectively export families to other cities such as Coventry, Luton, Bedford and Middlesbrough. Clearly, that is disruptive for families and communities.

It is also negative for the benefit bill, which is not going down at all. It is soaring. You said that the housing benefit bill is £25 billion, and I believe that about half that is paid to private landlords. These high rents are putting upward inflationary pressures on the private rented market as a whole. This massively underreported area has a huge human cost and the possibly unintended consequence of a damaging economic cost.

Ian Fletcher: From my perspective, the private rented sector can be done well, and we have hopefully illustrated that over the last seven years with Build to Rent. We have an average rating. We have a sort of TripAdvisor for Build to Rent where tenants rate their landlords and their properties. We have 4.4 out of five stars. That is perhaps partly because the Build to Rent providers typically offer three or five-year tenancies and good-quality 24/7 management there when you need it.

Build to Rent is sometimes seen as a high-end product. We have done surveys in London and found that 43% of tenants in Build to Rent earn less than £32,000 and a further 29% earn between £32,000 and £47,000 per annum. We are very much trying to cater for the midmarket of the rental sector.

I broadly support the comments that have been made, including Lord Best's opening remarks and his question about the change in tenures from social renting to the private rented sector. There are people in the private rented sector whom poor-quality landlords struggle to support and should not be asked to support.

We have a reform agenda. Broadly, I welcome the direction of travel. The new Minister, Eddie Hughes, is enthusiastic, which I welcome. I am always conscious that we speak just for larger landlords, though, whose risks are dissipated across what can be thousands of properties. For the smaller landlords, risks are concentrated, perhaps in just one property. Therefore, having access to their property when things go wrong is far more important to the smaller landlord in terms of protecting their investment than perhaps for the larger landlord. We had a roundtable last

week with our Scottish colleagues in which it came out that broadly, after a short hiatus, new investment had not been particularly affected and had come back to the private rented sector.

There are big issues to do with grounds for possession and the court process. The UK Government have suggested a housing court, which we welcome, but it would not be sufficient to deal with the quantum of cases the courts will have to face. The courts should be fully digitalised, which will require investment in the spending review. A touchpaper of the Government's commitment to this reform agenda will be that they are investing. A big mistake in Scotland was the minimum period of tenancy of 28 days, which has made the Scottish PRS rather like the Airbnb short-lets market at the margins. We should have a slightly higher minimum tenancy period.

I would also support a landlord register, which is also on the Government's reform agenda, provided that it is done in the right way. Too often the Government set up registers and expect people to roll up and register. There are better ways of doing a register. Julie Rugg's review of the private rented sector in 2008 reinforced at every touchpoint you have with the state and in your other dealings. If a tenant registers for housing benefit, they have to have a landlord's registration number. If you are entering the court process, you have to a landlord's registration number and so on. I broadly support that.

Another reason for supporting reform is the change in demographics of the private rented sector. There are far more older people and far more families who are now accommodated in the private rented sector than there were perhaps a decade ago.

Alex Morton: I largely echo that. Section 21 is a good example of stakeholders championing a practical change. If the tenant is failing in their responsibilities or the landlord is selling and evicting because of exiting the market, my understanding is that that will still be allowed. Changing that seems to be a sensible and legitimate approach. It was put in at a time in the late 1980s when the private rented sector was much smaller. Most people did not choose it and it was a different world. It is now a barrier and is being used by landlords in a different market where there is much greater power in their hands. This is not most landlords. Most landlords are decent. But it takes only a small minority to make quite a lot of lives a misery.

On Section 21, the Government should press ahead, noting the point that Ian made. They have to make sure that if a landlord is a pensioner and that is their main source of income, they can go through the courts swiftly. They need to do section 21 and they need to make sure there is a speedy dispute resolution process for people when that may be their only income other than the state pension in retirement. Those people's interests also do need to be looked after, but that does not stop Section 21 reform.

We were talking about London and how interconnected everything is. In the shift after Brexit and coronavirus, private rents fell sharply in inner London. I was reminded about how much everything intersects. Part of the reason London is so bad is immigration. In the last six months, I have got into this topic. I did not realise how far it was an issue. For example, London's population without international immigration will have fallen by 700,000 in the last 10 years, which gives you an indication. How will these things interact? We end up with Section 21 creating a different world. Particularly in London and the surrounding markets, which are heavily pressured because of changes in international population flows, housing is almost infinitely complex.

Anna Minton: We have been talking a lot about how problematic the private rented sector is. But it can and does work well in other countries. For example, in Berlin 90% of people rent privately. The system is a lot more regulated to ensure better conditions and better affordability. But the private rented sector does not need to be the way it currently is.

Lord Grocott: If there were an exam question on all this discussion about the private rented sector, to me as a non-specialist, it would be something like this.

Relatively few people want private rented accommodation and few people would choose it if they had an alternative. That is perhaps a better way of putting it. Yet the most obvious observation about housing tenure in the last 20 years has been of a huge growth, certainly proportionately, in the private rented sector. Apparently, few would choose to join this sector and yet it is the most rapidly growing.

If this were an exam question, I would put, "Discuss", after that. Do you have any observations?

Toby Lloyd: Surely that is simply because owner occupation is out of reach financially and social rented housing is out of reach because there is not enough of it and the numbers are declining. Renting anywhere privately, however bad, is clearly better than sleeping on the street. Housing is a fundamental need. We will do anything to keep ourselves housed, including putting up with appalling conditions and spending the vast majority of our income paying for those appalling conditions. That is better than the alternative. It is fairly obvious why private renting has risen. People have no choice.

Anna Minton: I would also go back to the historical picture. Our post-war system was basically a mix of owner occupation and council housing, with a tiny private rented sector. The private rented sector that has grown up since the 1980s has been a commercialised and unregulated sector where a lot of these problems have arisen.

Ian Fletcher: We can probably provide Lord Grocott with some figures of the split in terms of people's different motivations for entering the private rented sector. I do not have them to hand.

In defence of the private rented sector, for some people, it gets them to a location that they would not be able to afford to buy. That has been one of the attractions of Build to Rent. You could get a city centre apartment that you would not be able to buy but you would be able to rent. Generally, particularly among the younger part of the population, there is not quite the same materiality perhaps as we had. Some do not want to own a car and equally want the flexibility of not owning a house and being able to pursue their lifestyle.

Alex Morton: I agree with you on that, but that is a small group of people. There is a small group of people for whom that flexibility works well. We certainly should not demonise landlords, many of whom ended up there because of a combination of botched changes around pension dividends and all kinds of things back in the 2000s.

On the question of whether those people rent because they want it or, as Toby says, because housing policy has failed more broadly, I do think they have been failed but that is not to say that landlords should be demonised or seen as terrible. That narrative is unhelpful.

Ian Fletcher: The way I look at it is, regardless of whether somebody is staying in the private rented sector for three months or 30 years, they deserve the best service that they can get. We are a tenure between two tenures. Alex, this is off the top of my head, but about 20% of those in the private rented sector are doing it from choice rather than other circumstance.

The Chair: You are going to send us your motivation figures, which would be very helpful. I would like to move on to Lord Carrington, we need to speed up a little bit.

Q20 **Lord Carrington of Fulham:** The question I have down on the list is about the effectiveness of government intervention. The Government have a lot of policy initiatives to encourage home ownership, particularly in the first-time buyer area. How effective have these been and how effective generally are the Government in trying to skew the market?

Alex Morton: Measures that help people on to the housing ladder are a good thing if, first, they have changed slightly the mix of build—going back right to the start—as that is one of the key priorities. Ultimately, however, they are sticking plasters. You are never going to get home ownership rising without some big structural fixes, which basically means changes in demand, higher interest rates, to some extent greater deposit availability, coupled with a steady and sustained increase in supply and a reduction in some markets—mostly London—in speculative demand. Those are your things that boost.

However, on the first home issue—this is why everything is interconnected—if you can say to people, particularly on greenfield sites, “We are building 500 homes at the end of your village but 150 of them are for people who live in the village or the wider district first, and they are available at a 20% or 30% discount, and these are people who might

not otherwise be able to buy”, that reduces the political opposition to those homes, which does increase supply over time. There is a need and a link between supporting first-time buyers through those schemes, which also help fix some of the political problems around new housing. That is where they can do the most good.

There is a separate issue around 95% mortgages, which are mostly good in that they let people get on to the ladder, but you also need to do things to reduce demand at the other end, if that makes sense. The 95% mortgages by themselves both increase the number of people who can get on the housing ladder and will push up prices. What you need to do—if the Government are looking at doing that—is something else that reduces demand in the system so you get the benefit of more people being able to afford to buy a home.

For quite a lot of people, particularly outside the south-east, they would pay over 25 years or 30 years the same amount in rent as they would on a mortgage but they cannot get a 10% deposit together. So there is an argument for 95% mortgages, but you would be increasing the number of people getting mortgages, which increases demand.

If you are going to do that particular scheme you have to avoid what the Help to Buy mortgage guarantee did, which was a terrible scheme. One of my happiest moments, when I worked in No. 10, was killing it off in the 2015 Conservative manifesto. It just juiced up prices because everyone in the mortgage market looked at it and said, “The Government are giving us a guarantee, they must want prices to go up and up”. Basically it led to a surge and double-digit house-price inflation. Any increase in ownership was more than dwarfed by the fact that suddenly house prices were much higher than they were. Those kinds of schemes can be useful but you have to be very careful about how you introduce them to get the benefits without the costs.

Toby Lloyd: I agree with everything Alex has said. This is getting weird, Alex.

Alex Morton: You have obviously changed, Toby.

Toby Lloyd: But I will go further. The interventions that we have to boost home ownership are massively missing the point. The main route to home ownership has been through the mortgage system—mortgaged home ownership. If you disaggregate the owner-occupation figures between those who have a mortgage and those who do not, you will see that mortgaged home ownership has been declining as proportionate to stock since the early 1990s. This is not a post-financial crisis effect or an affordability crisis effect. That route, that whole engine of the growth of home ownership, was dead within one generation of it having got going. It is a completely unsustainable system and it cannot be sustained.

Everything we have done since, these trillions of half-baked—and often, as Alex says, genuinely harmful—attempts to at least look like you are getting a new generation on to the housing ladder have been absolutely

counterproductive. The best they have done is build a few, often rather poor-quality, homes and inflated house prices further.

We are now at the point where we are prepared to subsidise people with 20% discount off the market rate. Guess what the new build premium is now? It is 19%. It is money down the drain. It is doing absolutely nothing to deal with the real problem, which is the fundamental unaffordability of market housing.

If you want more people to own homes you either have to massively increase everybody's wages, which I do not see happening overnight, or massively reduce the price of homes. Nothing any Government have done has been prepared to even acknowledge that contradiction. We end up in the ludicrous position of pretending that if we channel a tiny bit of subsidy to this nicely deserving group of aspiring home owners, we can somehow avoid the fundamental tension that lies at the heart of this problem. We could do with a bit of intellectual honesty about home ownership. Do we want it to go up? Then we need homes to be cheaper. If we do not want it go up, we have to accept that that is because we are choosing as a society to allow a dwindling number of affluent people to channel all of the gains through the housing system into their own pockets. That is the choice we face. The revealed preference is we prefer to sustain that system than to extend home ownership to a new generation. That might be perfectly reasonable but let us at least admit that that is what we are doing. So far I have not seen any Government be prepared to do that.

Alex Morton: Toby is right that that is the fundamental question. Probably the biggest thing that the Government will do over this decade to increase or decrease home ownership is, if inflation takes off, whether they raise or lower interest rates. Whether they raise or lower interest rates in a period of inflation will have a big impact on house prices because if they do not they are telling the market that they just want house prices to go up and asset prices to go up for ever. If they raise interest rates, house prices will dip slightly and that will probably dampen future speculation. That will have far more impact on home ownership this decade than any scheme that they could come up with because of the market signals it will send and the impact it will have.

Toby Lloyd: It depends on what we want by owner occupation. There are loads of good reasons for owner occupation. It gives you security, anchors you in a community, there are brilliant reasons for it. Ideally, it will give you very low-cost housing in retirement. There are also bad reasons for owner occupation, which is that you expect to get unearned, tax-free wealth gains off the back of the rest of society. The fact that we have confused these two things so thoroughly in our own minds is a big part of the problem.

I am all in favour of more forms of owner occupation that give people the good side of it but without necessarily offering that false promise of an unearned, tax-free wealth gain. For example, community land trusts have often been a very effective way in small scales of providing low-cost

owner occupation for people, often in high-price rural locations where housing is scarce. But the deal is you do not get to profit in an unearned, tax-free way from any future increase in house prices. That is the problem here. We are confusing two different aspects of owner occupation. Unfortunately, Governments end up merely replicating that contradiction and refusing to face up to the political challenge of it.

Alex Morton: Toby and I should be quiet after this but I want to make one final point. Politicians overestimate how much people want house prices to rise. There was quite a lot of polling in the early 2010s. People did not want house prices to go up any more. As a general rule, about a third at the time wanted them to fall; a third wanted them to go up; a third wanted them to stay the same. Politicians, partly I suspect because of who they are, who they associate with and so on, massively overestimate the number of voters who want house prices to go up from their current very high levels.

There is a mistake among politicians about what people want for house prices—they basically want flat house prices while inflation and wages go up. That is politically the most attractive, yet it is consistently misunderstood by politicians that that is what people want.

The Chair: I would like to come in here and ask if there is any way that we can increase supply; for example, the Government bringing forward codes that may make development easier in difficult villages. There is the question of getting more land available, perhaps from public sources. You have not touched on that at all.

Anna Minton: I could say something about that, which would probably relate more to question five, with regard to whether or not we are building the homes people need in the places that they need them to be built. My overall view is that while I agree that more supply of affordable housing is needed, the bigger problem—rather than the numbers game of simply increasing supply regardless of tenure and type of home—is that the top 10 housebuilders which dominate the market lack the incentives to build homes where they are needed. I do not criticise them for that. They are businesses, they are accountable to their shareholders, and it is entirely justifiable that they focus on the sites that are the most commercially attractive to them. Those are the city centre sites, which lend themselves to luxury developments of small apartments, and those are the ones that generate the highest income. That is why London is now defined by such developments and so are the centres of other towns and cities.

There are a number of other associated issues, which have been quite well documented, with regard to the practice of land banking, which is being widely investigated by both parties and reports have been done. Again, developers do not have those necessary incentives and you cannot blame them for that.

The biggest issue is making interventions to reduce the land value. There are a number of ways that this can be done if local authorities and central government have the will to do that.

Another topic we have not discussed is land value taxation, which is another issue that has been looked at by Governments of both parties over the last 15-plus years.

There are many things that can be done but the key issue is not one of simply looking at numbers and supply. The key issue is to look at why are the incentives not there in the present system for housebuilders to be building and how we can lower land values.

Ian Fletcher: I will quickly reinforce Anna's point about the impacts on the land market. That is why our members are predominantly building on brownfield sites and large sites because they cannot compete in the land market with the larger housebuilders because of the various subsidies, Help to Buy, mortgage guarantees and other subsidies, they also do not face an SDLT investor surcharge. That is why they end up on the sites that they are on.

Alex Morton: CPS recently published a paper, which I authored, which the committee might be interested in, called *The Housing Guarantee*, which discusses why just increasing planning permissions does not necessarily—the 2010 Osborne reforms did not—lead to a massive increase in housing. Basically, the build-to-sell model of the large housebuilders is more important in understanding housing supply than planning laxity. Planning permissions are, or appear to be, at least somewhat a function of the large housebuilders' desire to build. They have a very large reserve. It is not quite a land bank because they do not own it but they have it on tap, sufficient that they put it in their annual accounts, which I always found fascinating. There are almost a million plots in the top three housebuilders' annual accounts, which are largely not held by them but held by land purchasers and speculators, but that land supply is brought onstream as and when they need it.

My paper talks about requiring planning permission to become more of a build-out contract; almost all SME housebuilders that I have talked to have said this is great. They are totally up for being given a permission that they have to build 20 homes a year for the next five years because it means that they would get land, and they are quite happy to build there because their number one problem is they cannot get the land in the current system.

That is what I mean when I say Conservatives should not be afraid of sensibly planning the land market because we already intervene and plan and ration the land in the first place. You have to follow through.

To go to Baroness Neville-Rolfe's point, all of us would say that supply is important, that we need more supply. Supply is a function of both that point about tenure and build-out and the politics of how much land you can get into the system, and the politics does link to design. Jenrick is

right to focus on it. I am not quite sure whether they have the right tools yet but design and infrastructure are important. Some people will say design is not important and point you towards polling that shows that design scores low. If you show people pictures of two sets of houses and say, "Would you support houses like this being built in your area?" the gaps are absolutely huge. Create Streets is very good on it. Create Streets has done lots of polling and sometimes the gap is 80% in favour of one type of housing, 20% in favour of another type. It is off the charts. Design is important and if people understand and can see what is being built and they like it, they are much more prepared to accept and they trust of course they are going to be built—not that the builder will change the plans suddenly—then it will reduce the opposition to new housing over time.

The Earl of Lytton: Probably things have moved on a little bit and I ought to declare an interest. I am a private rented sector landlord. I have two follow-up points.

First, we often hear it claimed that buy-to-let purchasers compete with the aspiring home owners to put up house prices. I have not seen anything that states that as a matter of fact because there also seem to be other influences. Secondly, some property owners seem to move out of a new home but retain the old one and let it out, perhaps to run an Airbnb-type operation. or some other type of letting. One of my children remarked that over a 10-year period the block of flats they lived in changed substantially in character.

Could you share with us your thoughts on what the occurrence of these phenomena are and what lessons we might draw from them and whether that is something that looks into the economic policy, where people invest their money and whether housing is seen too much as a nest egg for investment, and perhaps we should do something about that?

Anna Minton: You mentioned the almost accidental landlord, where people move out of a property and retain the property because it can be more financially viable for them to retain the property than to sell it on. That is clearly a phenomenon and it is very much a phenomenon in my generation. I know lots of people who have done that and who might have their old property as well as their current property.

While it is a phenomenon, I do not see that as having nearly as much of an impact on the market as the other, much more substantial phenomenon of the commercial private-rented landlord who will own thousands of properties. I think it was Lord Grocott who mentioned that 40% of homes bought under the right to buy are now owned by commercial landlords who own large numbers of homes. That sort of buy-to-let has a much more significant impact on the market than the accidental landlord buy-to-let.

I do not have the figures, it is anecdotal evidence, it would be interesting to know them, but I would hazard a guess that it was a much smaller percentage part of the pie.

Toby Lloyd: I endorse what Anna said, mostly. Accidental landlords are a very significant part of the supply but I do not think it is that significant in terms of the overall structural position. You are still talking about a relatively small number of people owning property that a lot of other people have to rent off them.

It does speak to not just the housing system but the overall financial incentives on individuals as much as businesses. Alex touched on the decline of the security of the pension system, for example. There is the tax system: the fact that your housing wealth is essentially an untaxed asset, whereas any other asset you have, including your pension, is going to get some sort of tax hit. It is clearly an incentive to overinvest in housing, pushing up prices and decreasing opportunities for owner occupation, rather than to invest in anything else.

On that macroeconomic point, it is a fundamental problem with this country that we invest so much in existing bricks and mortar. It is not even mostly going into new build, which is at least adding value to the country. Most of the saving, most of the borrowing, most of the value we have in this country, we simply plough into bidding up the price of houses rather than investing in productive enterprise. If you compare the far more productive economies of Europe, you will see that those are generally ones that do not plough all of their wealth into the speculative game of house price wealth accumulation but instead put it into the Mittelstand of the German economy, for example.

The Earl of Lytton: I certainly can relate to the fact we have a severe imbalance in the direction of investment in housing. Ian Fletcher, good morning to you. Are you in agreement with that analysis?

Ian Fletcher: Generally, yes. Buy-to-let mortgages flex between about 10% and 20% of the market so it is not inconsequential but it is not huge either. The accidental landlords can sometimes perform a useful function, particularly in times of recession when fewer people want to sell, more people want to rent, and therefore that acts as a little bit of a stabiliser sometimes. There are arguments about the extent to which buy-to-lets support the new-build market. Does it pull through some supply by there being that additional demand in the marketplace or not?

The Earl of Lytton: Alex Morton, is that view shared by you as well or do you dissent?

Alex Morton: I broadly agree with everyone—and you—in that there is a problem that too many people invest too much in property speculation and this has negative consequences. There is whole series of reasons for that, as discussed. It is tax advantageous for that for a long time you could claim, and you could still claim, the interest on the mortgage at a basic rate whereas if you are buying a property, they abolished MIRAS but let landlords keep a tax rebate, which always struck me as utterly bonkers.

You generally think that house prices will only ever go up, which means that you would invest accordingly, which means Governments get a bit nervous about prices ever going down. Interest rates will be a key variable in the next 12 months because if the Government do hold interest rates down through a period of prolonged inflation—which they may well do because of pressure on government borrowing—that will only make housing probably seem more and more attractive because why would you invest in anything else?

There is also an issue—I never got to the bottom of it but the committee may investigate—which is that the capital adequacy ratios in this country seem, from what I understand, to be slightly more favourable towards mortgage lending than in other countries. I know the Basel laws are international but I think you can tweak them and my understanding is that you do not tweak them in ways that other countries do. That is semi-speculation on my part but there are areas like that where even things such as our banking system may well privilege lending for property speculation. All these things together create a quite unhealthy economy that basically pushes people to invest in buy-to-let and that does increase demand. There is no way of getting round it. You are getting increased mortgage flows and buy-to-let landlords and prices will go up more than they otherwise would.

The Earl of Lytton: That has teased out the very point that I wanted to get at, which was the fiscal and economic aspects of all this. There is a big area of investigation needed there. Thank you for the opportunity of asking that, Chair.

Lord Berkeley: Before I ask my question, could I ask whether Anna could send in some further information about the Berlin private rental method, particularly on the security of tenure, which I think she mentioned? Alex has also just mentioned the question of mortgages or lending in other European countries and it would be useful, if you have any more you could send in on that.

Alex Morton: That is unfortunately a hunch of mine and people have told it to me, I have never investigated it. Your clerks may be able to find something.

Q21 **Lord Berkeley:** How do you ensure the balance of different types of homes where they are needed across the UK? To some extent we have already started to discuss this but I would like to link it to the Government's levelling-up agenda. You saw last week, or this week, that the Prime Minister thought a solution to that was to build a few football pitches. Some of us might think that there is more to it than that.

I think it was Alex who mentioned land values and the fact that lower land values in the regions—let us call them the regions—make it difficult for developers to contribute to Section 106 agreements. I could not understand the relevance of his comment about Roger Madelin because I do not know how much Roger had to pay for the King's Cross development, but that is hardly a regional issue. It is something in

central London. We can always ask Roger what he thinks but I am not sure what his opinion would be on that.

How are we going to encourage better housing of whatever we need in the regions, the levelling-up places? Surely that has to be linked to economic opportunities, jobs, transport and everything else, because otherwise we are going to get more of what I think Anna suggested, with some councils in the south-east moving the undesirables out to places other than the south-east—she did not use those words—but we must try to avoid this. How are we going to get the levelling-up agenda to work properly in the housing sector? I do not know who would like to start on it. I have mentioned Alex and Anna twice.

Anna Minton: It was me who brought Roger in.

Lord Berkeley: I know.

Anna Minton: The reason I brought him in was not with regard to the King's Cross development. It was more that he made some general comments a few years ago, which were seen as quite surprising in the property sector. He suggested that Section 106 agreements were not the way to provide affordable housing and it was a system that had never worked effectively. The figures bear that out when we look at statistics for how much affordable housing and social housing has been provided since the early 1990s.

Going on to your point about the levelling up-agenda, again it is completely correct that under that system, land values mitigate against building developments in areas where they are very much needed. It goes back to this question of looking at different policy approaches and trying to make those negotiations at the planning application stage, where you build in what you want to see in order to lower land values before sites come to be bought. That is an approach that we should be looking at much more across the board. This is a one-off example, which is the reason why I cite it.

That is something we can do right now. What obviously would be far more desirable is if we had a system in place where it was possible to put together large tracts of land at far lower values, which is the system that we had in the post-war period, when the new towns were built at agricultural values. That is much closer to the system they have in lots of European countries where local authorities, municipal authorities, lead on development where land is parcelled together and sold at agricultural values. That is not where we are at, so we have to work with the limited tools we have, which is why I put forward this one small example, but that is the sort of system that can deliver the sorts of outcomes that you would like to see, and we would all like to see.

Lord Berkeley: Toby, what about your views on your levelling up?

Toby Lloyd: I could go on at great length about that but I will not. We are talking about two different situations. We are talking about high-value places, which our current development system is entirely built

around: private actors seeking to benefit from growth in land value, which is usually carrying on either because there are wider economic factors going on [*Inaudible*] for this part of the country or government investment in infrastructure; in other words, most private investment is quite rationally trying to piggyback on stuff that is happening in the economy anyway through building new property. Then the public sector comes in and tries to claw a bit of that uplift back, through Section 106. It is not brilliant but you can see how that works in those kinds of locations. Clearly, that system is not going to work in places where land values are low and potentially falling. What you need in those places is much more strategic investment to generate new values rather than just hope to cream off the top of value that has already been created. Of course that is what the new towns did, they were generating brand new value through strategic area-wide investment.

If we are talking about levelling up now, it is probably not so much about new towns but massive retrofitting. We need huge investment to improve the quality of the built environment in a lot of left-behind places. That will be expensive, but over the long run, if you get it right, it ought to generate sufficient value to pay itself back.

The property system does make an awful lot of money. The problem is we have come to rely on it making enough money in the very short term to incentivise private investment and then hope that we can squeeze a bit of public good out of it.

When you are talking about left-behind places and low values, you have to take a long-term strategic position. For that we need to both rely on the public sector—if you want an institution whose job it is to think about the public interest on a strategic level over the long term, it is pretty much the definition of the state—but also the private sector. Unfortunately, we have stacked the rules of the game so heavily against private investors and landowners doing the right thing that we encourage them massively to do the wrong thing and essentially speculate over short-term value gain.

There are important technical changes on the tax side to really incentivise private landowners to behave in a much stewardship-oriented way with long-term investment in the quality of place that can generate long-term improvements for people and long-term economic value, which at the moment is very, very difficult for them to do.

Therefore I think it is about proper area-wide investment on a strategic long-term view.

Lord Berkeley: Thank you. Ian, you have seen the announcement of an enormously new and great car-battery factory somewhere in the north-east. That, in theory, should demand lots of housing, lots of good-quality housing, maybe from the existing stock or from new. How should it be developed and financed?

Ian Fletcher: I would say there are two things. First, one of the great lessons I learned from Build to Rent is that the cities that were best at developing that product did so not only because they saw it as delivering for housing need but it fitted their economic development strategies. It is no coincidence that Manchester is the city that has the most Build-to-Rent developments. That is because Sir Howard Bernstein saw it not only as a way of developing more housing but of supporting the retention of graduates in that city, retaining the young workers who were going to support some of the new-economy jobs he was wanting to create in the city.

One of the great disappointments of the planning White Paper was that it hardly mentioned employment land at all. It was very, very housing focused.

The second observation is about the way the Government allocate housing through the standard assessment. I do not know if it was under Alex's or Toby's watch at No. 10 but it was one of the best policies that has come forward over the last few years in terms of allocating numbers from the centre. It was politically very unpopular. It did not take account of the growth aspirations particularly of northern cities. Obviously, we saw that adjusted in December rather oddly to a situation where now I think a lot of housing need will be accommodated in 20 of the larger cities across the UK rather than being more evenly spread in places that have that need. Hopefully that is a positive point, but a negative one as well.

Alex Morton: We published a report today called *Reshaping Spaces*, which again I am co-author of. It might be of interest. It talks about the need to avoid commercial centres becoming more vacant and derelict post Covid and the need to recycle some of that space into housing and to allow regeneration to take place.

On levelling up, this is one of the areas where the further you go from London the better the situation is, to some extent. That is not true quite so much in the south-west. If you look at rents and ownership, it is easier to get a decent house in most of the north, then a bit less easy in the Midlands and the closer you get to London the harder and harder it becomes. The south-west is different because a lot of people with equity from the rest of the country are moving to the south-west, so you are competing with people who are basically middle-class retirees moving in that direction.

I do not think, therefore, it is as much of a problem as people sometimes think in London. They think, "Oh, no, the north won't be able to build as much social affordable rent via Section 106 or the infrastructure levy in those places because housing there is more affordable to begin with, demand for that housing is lower and more people can afford private housing of some kind anyway". This is the unusual case where the north is better off than London. If you ask people who are not owner-occupying a family home where the most problems are, London is the worst and then the further north you go, the better it gets.

The Chair: Thank you. We now move on to our last question. We have three people from the committee who are going to speak: Lord Moylan, Lady Bakewell and Lord Haselhurst.

Q22 **Lord Moylan:** I will try to keep myself brief. Quick declarations first. I am a member of the advisory council of the Centre for Policy Studies and I have been an external speaker every year, once a year, on a masters course at a university.

A point to Toby: I am a member of the Ebbsfleet Development Corporation. Although it does not have all the powers of a new town corporation, I think it is unfair to say there are no new town corporations. There are quite a lot of development corporations of this character now in existence.

My comment first, then a question, is that I always balk at the use of the word "market" when we talk about the new housing market. There is a market in secondary housing: you can buy and sell it and there are agents who are there to help you do so. However, for new housing it seems to me there is no element of market there at all. It has some of the epiphenomena of markets. You have inputs by way of materials, land and labour on one side and you have a product that is tradeable coming out at the other. In the middle, all the decisions about what that product should be and a large number of financial decisions are made by one organ of the state or another. If you see what planning permission looks like for a reasonably sized new development and combine that with building regulations, you will see that the state has determined nearly everything that happens, down to the size of the bathroom and now more on the cladding with the Building Safety Bill. The combination of the two means there really is no market. However, there is a highly expensive process to go through in order to get those permissions and, of course, it acts, I would argue, as a barrier to entry.

My question for the panellists is: what can be done to make it more like a market, to get more competition? To answer Toby's question when he was speaking earlier—why would they ruin their own market?—of course, it is partly because there is not any competition, I would suggest. What can be done to remove the barriers to entry and increase competition among housebuilders? I do not mind who answers first. Do you want me to pick somebody?

Alex Morton: As a free marketeer, I will respond, Lord Moylan. On your point about markets, I am going to agree and then park it. Intellectually I totally agree with you but practically, given we have the system we have, I think focusing on how we fix that has to be the key point.

The two things I would say about making it simpler—this goes back to my earlier point about deregulation—are, first, that the building regulations should really be about safety. Almost everything else, in my ideal world, would be gone. Lots of people would be horrified because there would be removal of environmental regulations or regulations that are to do with stairs being the right angle for old people and all the other things the

building regulations currently do that are not really to do with, "Is this essentially a safe building for someone to buy and live in?"

Planning, ditto: everyone says they want planning to be streamlined but they also then want obesogenic environments, sustainable development and the myriad of other things that mean that the massively long planning application you are discussing gets even longer with soil surveys and so on.

One of the things you can do within the rather dysfunctional system we have, which the committee could recommend, is the self- and custom-build sector. In other countries more land is provided to people who build or commission their own home. One of the greatest advantages of this is that it creates competition with the large housebuilders. It means if you do not like what they are building you can get, from the council, a commissioned plot—a plot that has all the services and utilities—and you build a home. Usually, let us be honest, you get a small builder to come, sink some foundations and then manage the top. You do not build very much yourself but you commission it and design it roughly to your specified needs.

That is much more common in most of Europe: usually between 30% to 50%. I think it is 30% to 50% in Japan and in America. It is a market that does not exist in the UK.

One of the greatest strengths of that is that it means the other housebuilders have to build better housing because there is competition in a very real sense. You are not competing against Persimmon. You are competing against the fact you could get a small builder to come and build your own specified home. That would, I think, drive up the quality of new-build housing quite substantially.

We created in 2014 something called the Right to Build. Registers have been set up and councils are meant to find land for people who apply. There are not really sanctions. If the Government would do more on that, to make sure that land did genuinely have to be provided to those people on the waiting list—this register of people who want to self or custom build—it would be a huge step forward in making better-quality housing and a better market that would remove some of the issues you are talking about, Lord Moylan.

Anna Minton: On these issues I completely agree with you, Alex. We have already talked about how housing does not function like a market. New-build housing does not function like a market either. I am not sure it is necessarily the best aspiration to try to enable it to do so when it cannot. However, I agree with the point that we need to remove barriers to entry for small and medium-sized housebuilders. This is a really frustrating issue because it has been discussed for so many years and is so difficult to do. Again, it comes down to policy approach and will in local government, possibly driven by central government. Everyone says they want to do it and yet it is really difficult to do. That is partly because so few people do it that the pathways are not there and that route is also

driven by land values. It is those high land values that are keeping out the smaller players. If we can work with alternative policy approaches to lower land values, if we can make an active effort to include small and medium-sized players, I think that would have a very beneficial effect. But the conversation slightly keeps going around in circles because everyone has been wanting to do it for years and very little has moved. That said, I think City Hall has made quite a lot of positive initiatives in this area.

Toby Lloyd: I endorse the scepticism of both Alex and Anna on whether we can encourage the housing supply system to be more like a market. I agree, I do not think we can, realistically. I think in trying to pursue a kind of abstract ideological goal of a more perfect market we will just make things worse rather than better.

As Alex said, it is not politically feasible. I will go further; it is not even intellectually theoretically feasible because ultimately we are talking about the land market and land does not simply function like other factors in a market. As Alex said earlier, you cannot compare the land market to the production of bread or shoes. It is fundamentally different because of the inherent nature of land. It is a fixed, immobile, eternal factor of production that does not function in the same way. I do not think we should be pursuing that at all.

Again, I agree with both previous speakers on the merits of custom- or self-build as an important competitive pressure on quality. Where we need competition is not to imagine that we can get a perfectly equilibrating market. We need the focus of competition to be on quality, not on essentially speculative manoeuvres in the market to maximise land value gains. What we want developers to be doing is competing on the quality of their product and they are not at the moment. One of the ways to do that would be to have a more realistic option of custom- or self-build.

The other way is—going back to the overall strategic public sector involvement in land supply and strategic master planning—to ensure you are offering building leases. Rather than selling bits of land, where you then get back into the same speculative game, the master planning authority should be issuing building leases—retaining its control but allowing developers to then compete for customers on the quality of the product they can build rather than their ability to monopolise the local land market.

The Chair: Lord Moylan, if I might come in, I am very conscious that our two hours are up. I do not know if the witnesses can stay perhaps for another five or 10 minutes. What I would like to do is to ask Baroness Bakewell and Lord Haselhurst to come in with their questions, then we could do one final round and perhaps witnesses can follow up in more detail. It has been a terrific session. I am afraid, in the way of these things, we have run over a little bit. Lady Bakewell?

Q23 **Baroness Bakewell:** I am interested not so much in the market, or the

land, or availability or the need. I have been interested in all you have had to say on that but I want to raise an issue about occupancy. We have a falling birth rate and an ageing population. How do we accommodate the old? We have a social policy promised by the Government, which says that old people will not be forced to leave their homes. Very often we have older people living in large accommodation they do not need because the children have left. They do not simply want to wait there and then move straight to a care home. What provision do other countries make for housing the old?

The Chair: And Lord Haselhurst?

Q24 **Lord Haselhurst:** Thank you very much, Chair. I will be interested to know, reference having been made to Chesham and Amersham, whether there is any relationship between getting houses built and the size of authorities. A lot of the second-tier housing authorities seem to have difficulty. Something such as a combined authority has a greater range of powers that perhaps enable it to sugar the pill when it comes to having housing plans. It would have the resource and the entitlement to put other things together in a package that makes it more acceptable.

Colleagues have heard me say time and again, since we began this inquiry, that the great resistance that I see we have in getting more houses built—I do not think there can be much argument about that actual need—is the resistance of people. The nimbyism is unfortunately very strong in too many places.

Anna Minton: To take the two questions before making some final comments, my area of expertise is not really how other countries house their older populations. As you pointed out, Lady Bakewell, it has been made clear that older people will not be forced to leave their homes. While significant numbers of older people would like the option of moving into alternative accommodation before they may have to move elsewhere, a lot of older people do not want to move. That is a very thorny policy issue. We discussed earlier some of the barriers to retirement homes and some of the issues around the provision of affordable and social housing. That is very much part of the picture with regard to the provision of sheltered housing as well. I think the point was made that we cannot fix this without fixing social care. So that has to come as one discrete package.

On the point about larger authorities being better able to build larger numbers of houses, I think that more than size it is a question of political will and policy approach. Ian pointed to the success of Build to Rent in Manchester. That was clearly seized as a policy initiative by the local authority there. I have already talked about the partnership between Islington Council and City Hall, which has driven forward development there. We cannot simply say it is size. It is political will and also, perhaps, partnership. In London, where local authorities can work with City Hall, it can help create more momentum.

With regard to the main barriers to meeting housing demand, for me the overriding main barrier—which I feel we have not discussed very much in

this session, although it has been the context—is soaring house price inflation. Part of the reason we do not discuss it is its paradoxical nature; it is an asset for some and it excludes others. It is also because it is not front and centre of monetary policy.

Across the world, not just in the UK, house prices are generally left out of central banks' calculations on inflation. All the other products that are in the CPI—food, holidays, furniture—are all included and cost of housing is not. However, with house price inflation being a global problem, a number of other central banks and Governments are starting to change their approach; for example, the European Central Bank is undertaking a strategic policy review that will measure the role of the cost of housing in rising costs of living; New Zealand has instructed its reserve bank to consider house prices in making monetary policy decisions, and so on.

House prices do not take the central role in the discussion they absolutely need to take. I do not know the extent to which you will be focusing on that in your inquiry. If you are to be so, which I hope you are, then I suggest that the report on the Lords' inquiry into quantitative easing that recently came out is very relevant for its conclusions on house price inflation and asset inequalities.

For me, one of the key barriers is the continual framing of this debate in terms of supply-side solutions: we need to build more homes and prices will go down. A lot of the discussion has illustrated that the picture is a lot more complex than that. A lot of the policy initiatives around building new homes, such as starter homes, are in fact inflationary. We are building the wrong homes in the wrong places. We have this enormous deficit of genuinely affordable housing. At the centre of our approach should be the need to look at house price inflation and getting land values down.

I have not had time to also mention the trend towards off-plan sales direct to foreign investors. Governments around the world have been intervening, countries such as Canada and New Zealand that have soaring inflation as well. There are all sorts of things one can do when one starts to look at inflation as the starting point.

I am ending my comments with that because I think this has been not exactly the elephant in the room—it has been part of the discussion all along—but it should be the central point.

The Chair: Very helpful, Anna, thank you.

Ian Fletcher: Thank you. I will try to keep this relatively brief. Unfortunately, I do not have examples from abroad that relate specifically to housing for the elderly. More generally, I like the system in France. It takes neighbourhood planning to new levels and therefore you bring the community along with you. Denmark, as well, is a good example of a more consensual planning system than the adversarial system we have in the UK.

On the point of housing for elderly, I agree with Anna: we cannot force people. However, at the moment we are not providing the range, the mix of tenures and different care packages that would attract that part of the population.

There has been some good work by Lord Best, looking at that part of the market. I think it is on the MHCLG's agenda but it is probably not a priority at the moment. I would like to see it being more of a priority.

On the Chesham and Amersham point, I very much agree. Our members have a wide variety of different experiences. Large city combined authorities are well equipped in terms of planning and smaller districts are not, with the level of service, particularly for our members, which are often bringing large, complex schemes to a local authority. There have been initiatives in the past—things such as ATLAS within what was probably then the Homes and Communities Agency—supporting local authorities that have large and complex schemes and were not able to cope with them themselves.

Finally from me, the core elements of an effective housing policy are, first, there has to be sufficient incentives and mechanisms to bring land forward for development. I think the other contributors have touched on that very well through our discussions. You need responsive growth management policies at the local authority level, which recognise both the benefits and costs of growth. You need a secure source of funding to provide infrastructure—where I started really—to better understand where the capital is coming from to support the delivery of the housing we need.

The Chair: Thank you, Ian.

Toby Lloyd: Likewise, I am afraid I do not have an encyclopaedic knowledge of international examples of old-people's housing. The one I would point to is the Danish example of senior co-housing. That is a fantastic model for essentially self-organised retirement housing that—again, like other forms of self-build or self-commissioned housing—does exist in this country but is incredibly difficult. A very good example is the Older Women's Co-Housing development in Barnet. It took 15 years of blood, sweat and tears just to get through the system because the whole of the land supply, the building system and the planning system in this country is so heavily weighted against citizens doing the right thing—trying to make nice, decent housing for themselves and their communities. I endorse that movement as our single best option for trying to address the needs of older people and also to address the problem of not having sufficient good-quality options to entice older people out of homes that are no longer suitable for them, because, as everyone has said, we are not going to force old people out of homes and we should not be doing so.

I happen to agree that larger authorities are better placed to make the difficult trade-offs. The losers from any new housing development are always going to be hyperlocal. The smaller the unit for decision-making,

the stronger those voices will be, because the beneficiaries are always going to be more diffuse.

Having represented for many years the huge numbers of people who are literally homeless and therefore have no say at all in the political system, you find planning debates are dominated by people saying, "How dare you come and impose this development on our place?" Who speaks for the people who literally have nowhere to live right now? You need society as a whole to take responsibility for those needs. That does imply a slightly larger scale of decision-making so that you can take into account the wider needs of society.

I also think large authorities are better placed to do the kinds of large-scale strategic interventions that are necessary to really solve housebuilding problems in this country. It is combining transport, environmental improvements and the really large-scale integrated development changes that are needed. Therefore I do think that city regions and the functional economic geographies that we actually live in are of a more appropriate scale for making some of these difficult decisions.

The Chair: Toby, thank you. Then finally, and briefly, Alex.

Alex Morton: I will make one final point on the market discussion because I think it is important. The key point is people will never buy into the market as a whole, Lord Moylan, if they cannot own property. I am not that concerned to argue about what exactly you call it, I think we just have to increase home ownership and give people a stake in society otherwise it will become more and more radicalised, although I think intellectually you are correct.

On your two specific points, first, on retirement housing we do a lot less than other countries. I do not have the figures off the top of my head but I do know we do a lot less than other countries, partly for the reasons we have discussed.

Very frustratingly, I was recently discussing with a housing association that was thinking of sponsoring some work with us on how to get more retirement villages. It is not so much they have lots of flats in other places, it is retirement villages that are very popular. If you are going to build anything across the south-east it is probably retirement housing that is politically the most saleable to those people because lots of them think, "Oh, I might buy that, if not now in five years or 10 years". It is something I want to do more work on when—touch wood, if—CBS can get more money because I think it is a crucial area.

When I was doing housing tenures, the only time I have ever had a really positive reception is when I did a report saying, "We should build more bungalows". People like them, they free up family homes and do not take up much land, once you work out that you are freeing up family homes if you build two-bedroom or three-bedroom small bungalows. However—going back to the point we keep making—they cannot get through the

land market. Persimmon and Barratt Homes will always outbid you on that plot of land so you cannot build them, if you are small builder that would do that and build retirement homes and retirement villages.

On the point about local plans, I do not think we should get too hung up about who does what. London is the worst in terms of the shortfall between what London needs to build and what London is building. It is the largest and longest-established combined authority, mayoralty and so on, basically above-borough entity, there is.

The two things you need to focus on instead are, first, if we have a housing target, what the sanctions are for failing to meet it. Let us focus on improving that. From the 1980s to the 1990s we switched from shires and higher tier, then we switched down to districts, then we went back into New Labour style top-dock spatial plans, then we went back down to councils under Cameron. This dance of who does it is much less important than having a system of sanctions and a way to make sure that if you do not meet your shortfall something happens. I would urge that to be the focus.

It might be slightly better at a higher level but Chesham and Amersham are within Buckinghamshire, which is now a single unitary authority and it did not stop people voting and revolting. The politics will play out: even if you try to take it away in one area it will bubble up somewhere else.

The final point, I found myself agreeing—perhaps surprisingly to both of us—a huge amount with Anna Minton. The point she made about supply is not the only thing I think is absolutely crucial, with interest rates, QE, net migration and, so on, but at the end of that, I would say supply is important. Particularly at a time when the planning Bill and the planning reforms are under discussion there will definitely be people who say supply does not matter at all. That is as much of a siren call as saying supply is not the only solution. If, in the last 20 years, we had built twice as many houses every year there would be a significantly less bad housing crisis than there currently is.

The Chair: Alex, thank you very much. Thank you all for giving up so much time this morning for our discussion on these very complex issues.

Several of you have offered us further evidence; for example, Anna on the Holloway example and Berlin, which I think is probably on inflation. I think the British Property Federation said it would send us something on Manchester or perhaps it was on Build to Rent. It is early in our inquiry. We are very keen to have examples because I think they light up a report.

It remains for me to thank you all and the committee for the session. We will meet briefly in private session. Thank you very much indeed. That ends this session.