



Environmental Audit Committee

Oral evidence: [Code for Sustainable Homes and the Housing Standards Review](#), HC 192

Wednesday 9 October 2013

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Written evidence from witnesses:

- [Building Research Establishment](#)
- [Local Government Association](#)
- [National Housing Federation](#)

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Members present: Joan Walley (Chair), Peter Aldous, Neil Carmichael, Zac Goldsmith, Mark Lazarowicz, Caroline Lucas, Caroline Nokes, Dr Matthew Offord, Mr Mark Spencer, Dr Alan Whitehead, Simon Wright

Questions 1-83

Witnesses: **Martin Townsend**, Director, Building Research Establishment, **Councillor Ed Turner**, Environment and Housing Board, Local Government Association, **Rachel Fisher**, Head of Policy, National Housing Federation, and **John Slaughter**, Director of External Affairs, Home Builders Federation, gave evidence.

Q1 Chair: I would like to give a very warm welcome to the four of you on our panel now. I am sorry it is a little bit cramped. We have rather a lot of work to try to get through this afternoon. It might be helpful for you to know, and possibly for those following on from you, that we intend to finish this session shortly after 3.00pm and then move on to a second panel.

Thank you for the written evidence that you have submitted to us. We are, as a Select Committee, trying to get a very quick look at what the implications are of this, so it is rather a hurried session. What we need to know from you, first of all, is how fit for purpose do you think the current Code for Sustainable Homes is? Is it really constraining house building in England, Wales and Northern Ireland? Is there any sense to the argument that says it is so costly it can't possibly be afforded? I would welcome your views on that. I don't know how you want to respond. Perhaps if one does and then, rather than repeat, you can answer the other one, or disagree.

John Slaughter: Perhaps if I lead off, representing the Home Builders Federation, because it has been a big issue for us over the time that the code has existed. I have to unpick your

question a bit in terms of what is going on from our point of view. It is an issue for us, and that is partly about the way that the code is used and the way in which it is assessed and the impacts that that has. So it is not simply the code in itself; it is the way in which it fits into a wider context that raises issues.

There is a cost element, and that is particularly noticeable at the higher levels of the code. Code level 5 and code level 6 are very expensive, on any analysis, but code level 4 is also an issue. I have checked up for today's session and there are a number of recent or current local plan examinations where the requirement for particular levels of the code is an issue when assessing viability of the local plan. Therefore, it has been found to be a material fact and a material consideration in the assessment of the viability of local plan policy. So I think we can reasonably say that cost is an issue.

Q2 Chair: Just before you move on to the other bits, what is the response of the rest of the panel to that? We have had written evidence that says that the costs are not quite what they appear to be and I would like to get all the views before we move on to another bit of that.

Martin Townsend: It is always good to have a balance, isn't it? I would challenge John on some of those statements, because even the DCLG's own case studies indicate that the cost of the code is coming down dramatically, and good developers and good consultants are providing high standards of the code with limited if no cost at all. I think the point that John is making might be evident in some places but not prevalent throughout all the house building.

Some local plans and some inspectors' reports are identifying that the viability and the use of the code, because it is going forward, is a positive thing. I would contest some of the points there. The code is acting as a very sound mechanism. It acts as an umbrella for a number of standards being brought together. It is driving innovation, but is it helping local authorities to drive standards. We need to make sure we see this debate not just purely from the economics of land but also the social and environmental issues as well.

Cllr Turner: I represent the Local Government Association, and there are a few points I am very keen to pick up on. First of all, councils want to see high quality new homes built across a range of areas—sustainability but not just sustainability; also things like space and access. Currently there are a range of standards in place in local plans. As we have heard, if standards are being asked for which are not viable, then they can be knocked back. There is clearly sense in simplifying standards, but we should also recognise that there can be economies of scale if people are going along the same track in the standards that they are applying. That is why we have been a positive part of this process.

Where I think we would part company with the home builders is that we also like to see some variation in response to local circumstances. That is necessary where there are different needs and different choices can be made by local authorities in very different local housing markets. It is clear that the Government in its reflections—if you look at the terms of reference of the Technical Housing Standards Review—has been particularly focused on one area, as we have heard, which is reducing costs to house builders, presumably in order to facilitate standard designs being put up and down the country, at times at quite a troublingly low level of standard, but in doing that maybe missing a bigger picture on sustainability and the quality of new housing going forward.

Rachel Fisher: The National Housing Federation represents housing associations who have experience of building but also managing in the long term the homes that are being built under the code. I think that we have seen enough homes now going through that have been built to code standards, particularly code level 3.

Our members are reporting back to us that they have serious concerns about the ongoing costs of running these properties and being able to maintain and deal with the asset management issues. That is actually increasing their asset management costs, particularly because the way in which the code is currently laid out promotes a more technological response rather than a performance-based response, which is what we were trying to achieve with the Housing Standards Review. This is where you were needing to put in high-spec technology rather than thinking maybe we should be thinking about fabric efficiency and those sorts of issues, and thinking here of energy in particular. Our members are having to bear those on costs and that is something that we need to take into account when we are looking at the costs of the code.

Q3 Chair: Mr Slaughter, coming back to what you were saying at the start, do you have hard evidence that it is actually restricting the building of new homes?

John Slaughter: Yes, in the sense that, as I say, it is being seriously debated, as we speak, in terms of local plan policies and whether requiring the code at a particular level would actually enable development to go ahead in particular areas. It is an active issue in the current examination in Leeds, for example. It has been raised in Bath and northeast Somerset, Cambridge and Wiltshire, in a number of local authorities, and there will be more to come through. Of course, Ed is right that it is possible that you can adjust that through the local plan process, but I would say that that is evidence that the code can have a serious impact on costs and viability of development.

Q4 Chair: What are those costs?

John Slaughter: We have evidence on the costs in the DCLG consultation document. We think some of those are maybe a bit low. Code level 4 may be around £5,000 a dwelling, something like that. From our point of view that is an additional cost on top of existing building regulation requirements, to be clear.

There are additional costs in terms of you have to pay assessment fees, which is something like £400 a home. There are other costs in relation to additional design issues that may come in, particularly since one of the other problems that I was going to touch on was the way the code is being used. It was never designed as a regulatory instrument but it is being used as a regulatory instrument. It is also being applied at different levels in different places, so there is a lot of complexity that has come into the way in which the code is being used in practice in a planning system. That complexity in itself adds to costs for the industry. It is another form of costs and inefficiency that comes in.

Q5 Chair: When you are recounting those costs, do you take into account the costs of day-to-day running of those homes? For example, we have had evidence from a transition town where they wanted to have affordable homes built—I think it was in Lavenham—but they also wanted affordable running costs for those homes. They feel that the failure to get the higher code has a reflection on the long-term running costs, which will make homes

unaffordable for people to live in. How do you quantify those running costs as opposed to the costs of your developers when looking at this aspect of costs?

John Slaughter: I think the classic issue here is whether purchasers are prepared to pay a price premium for those running-cost advantages. On the whole there has been very little evidence that they are.

The area where this is most often debated, of course, is in terms of energy costs, but one of the issues we will probably come on to is that with the zero carbon homes programme, building regulation standards for energy efficiency and carbon efficiency are increasing anyway. So for practical purposes, the code is not going to add massively to the zero carbon homes policy at this stage in terms of those benefits. Consumers, generally speaking, are not paying the price premiums for code homes. In fact, consumers do not actually understand what a code home is. It has no consumer resonance.

Q6 Chair: Would you agree that there is a cost somewhere for those, whether it is higher bills or costs of dealing with water or whatever else it might be, that has to be picked up? If you do not adopt the Code for Sustainable Homes at that stage, somewhere down the line a Government Department or whoever it might be is going to be picking up the cost of failure to invest in that at the time.

Rachel Fisher: As the owners and funders of these homes, we are hugely concerned about the cost implications and the running cost implications for our tenants for their fuel and water bills, because that has a direct impact on their ability to pay their rent and all of these other issues. Fuel poverty in particular is an issue that we take very seriously.

For the ongoing running costs of the code, the point that I was trying to make is that there is some evidence that some of the decisions that have been taken by house builders, including our members, in terms of being able to meet code standards have meant that there have been energy costs that far exceed what was predicted. I am not sure that building to higher levels of the code necessarily is reflected in consumer bills.

Q7 Zac Goldsmith: Can you provide some examples on that point? It would be interesting to have specific examples of how adhering to a higher code has led to higher running costs.

Rachel Fisher: We have had examples with boilers. I have had an ongoing issue with a brand of boiler, which I do not particularly want to go into, where essentially the idea was that the boilers were installed as part of meeting the code for the renewables credit. That has resulted in extremely high energy costs for the consumer, for the tenants, which has resulted in our members needing to remove the boilers and replace them at quite significant cost. That has been one specific example.

Q8 Zac Goldsmith: Can I push that point? If it is the case that reaching a higher standard in relation to that boiler has led to higher running costs and less energy efficiency in the broader scheme of things, that suggests there is a deficiency in the code itself. The code is not the problem but there are ingredients within the code that perhaps need to be ironed out.

Rachel Fisher: Yes, which is why we participated in the Housing Standards Review, to try to look at how we could achieve high levels of energy efficiency, particularly looking at a fabric-first approach so that you would be able to make the houses as efficient as

possible. That is what we are looking at with the uplift in terms of parallel building regulations anyway so it is unlikely to be an issue going forward.

Q9 Zac Goldsmith: I would be interested to know the BRE point of view. If it is the case that a higher standard could lead in some cases to a higher running cost, that presumably means that the code is not working. One of the clear outcomes should be lower costs of running the house.

Martin Townsend: Of course, and I think it is important to balance this debate here. I have spoken to a number of people who say that the costs are lower. In fact, I was speaking to somebody quite recently who said that last winter their heating bill was about £30. It was incredibly low, even though it was quite a severe temperature. There is always a balance to this equation. Some developers do put in advanced technology but that is not always the case.

I would draw you to some of the evidence I put in our submission, using DCLG's own information that the cost of the code level 3 has come down. It has come down from £4,458 to £1,128 in 2010. I know that local authorities, as part of the plan-making process—and Brighton and Hove and Bristol are two examples I am aware of—have done even more recent work that is demonstrating that the cost of the code is coming down and down and down. They have some good examples where residents are being very positive. If you look at DCLG's own case studies, there are examples—and I referred to them in my evidence—where people are saying, “These are great homes, these are great places to live”.

What we must not forget as well is that the code is not just about setting that standard. It is about that process of allowing the industry to understand the direction where things are going. If you take it away, as you start to move part L forward you would lose that ability for the industry to understand, to incubate, to develop skills and knowledge. If you take the code away, some of the costs in the future, in relation to industries developing new technologies, would be removed and so those costs would increase as well.

You need to see this debate around costs in a much wider context. It is not simply about reduced energy bills, where I believe there are good examples of that being achieved. It is about driving the industry to improve, innovate, create new knowledge, and to also make sure that there is a good supply and transfer of knowledge between different professionals. There are some really good examples, and I refer to some of those in my evidence, where the industry is working in a much more integrated way. This is not just about silos of businesses trying to improve energy. It is about trying to see sustainable homes in a joined-up way.

Q10 Chair: Just moving on, because I am conscious of time. We have had a submission from a consortium of local authorities, including Bristol and others, suggesting that the whole assumption on which the Government seems to be reaching its options relating to the Code for Sustainable Homes is using outdated figures. Do you wish to comment on that at all?

Cllr Turner: To be clear, the LGA do not think our submission is at odds with that claim. We have had to take a broader view of the issues in the Technical Housing Standards Review. Our guiding principle there was to say simplification is good but you still need appropriate local flexibility. Above all we need a decent baseline on standards. It is very regrettable that for local authorities across a whole range of standards, who currently have a standard, will see that standard put out of commission, will then have to re-examine their local plans at quite some cost in order to opt into a Government standard at the lower

level, which will look very similar to that which they have at the moment. Our main point is that we are taking something away. We then go through a costly process, with a hiatus, when you can bang up buildings at a lower standard and then potentially re-impose the same standard.

The point that is being made by those authorities is a different one, which is that in addition requirements, particularly on onsite renewables, are not being captured through the outcome of this review. There is something that is being lost from the code, and the evidence base for that being a problem can be questioned. We would not have an issue with that being said. We would recognise the points being made.

Q11 Chair: We will come on to all that later, but the point that I wanted to get at is whether or not the underlying assumptions of the Government consultation about the Housing Standards Review and the link that has to the Code for Sustainable Homes relate to a set of outdated figures, because obviously costs come down and things move on.

Martin Townsend: There are two points here. One is that we have been asking DCLG that we need to address some of the things in the current code. It needs to be updated. I think some of the criticisms that are made of the code can be addressed by updating it—looking to understand where changes in part L and other legislation are going and also Government commitments. We have an architecture, a framework in the code that can meet that purpose. It is about making sure it is fit for purpose by updating it, not throwing it away.

I think your point about the latest information from the local authorities as part of their plan-making process where they have looked in more detail about what is happening locally is almost reinforcing this point. The cost is coming down and local authorities, who are at the sharp end, are getting those numbers as part of their evidence to say, “We can do this”.

John Slaughter: It is not just about cost; it seriously is not. If we lift this up to the whole premise of the standards review, in my mind it is about what is the most effective way for this country to innovate in the housing sector to meet standards that we all want to see. Our contention would be that the code has had a purpose but it is largely overtaken. The premise of the standards review about focusing on key requirements that can’t be met through market mechanisms are met through nations building regulations will be a much more effective and efficient way of catalysing innovation for the future.

Q12 Chair: That is a different argument, isn’t it, from saying that there needs to be change because of the need to incentivise rather than that it is too costly as it is?

John Slaughter: As I say, cost is an issue, but I do not want us to be—

Chair: I am just trying to find out how much of an issue it is.

John Slaughter: I think in some contexts it can be a very serious issue. The local plan inquiry processes that I am referring to is my evidence that that is material, because it is something that planning inspectors are looking at as a material issue in their examination of emerging local plan policies.

Q13 Chair: Then the question is how you drive the innovation that actually gets the materials, for example relating to water. It takes a long lead-in time to get the sanitary ware, for example, changed in terms of sanitary ware that would fit in with water reduction.

John Slaughter: Given that the code was not designed as a regulatory instrument but is being effectively used as one, and given that it is being applied at different levels in different ways in different localities, what you do is fragment the supply chain and you make innovation less effective than if you have a clear set of national requirements.

Martin Townsend: I disagree here. I think the code has been a great platform for innovation because it is flexible in terms of allowing a single standard, allowing people to look at how they can achieve that. I was sitting outside reading my evidence and I got a text message from somebody who works in the acoustics industry saying, “We have invested a lot of knowledge and skills in addressing some of the credits in the code. It has helped us innovate and if the code goes, what is being suggested won’t allow that technology and that innovation to be used”. That is going to impact on their business.

In many ways lots of other people rely on the code in terms of supporting house builders and to drive standards, so I see the code to be a great vehicle for innovation because it is flexible. It sets a performance standard and it allows developers or local authorities to use the code in a flexible way and it allows the supply chain to think about how they might change materials, technologies or services to support that.

Q14 Chair: Just very quickly, do developers need consultants to implement their compliance with the code?

John Slaughter: Yes, generally they do.

Rachel Fisher: Yes.

Q15 Dr Whitehead: Could I explore briefly this question of how environmental standards might be applied locally and the extent to which the code looks to be sufficiently flexible to meet those local needs? A number of people say that the code itself is not sufficiently flexible for local needs. Reflecting on Zac Goldsmith’s question a little earlier, is it a question of the code having some possible amendments made to it, or the code itself and its structure perhaps not having the flexibility that might be required, and then alternatively looking at what the proposed Government rationalised set of national standards might do as far as that flexibility is concerned? What is your view on that? I guess there may be different views on that, but what is your view on the level of flexibility as against standard setting that the two alternative routes may present us with?

Cllr Turner: Starting with the local government’s perspective on this, undoubtedly there are some areas in which the code could and should be modernised. Mind you, if people find it difficult to change the code, they will sure as hell find it very difficult to change building regulations. One of our concerns is that building regulations do struggle to keep up with innovation. A point was made to us by the chief police officers that criminals tend to be well ahead of the curve when it comes to unpicking security measures, so if you have frozen one set of standards in building regulations, it is very difficult then to keep properties secure. Local plans are updated more regularly.

Also if you keep things at the level of planning policy, by all means simplified where that is appropriate, then there is an element of negotiation that can happen between the developer and the local planning authority where that is appropriate. That is then quite a good place to be. There is definitely some flexibility needed in this process.

Rachel Fisher: If we take the overall Housing Standards Review as a whole piece, what we were trying to do was rationalise the incredible number of standards that currently exist and that are being applied at different levels in different places. For our members who are building homes and managing homes across the country, we were wanting to create a much easier way to be able to understand what was required of them, what they needed to be able to do, without having to constantly refer to different kinds of consultants about different kinds of standards.

It is clear that where people are wanting to build homes in certain areas that have certain requirements—I think water is a good example of this that we captured in the Housing Standards Review—you should be able to say, “We need to have a higher level of water efficiency in this area because this is a water-stressed area. This other area is not so much water stressed, so we probably don’t need to be thinking about that in those terms”. So you are able to make more flexible tradeoffs. That is what we were trying to achieve with the Housing Standards Review.

When you look at the suite of issues included in the Housing Standards Review, it is very much trying to take what was the best out of all of these different standards that we were dealing with and say, “What is the baseline? What is the thing that absolutely everything that gets built needs to achieve in order to create sustainable homes?” in the broader context, not in what the code says is sustainable, and also allowing for some kind of flexibility, particularly through planning, particularly in areas that we were not covering off through the Housing Standards Review.

Q16 Dr Whitehead: Forgive me, but in answer to a previous question Mr Slaughter emphasised the question of the homogeneity of standards that might potentially be in any new system that will come up through the review. The implication of that, certainly as I took it, was there would be far more of a one size fits all arrangement as far as housing is concerned. Since you were mentioning water, perhaps the question of baby and bathwater arises.

John Slaughter: I am not going to say which one of those I am, but there are a lot of elements to this. It is quite a difficult question to answer but I will have a quick go. If this is about innovation, then there is logic in having clear national standards for key aspects of performance. If you analyse the code, the absolutely key elements of the code in terms of performance are energy and water. Both are already in national building regulations. The national building regulations have moved forward and you have the zero carbon homes policy, so there is a real question mark about whether the code has not in fact already performed its useful function in that respect.

When you move outside that, the code is much less precise. It was not designed as a regulatory standard. You certainly have flexibility within it to score the necessary points in different ways, but that does not lead to clarity in terms of the public perspective of what it is you are creating. It would probably encourage the tick-box mentality as well, in practice. I would argue that that is not necessarily a very clear way of facilitating innovation. It is certainly not something that creates a clear, single brand as far as the consumer is concerned.

I feel that there is a better approach and that, although the code has done valuable work in the past, it is past its sell-by date.

Martin Townsend: I wanted to come in there, because there is a whole number of things here, isn't there? What we are trying to do is ensure that we can empower local authorities to understand and reflect what their needs are. We need to do that in a way that provides a standard or a process. I would much prefer the code to be seen as a process. It is a number of standards that are brought together within a single document. It allows developers that flexibility to achieve a set performance, to be ambitious if they want to go further, and to achieve that set standard if they want to. So I think the code is much more flexible than people give it credit for.

I also think it drives innovation, which has been discounted, but it becomes an incredibly important mechanism because it allows people to understand how you can achieve some of those supply chain efficiencies. The house builders I have spoken to see that by understanding that the code is being specified by a number of different local authorities in different ways still means that they can buy certain products and certain goods and put them into their properties and they will allow that supply chain efficiency to come through. That is demonstrated in the cost argument before, that the cost is coming down because developers know that this is a single set standard.

There is no guarantee that, if we push things into building regulations, different building inspectors will not require things in different ways. Since the code has been introduced it is much more understood by local authorities, developers, consultants and supply chains, and because of that it is something that we need to build on rather than throw away.

Q17 Dr Whitehead: There has been anecdotal suggestion that some local authorities may have rigorously applied the code for their local standards, not in order to achieve the building of high code standard homes but in order to achieve the building of no homes. Is there any evidence, in your view, that some authorities who simply do not want anything to be built anywhere may have applied it for that purpose?

Martin Townsend: I am not aware of any examples.

John Slaughter: I do not think we could prove that there are any examples. You might suspect that that was the case in certain circumstances but I think that is just a concern that you might have in the back of your mind. We do not seriously question the fact that the code and local policies are generally adopted with the best of possible reasons. The debate for us is really about what is the most effective roadmap for the future.

Cllr Turner: It would not work, because at the moment if you have a standard—and for that matter, say the Government's process goes through, hopefully with improvements, you would still have some standards and then you would need to justify those as part of your local plan examination. Your plan has to be sound, so any local authority trying to stymie developments in that way would be barking up the wrong tree.

Q18 Caroline Lucas: I want to go back to the process of the Housing Standards Review. Do you think that the review included sufficient consideration of the Code for Sustainable Homes within it?

Martin Townsend: There was a statement early on in the Housing Standards Review consultation that simply said, “We are winding down the code”, yet there was no consultation on it. For me, that does not lead to a transparent process because the debate we are having eloquently here with you is not actually happening through the consultation process. I feel that the Housing Standards Review is not allowing true consultation on issues that matter.

If you look at the document itself, it is very much a multiple-choice exercise of saying, “Is it A, B or C” and not necessarily allowing the industry to express their views in terms of, “How do we achieve these challenging targets that we know we need to achieve for improved housing, and how do we do it in a way that engages the industry?” rather than saying, “You only have three choices, or you only have a limited amount”. So I do not think it is truly transparent.

Q19 Caroline Lucas: Do you think it has been sewn up in advance?

Martin Townsend: Indeed so.

Rachel Fisher: Can I come in on that? When we are considering the Housing Standards Review I think that it is really important we remember that the consultation document that is currently on the table is something that is the end of a very long process that started in 2010, at the point at which the announcement was made that the Homes and Communities Agency was not going to be going forward with its new revised standards.

At that point, there was a suggestion by the then Housing Minister that we would create a local standards framework. Following on from that, John Harman was commissioned to lead a review with the LGA and the HBF to look at housing standards and the cost implications. The Housing Standards Review process that we have just gone through—in which BRE was involved in the meetings, at least the meetings that I attended—did consider the code in addition to all of the other standards that we were looking at, including lifetime homes, secure by design and all of these other standards. So I think it is fair to say that the code was considered through that entire process.

I was impressed by the level of industry engagement in the Housing Standards Review. I think the DCLG did work quite hard to ensure that industry, including my sector but also the private sector house builders and also all of the standards owners, all of the people who have vested interests in the perpetuation of the standards, were involved in the Housing Standards Review process. So I do think the industry was significantly involved in this. We did consider the code at every point where it was touching on the terms of reference of the standards review. Sorry to disagree.

Q20 Caroline Lucas: Any comment from the others?

John Slaughter: To add to what Rachel said, I think the other thing about the review was that it effectively analysed the whole climate that we are talking about here and came to the conclusion, by looking at the individual standards areas that the review covered, that the approach was as recommended in the details of the consultation. A consequence of that was effectively to say that the code’s role does not appear to be as relevant today as it was when it was first launched.

Cllr Turner: We looked at specific areas rather than standard by standard and that was the way that it was organised. I think probably it may not have reflected the positive stepping-stone effects that the code has had across areas and perhaps also the way it has led to reduced build costs in building high quality homes, and that is a shame. There is a specific point, which is that we did not talk about onsite micro-generation as part of these deliberations. Those were instead part of the revised building regulations. At the time of our deliberations, we were not sure where that process was going, and that preceded the Government's announcement.

The other point is I think it is really important to understand the outcome of this work, to understand the terms of reference and whether or not matters were predetermined. The overall goal was to "rationalise" what was described as "an untenable forest of codes" and so on that add unnecessary cost and complexity to the house building process, to report by a timescale that was not in the end met, and the aim was to achieve deregulation. Those terms of reference will take one in a particular direction. If the terms of reference had been "how can we build fantastic homes for the next generation in a way that is viable?", the outcome might have looked slightly different.

Caroline Lucas: A very interesting point. Thank you.

Martin Townsend: The point I was going to come back to, to answer your question, is you were talking about the process, and Rachel mentioned the various workshops that DCLG had. In my evidence, under paragraph 22, we did submit various papers and we have made advice to DCLG on how the code could be improved, but also in the Housing Standards Review we tabled certain papers that were never actually put forward. When you look at the material section, there are ways in which we could improve that section but that evidence was never taken account of by DCLG.

Q21 Caroline Lucas: We have mentioned the fact that there were basically three options in the HSR consultation paper. All of them would involve creating a single body of standards, either embedded in the building regulations or lying alongside them. In your view, does that reflect the evidence taken in the review and are there other viable options that were not included in the consultation paper itself?

John Slaughter: I think so, yes, as far as I am aware.

Q22 Caroline Lucas: What I am getting at is you are being asked if you want A, B or C. If there was other evidence that suggested D, E and F might suit quite nicely, what scope was there to be looking at other options than the three that had been put down in front of you?

Rachel Fisher: I was on the process and compliance working group and we had really extended conversations about a number of different options and looking at international comparisons and all of the different kinds of ways of implementing a national standards set. What we came to at the end of it was A, B or C. That reflected a very long period of deliberations about the best way of creating certainty for the market, both for house builders and the wider supply chain, and the idea of creating a single set of standards. We supported the idea that they would then be rolled into building regulations as a kind of direction of travel but obviously with appropriate transition arrangements in place. That made the most sense to us in being able to ensure that all homes are built to these standards.

Cllr Turner: From the Local Government Association's point of view, in the review itself we argued that we were in favour of simplification and of having a national standards set, but there should be an ability for local authorities to vary where there was a compelling need and where you could justify it in front of an inspector, subject to appropriate viability tests. That is a point that colleagues had to hear ad nauseam.

I think things took an unexpected turning with the publication of the Government's document, which was to say, "All standards will be put out of commission and you have to go through a re-examination of your local plan to opt into a baseline". To be honest, that was a development that I was not expecting. I think if there was a baseline that people agreed with, above building regulations but which reflected where most local plans are or should be, then that is a good debate to have and could be quite a positive thing. But to say we have to go back to base so that every local authority sees all of its hard work chucked out of the window and then you have to go through a whole re-examination process, very costly, with a hiatus, with no doubt some really good and expensive debates in front of planning inspectors, with lawyers arguing whether the local plan has primacy or the Government's housing standards, it is a very disappointing state of affairs to get back to square one in terms of decent standards.

Q23 Caroline Lucas: Why do you think that happened? Why would you suppose that happened, if you were to advance a theory as to why, in the document, it was such a surprise in the sense that we have gone back to square one?

Cllr Turner: I think the concluding view here is that many standards are a nice to have—

Q24 Caroline Lucas: When you say "here", where do you mean?

Cllr Turner: I beg your pardon. The concluding view taken in a document, which is that standards are a sort of nice to have and should be pruned away as far as possible, was a view taken by one of the particular components of the standards review, and that there were too many standards that are nice to have that are currently embedded there. That is not the view of local government.

Martin Townsend: My comment in terms of the way you are pushing this conversation is that, from a BRE perspective, we firmly believe that we need to improve the sustainability of our housing. We accept that. We accept and we support the need to reduce red tape. The Government Red Tape Challenge is one that we support. It is just that the Housing Standards Review, as it is currently phrased at the moment, does not achieve those goals.

As Ed ably said, we could end up slowing down growth with costly, expensive delaying inquiries where people are contesting, "What am I building to? Am I building to the code because it is in my core strategy or am I building to what is in the Housing Standards Review? What am I going to do?" I think the overarching goals that the Government has set are right; it is just that the review does not achieve them.

Chair: I will move on further on that very issue to Mr Carmichael.

Q25 Neil Carmichael: Absolutely, because what we do now is tease out your thoughts on the options that the review has come up with. It is a bit like multiple choice, but I want each one of you to choose one. Do not worry about what the others have chosen.

Rachel Fisher: And don't feel that we need to fill it in in a pattern.

Chair: Which order are they going to choose?

Neil Carmichael: I don't know. I am just going to pounce on them when I read them out. I am going to read them out and then we will see. A, a universal national standards set in addition to the building regulations; B, a universal standards set that might be included in the building regulations at some point in the future; C, a universal national standard set that would be included in the building regulations immediately. Which one would you like, Rachel?

Rachel Fisher: B. Do you want to know why?

Cllr Turner: B, provided it is actually set and we do not have to go through a local planning inquiry to opt into B. That is the problem. It looks like you are applying the residual standard as you read those options now.

Neil Carmichael: That is a B?

Cllr Turner: That looks like B but it is not what is in the document, and that is the problem.

John Slaughter: C for us.

Martin Townsend: A single national standard, A.

Q26 Neil Carmichael: Do you have any comments to justify the choices you have made?

Martin Townsend: I think that you have it with the code. If you are trying to provide consistency and clarity, you have a standard there. You could argue that what the Government is arguing for is, "The code exists—use it, adapt it, update it, make it fit for purpose in terms of ensuring that comments and feedback from the industry is using that vehicle." In that way, you do not end up in the situation that Ed is describing where people have confusion about, "That is gone, what do I do next?"

Rachel Fisher: Can I suggest that all this conversation about the re-examination and all these things is about transitional arrangements? I am perfectly willing to have a much longer conversation—probably not here—about what appropriate transitional arrangements would look like in terms of moving from where we are now. To be very clear, it is not just the code that we are talking about when we are talking about the Housing Standards Review. We were talking about a number of different housing standards that are applied at various levels variously to various effect in different localities, to a situation where everyone knows what they are building to. What we would like to see is B, on the basis that we think that is the most expedient option.

Ultimately I think we would probably be with John at C, but realistically we do not think that that is actually going to be possible. If you stick with A, the problem with that, from our perspective, is that you continue to have something that is a nice to have. That creates imbalance across the country. Ultimately what we are trying to achieve is homes that are

good for everyone to live in everywhere. You are only ultimately able to do that through building regulations.

Q27 Neil Carmichael: You are looking for a more universal solution than a particularly high powered—

Rachel Fisher: Yes. Where there are issues that need to be dealt with at local level, of course the proper place to do that is through a local plan and being able to set criteria through a local plan and have discussions with developers. That absolutely makes sense and that is what happens now. The point here is about taking all of these national standards that exist and rationalising them.

Q28 Neil Carmichael: Just picking up the point you raised about localism, empowering local councils to make choices about these issues to some extent is pretty relevant, isn't it? How far would you want to see local authorities being able to make choices?

Rachel Fisher: I think this is where I part company with my colleague from the LGA. We are looking to draw a line around where those choices can be made. What we do not want to see is too much inconsistency across the board. We want our members who are developing and managing homes across the country to be able to do that in a consistent way. That is not about limiting people's ability to innovate; it is about creating the room to innovate.

What we have seen, however, through local authorities having free rein in terms of being able to set different kinds of standards, is a proliferation of standards that are not necessarily achieving the outcomes, that potentially could have perverse purpose incentives. We would want to be able to circumscribe that ability for local flexibility.

John Slaughter: I agree with that last point. I think for us the logic of opting for option C is that if this is the way to go, do it straight away. Do not limit your ambition, because of the benefits of getting it right for the future. If they exist, and we believe they do, then we do not see the argument for delaying in going down that route. We feel that would be a more effective way of doing things in the future.

Cllr Turner: We have no desire at local government to let 1,000 flowers bloom on many different standards in all sorts of different ways. Local authorities will choose standards and I think would be very happy to choose from a national set of standards provided they can fit with their local circumstances. The problem we have is that if you look at the options as they are described, it implies there is some baseline above building regulations as they currently are. But if you read the rest of the document carefully, particularly in the introductory section, that does not apply. Unfortunately, standards will be substantially lowered and local authorities will be barred from adopting higher standards outside the national frameset. That is very regrettable.

Q29 Neil Carmichael: Yes, because what we have to confront is only 40% of new builds are currently built within CSH. That is the situation we are now in. We have to really test out, don't we, whether or not a national approach is going to help that or hinder it?

Martin Townsend: Another number to add is 50% of local authorities either have or will have in their plans reference to the code. As they are adopting their plans, they are driving

that process more and more, because local authorities are looking at themselves and sharing best practice and saying, “The code is actually helping us. It is helping drive standards, it is helping improve the performance of the buildings. It is good”. Some of the beacon authorities that have been mentioned already today—Brighton, Bristol—are saying that you can achieve these.

Q30 Chair: What about those who do not?

Martin Townsend: In terms of do not have policies and plans? I am not too sure. Some of that number might still be looking to adopt their plans, I suppose, because there has been a commitment placed on local authorities to have their core strategies in place. The 50% are those who have either developed their core strategies or are in the process of. I am not too sure in terms of what the split is or what the impact is of those who do not have the code specified. I know the ones I have spoken to and the inspectors who have actually approved those plans see that the code is a viable solution for driving standards. Those local authorities see it as a really positive way of improving performance.

John Slaughter: If we are looking at this as a national debate on how we do things best for the country, your question is a relevant one: what about the authorities who don’t do it? Different authorities apply the code at different levels in different ways, and viability considerations may mean you can’t apply it at the same level in every local authority area even if you tried to.

Again, I think the logic takes you back to the fact that if something is necessary and desirable, and we all agree it is, it is sensible to do it through a common national approach. We contend probably that there is not, to be clear, but if there was a kind of logic of retaining large chunks of what the code is trying to do as a separate thing, then the logic would be to try to bring those into building regulations.

Q31 Neil Carmichael: What are the must-haves in the code? For you, what are the key ones to hold on to?

Martin Townsend: I think the code works particularly well because it brings together a range of issues. If you start to go down individual elements, what the code does particularly well is it looks at things in the round. I put in the evidence things like reducing energy bills and allowing internal spaces for drying clothes and a range of others. It looks at things together, whereas if you start to look at things in isolation, you just look it in in part L or part G or wherever you want to put the regulations, it looks at it in a very fractionated way. The way it might be regulated through building inspectors might look at it in a very fractionated way. We need to see sustainable homes, looking at it from a social, economic and environmental perspective, not just purely from elements of the building regulations.

Q32 Neil Carmichael: So it is the holistic approach that appeals to you the most?

Martin Townsend: Yes.

John Slaughter: I think that is fine, but the point I was trying to get at earlier is that is not a single, clearly communicable, realisable by the public performance standard. It is that and a range of other things. The question is are we talking about performance standards,

which I think is basically what the standards review is about, or are we talking about a wider set of issues. I think the code is neither one thing nor the other in that sense.

Q33 Zac Goldsmith: Before I move straight on, I am interested to understand better the concerns you have about the B/C option. As far as I can see, they are more or less the same option but there is an issue of timing there. It is broadly the same outcome we are looking at. Is your concern principally to having a single set of standards that would be applied across the board, which theoretically would mean raising the standards across the board, given that not everyone signs up to the code? Is your concern that the core ingredients of the code will not be included? If you had an absolute reassurance—which none of us here can give you—that the meat of the code, the really important stuff, is going to make it into a single set of national standards, presumably then you would not be concerned about options B/C.

Martin Townsend: It picks up that last comment, really. I remember when the code was first formed. There was a large amount of pushback from the industry saying this is tricky and difficult. What developers and the industry are now seeing is it is a much easier process to understand than maybe people are putting forward. It helps people to see things in the round and understand how you can improve the social wellbeing.

Let me give you an example. One of the challenges that I made back to the team in the office is what are the health benefits of the code compared to building regulations, and I can share this with the Committee afterwards maybe. We did a piece of research that looks at what is the impact of good standards within the code that would not come through building regulations. What does the code do in terms of things like moisture in buildings and safety and security that actually has an impact on the NHS?

Q34 Zac Goldsmith: But I am saying that if you did have those important components in a single national standard that would allay the concerns you have. So the issue is about the quality of that final rationalised standard as opposed to the fact that you are not in principle opposed to maintaining these separate bodies. Is that right?

Martin Townsend: I think what you actually have is what you describe as an overlay. If you are breaking it down, which I am not suggesting you are, you would lose that cohesion and you cede some of those wider benefits. Also what the code is doing—and we have not talked about this—is demonstrating what UK plc is doing in other markets. I was in Sweden a couple of weeks ago. People see the work we are doing in driving our standards through the code as a really important issue in terms of export.

Q35 Zac Goldsmith: I think it is the case that a majority do not adhere to the code, or is it 50:50, so 50% of local authorities—

Martin Townsend: Roughly, yes.

Zac Goldsmith: If it is the case that about half are adhering to and half are not adhering to the code, could you be persuaded of the arguments of getting everyone involved in much higher standards, even if they are not perhaps as high as the standards that you are pushing through the code?

Martin Townsend: Yes.

Q36 Zac Goldsmith: There is an argument there, surely, a sustainability argument as well.

Martin Townsend: There is an argument there. It is a sustainability argument and it is also about making sure that as you create these standards and this escalator you connect it with building regulations.

Q37 Zac Goldsmith: What is to say that you could not have this rationalised standard, which would not be as high as the code is today? Almost certainly that is not going to happen, but what is to say you could not have that and at the same time have the existing code for those developers who still want to tap into it, a bit like the Soil Association organic standard, which is not a Government standard? It would still exist. For the willing, the people who have already signed up to the code, presumably, would still be willing to sign up to the code because it would be a point of marketing for the buildings.

Martin Townsend: Exactly so.

Q38 Zac Goldsmith: It seems to me that you are making the case that we heard on the other side, or am I misunderstanding something?

Martin Townsend: No. I can see where you are coming from, but where I see we are in this debate is we have something that we need to update. Some of the criticisms that are made of the code are because it requires refreshing and picking up some of the comments we know that we fed into the DCLG should be added. We know that. We know that basically the supply chains are seeing the costs coming down as they get more familiar with it. We know that certain local authorities specify different standards because of local circumstances; it might be water stress, which we have heard about already. It creates this architecture that allows people to understand what sustainability looks like in the round.

Also, as you connect the code to the way regulation works, it incubates, ahead of regulation, where Government wants to go in terms of setting the standards for the future. It allows industry to innovate ahead of regulation. Certain elements of the code help reduce costs because those exemplar developers who want to go further are starting to play with new technology, or the materials industry or other industries want to go further. That is helping reduce the cost in the longer term.

Q39 Zac Goldsmith: One last question for the LGA. Am I right in believing that if they had a single code—so if you merged the two, effectively, if the standards were put into building regulations, options B or C—therefore it would be impossible for a local authority to decide to apply higher standards? They would still be able to do that, is what you are saying?

Cllr Turner: It is possible to imagine a world where that could be done.

Zac Goldsmith: But that is today's world, isn't it?

Cllr Turner: It is not possible under the terms of this review. Let's be clear. I think local government would cope with a world where there was a decent baseline standard and where there were nationally described steps up from that standard. We would be even happier if, where there was a really good reason, you could have some local variation on that. But at the moment what is being proposed is not a decent baseline standard; it is no standard.

The key paragraph in the Government's consultation is paragraph 31, where if we want to apply any particular standard, including really quite basic things, above building regulations then we have to examine our plans, there is a rigorous test, and we can only do it if it is strictly necessary and justifiable, which seems to me a very high bar to—

Q40 Zac Goldsmith: Sorry to interrupt you, but it seems to me, just from the point of view of those people who are interested in sustainability, the argument is less about A, B, C. The argument is about ensuring that B/C, which are the likely outcomes, do include as much of the decent standards as possible. That should be the challenge. Not attempting to prevent something that appears inevitable from happening, but rather to ensure that as it does happen, if it is possible, to achieve a good chunk of these standards being put into building regulations, you would have raised the bar across the board and you would still allow local authorities to go beyond that if they so choose, which is the situation we have today. It is really a strategic question more than anything else. It seems odd to be trying to stand in the way of a process that could, if we get it right, be beneficial.

Cllr Turner: That is the challenge, though, isn't it, to get it right?

Q41 Zac Goldsmith: That is the challenge. I was trying to understand where the resistance was. The last question—and not everyone needs to answer, but whoever feels like answering—is if your starting point is the Government is going to wind down the CSH, what should be its key considerations in managing that transitional process? Rachel Fisher, you have already addressed that in your last answer but just a quick response.

Chair: We need a very quick response to this.

Zac Goldsmith: I am going to add to that question. Do any of you know how many CSH assessors there are currently and whether or not you think they could play a useful role in that transition in whatever finally emerges?

John Slaughter: I do not know how many assessors there are.

Martin Townsend: 1,500, but it is not just the code assessors. It is also all the other people who work with those code assessors to drive sustainability will be impacted. That is the numbers.

John Slaughter: But building control is short of staff, so I think there are other duties for qualified people. Transition is a tricky one, we would all agree with that, but the Government has said they would have a clear planning policy statement from Ministers that would set out the position and I think that would make it clear how the local planning process should be dealt with. We and others, I think, are very open to discussing how best this can work. We don't necessarily have all the answers today.

Cllr Turner: We would like to see existing local plans, that have already been assessed for their viability and where people have already made trade-offs between the different desires and demands that their communities have and that the evidence demands, protected. Rather than kyboshing them all and putting them out of commission, if people have already gone through that process let's see those protected until the next regular review of the local plan.

Q42 Peter Aldous: Mine is a very brief one to conclude. The Housing Standards Review is one of several Government initiatives on housing alongside Help to Buy, zero carbon homes by 2016, allowable solutions and Lord Taylor's review of planning guidance. In your view, how well does the Housing Standards Review fit into that wider picture? Does it complement it or are there conflicts and inconsistencies?

Martin Townsend: I think there are some conflicts. That may be a question for the next panel.

Q43 Chair: Is that unanimous?

John Slaughter: No. I don't think there is a conflict. The Government's documents on allowable solutions and the standards review very clearly indicate that on energy the position is aligned. I do not think there is any conflict with Help to Buy or other things, that I am aware of.

Rachel Fisher: I would support John's view on that. I think particularly Help to Buy is probably not worth talking about in the context of these other initiatives, but one of the interesting points about Lord Taylor's review is that what we have at the minute is the beta set of the planning guidance. We are currently out on consultation for the beta guidance but that is still up for review.

Where there are gaps, where there might be things in terms of the transition process of potentially winding down the code, you would be able to look at the guidance set again and be able to say, "We need to be able to revise that to reflect some of the things we may be not reflecting in the housing standards set". I think it would be difficult for Lord Taylor's guidance review to have pre-empted, any further than it did, the outcome of the standards review. That is still for consultation.

Cllr Turner: There could be a tension between policy regarding the primacy of the local plan and this. Then there could be a tension between in particular ministerial statements about wanting new homes to reflect the character of the areas they are in that, as we know, will lead to greater support for house building, things like materials but also design, and a process clearly intended to facilitate home builders' standard designs on the other.

John Slaughter: This isn't about design in that sense. The standards review is about dwelling-specific performance and it is not about urban design or those sorts of elevations.

Q44 Mark Lazarowicz: I am interested in what Mr Townsend's views of possible conflicts are, but before I do that, isn't there an underlying sort of conflict? You have a Government that will help to buy. At the moment it is trying to encourage lots of people to buy houses and there is an issue about whether there is a supply of new houses to meet that increased demand. There is going to be inevitable tension between wanting to ramp up the purchase of new houses and a policy that might be seen, allegedly, to restrict the construction of new houses. Isn't there an underlying tension, particularly with Help to Buy if it takes off in the way was being indicated?

Martin Townsend: I was just digging out some of the questions from the Farrell review. When you look at some of the questions, I find it difficult to understand why and how they don't conflict with some of the stuff that comes out.

Q45 Mark Lazarowicz: Such as?

Martin Townsend: “Standards in architecture and environment, how does that add economic value? How can we demonstrate and how can we drive performance to ensure leadership in the built environment design can ensure that the UK is leading and responding to innovation in technology, sustainability and communications in an era of rapid change?” Some of the issues in the Farrell review definitely do cover the space of the Housing Standards Review. I know that when you start to look at the Taylor review as well in terms of how that will work with NPPF, there are going to be some interesting parallels, and it is about this point of clarity. If we are trying to make sure that we are giving the industry clarity, some of these reviews don’t complement each other; they conflict.

Chair: On that note, we must leave it. Thanks to each of you for coming along this afternoon. We are going to have a very hurried changeover between you and the next panel. Thank you very much indeed.

Examination of Witnesses

Witnesses: **Peter Schofield**, Director General, Neighbourhoods Group, Department for Communities and Local Government, and **Bob Ledsome**, Deputy Director, Building Regulations and Standards, Department for Communities and Local Government, gave evidence.

Q46 Chair: I am very grateful to each of you for coming along this afternoon. I do apologise but I think our previous session was of interest to the Committee so I did allow it to overrun. I hope that your opportunity before us won’t be too curtailed. Thanks to each of you for coming along this afternoon. I am aware you have sat in on the previous session we have just had. We have heard a lot about too many standards and so on and so forth, but could you explain to us why the Government is proposing to wind down the Code for Sustainable Homes?

Peter Schofield: Thank you, Chair. First of all, we very much welcome the inquiry of your Committee because we are out to consultation. We are keen to hear views from the Committee, the previous witnesses and other interested parties. The way I would describe this is much more that the code has gone from having been a common sort of language for describing the sustainability of housing to a tool for regulation, which I don’t think it was ever really intended to be.

What we are doing is looking at this code alongside a myriad of other codes and standards that are applied in overlapping ways, all across the country in different ways. The review looked at 1,500 pages of codes, of which the Code for Sustainable Homes was 300. This is one of many different codes that pull in different directions and that create additional bureaucracy, both in terms of the implementation of building standards and also the compliance process.

The review that has culminated in the consultation document that is out at the moment comes at the end of quite a long process, as some of your previous witnesses talked about, with the Sir John Harman review, which was 2011-2012, and the Red Tape Challenge, which

we carried out during the course of last year. The consensus that came out of that process was that the Government should look at trying to address the overlaps between all the different codes and come up with something that was streamlined but also—to quote some of the terms of reference of this review—enabled quality and sustainable housing to be brought forward more easily.

What we have come up with is a proposal that I think the Government very much believes is a way through that removes unnecessary bureaucracy but still retains the standards required to enable high quality sustainable housing to be built.

Q47 Chair: Having listened to the previous session, I can't help but feel there is, somewhere or another, a dislike of regulation at the heart of this rather than looking at the way in which the code did incentivise best practice and, in a way, in different parts of the UK in different settings, was able to move from a much lower code to a much more challenging code. It was able to be all things to all parties to make that progress on sustainable development. It is very difficult to see how by getting rid of the Code for Sustainable Homes you are going to advance the need to embed sustainable development in housing design—the whole thing from how you deal with a site when you start to build on it, how you deal with the land remediation and so on, how it all fits in. Do you not have concerns about that?

Peter Schofield: What we have done as part of this process is gone through all of these codes. We have gone through the 1,500 pages in working groups involving all the key parties, as you have already heard. We have identified are these standards that are still required? Are these standards, if they are still required, that should be included in building regulations? If they should not be included in building regulations, should they be included in a set of nationally described standards and should there be a degree of local variation around that?

I think the result of that is a package that is set out in the consultation document, which I think achieves exactly what we were setting out to do, which is not to get rid of regulation for its own sake but to reduce unnecessary bureaucracy and overlaps in a way that streamlines the process and enables sustainable and high quality housing to be brought forward more quickly.

Q48 Chair: Can I press you a bit more on that? Do you believe that the cost to developers of being compliant with the Code for Sustainable Homes was part of the discussions, ongoing workshops and so on that you have been looking at to get to this stage?

Peter Schofield: Yes. The regulatory impact assessment published alongside the consultation document does include our assessment of the costs of complying with all the myriad of regulations. As I say, it is not just the code we looked at. We looked at 1,500 pages altogether.

Q49 Chair: So a substantial part of the rationale is about the cost?

Peter Schofield: A substantial part of the rationale is about removing unnecessary bureaucracy and we reckon that we can reduce, just in terms of the process itself, the bureaucracy. This is not about the standards, but the bureaucracy itself. The impact assessment talks about £28 million of annual process cost to the industry that could be removed by introducing a more streamlined approach, but allowing the local variability where it is justified, where the working groups identified a local need.

Q50 Chair: There is a difference, isn't there, between the cost of the bureaucracy in being compliant with the Code for Sustainable Homes as opposed to the extra costs in the design, the building, the construction, and a part of that is the long-term savings that would come further down the line as a result of that long-term investment? How have you taken that into account? Also, how have you taken into account the dispute there is among some local authorities that the assumptions you have made for costings is outdated?

Bob Ledsome: Can I comment on that? The impact assessment that was published was based on work undertaken for us by EC Harris, which is a very well known, well established engineering consultancy, who used the data they had available to them from working on building projects as well as—

Q51 Chair: Is that up-to-date?

Bob Ledsome: This impact assessment work was done over the last few months, during the course of this year. We were using information brought forward by a well respected engineering consultancy using the data they had available to them from their experience of building projects as well as testing that data through various discussions with industry groups.

That is the basis for the costs that are in the impact assessment as published. I think the reference, which some of the earlier panellists were talking about in terms of whether some of those costs were correct or not, rests on some very recent work that was undertaken by Element Energy and Davis Langdon, which was looking at a previous study those companies undertook for the DCLG in 2011 and updating that. We have not had a chance to look at that report in detail. We will be looking at that report in detail and we have asked, as part of the consultation, for further evidence on costs to inform the final impact assessment.

One of the points that has come from that, in looking at that report, is some of the costs in that report are not that far out for some code levels from the costs that are quoted in our impact assessment. There are some differences but they may not be quite as significant, looking at the impact assessment costs. That is one comment. Also, where there are differences, we would want to look at the assumptions that were used in that report, particularly around the costs for solar PV, which I think is an important element of the cost base, but also, as well as the costs of PV, the actual amount of solar PV that might be utilised on a dwelling to achieve, in particular, code level 5, where perhaps some of those assumptions were pushing at the bounds of what might be regarded as reasonable in terms of building standards.

We will be looking at that document. We have invited comments on the impact assessment. There are a number of detailed questions in the consultation paper asking for further evidence, and all of that will be assimilated and looked at as we go through the next phase of updating our impact assessment.

Q52 Peter Aldous: If you turn to the Housing Standards Review, would you agree this prejudices Lord Taylor's review of planning guidance?

Peter Schofield: No, I would not at all. We have been running these two very much in parallel. Both are out for consultation in exactly the same time and we will be looking to

bring together the different consultation responses in terms of how we conclude. What I would also add is I think there is a great opportunity in terms—

Q53 Peter Aldous: Did you deliberately set them to run at the same time?

Peter Schofield: Yes, they have been running very much at the same time. The final point I was going to add, Mr Aldous, was that when we come to finalise both, what we have introduced on the planning portal website is an innovative new way to describe our policy framework and our regulatory framework alongside each other. It is already up and running in terms of the National Planning Policy Framework and the new suite of planning guidance. The ideal would be then to add the new standards regime on to that so that anyone building can, from the website, go all the way through and see how they all fit together, and get in one place the full suite of guidance and regulation that you need in building a house.

Q54 Peter Aldous: Is there any reason why the Housing Standards Review consultation paper does not include a specific question on the Code for Sustainable Homes?

Peter Schofield: I go back to the process we have been through throughout this. We started with Sir John Harman's review, which concluded that addressing the myriad of standards was something that Government should deal with. We then had the Red Tape Challenge where again the consensus coming through was that this is something that we should look at. The way I would describe it is the standards review was a response to that. It is, therefore, inevitable we would look at the future of the code alongside the future of all the other codes and standards that are out there. It is very much consistent with the thrust of travel we are taking.

Q55 Peter Aldous: Do you believe that the consultation paper reflects the full range of opinions expressed in the Housing Standards Review and all available alternatives on how housing can be constructed sustainably?

Peter Schofield: Yes. There are a huge number of interested parties, including those groups that have been setting their own codes and receiving revenue from policing compliance against them. It was always going to be difficult to achieve full consensus, but I think where we have ended up is with a set of proposals that broadly brings the majority of interested parties along with us. We are now up to consultation and we will see what the responses are.

Q56 Peter Aldous: If we move on to localism and standard setting, looking at the Government's proposals in the Housing Standards Review, how will you ensure that a national set of standards is sufficiently flexible so that it is capable of application in a diverse range of settings in different parts of the country?

Peter Schofield: That is something we have spent a lot of time thinking about. I guess the question is what are the types of standards where it would make sense to have a different range of standards in different parts of the country?

For example, as the consultation document says, there is no particular logic for why a wheelchair standard in one part of the country should be different from a wheelchair standard in another part of the country, but on the other hand there will be reasons why

you might want to apply a higher water standard in an area of water scarcity than in other parts of the country. Likewise, in terms of security, there may be reasons why a locality should have higher security requirements.

We have been through a process, bringing the main interested parties along with us, and we have identified a number of areas, which are set out in the consultation document, where the ability to offer a higher standard seemed justifiable. Then we have thought about where we should set that standard. Set out in the consultation document is the rationale behind the different aspects where we might have a higher standard and what level we might set that higher standard. We are out to consultation and we are interested as to whether or not we have that right.

Q57 Peter Aldous: Do you think local authorities are currently applying the Code for Sustainable Homes effectively?

Peter Schofield: I think different local authorities are applying these codes in different ways. The interesting thing here is—and it is not just the code, I really want to emphasise that point to the Committee, it is the full 1,500 pages of guidance—they were all created by different parties who do not necessarily talk to each other about, “Well, does this code here dovetail with this code over here?” I think if you were a local authority, you might decide that you want to draw down on a wide range of codes that have not necessarily been designed to be applied alongside each other.

Q58 Peter Aldous: Obviously, there are differences across local authorities. Are you unhappy with the way some local authorities have been applying the code?

Peter Schofield: I think what we want to do is come up with something clear and straightforward for local authorities to apply, so we have standards that we know dovetail with each other. I do not want to draw—

Q59 Peter Aldous: So you do have worries about the way it is being applied at the moment by some local authorities?

Peter Schofield: What is driving this has been the responses we had to the Harman review and the Red Tape Challenge, which have identified concerns from a wide range of parties about how these codes interact and how they are applied.

Q60 Peter Aldous: Do you have any feedback that local authorities, in some cases, may deliberately be using the requirement to comply with the code to discourage development in some areas? Are there any signs of that, any evidence?

Peter Schofield: I would not necessarily want to draw attention to particular local authorities. I would say that some of the code standards add a considerable amount to the cost of a new home and we are looking at whether there are ways of addressing that through our standards in order to streamline the process.

Q61 Peter Aldous: Some authorities might have said, “We don’t want homes in this area so we will apply the code and it won’t happen”. Has there been evidence of that?

Peter Schofield: I haven’t talked to a local authority who has said that to me, no.

Q62 Peter Aldous: They are not going to say it, but you have your suspicions?

Peter Schofield: Our feeling is that the whole way in which this process is working is adding unnecessary cost to the building of new homes. What we are trying to do here is to bring sustainable high quality homes through more easily in the process, and we think that streamlining in the way that we have set out is the best way to do that.

Q63 Peter Aldous: Paragraph 31 of the consultation paper refers to a needs test where local authorities will have to demonstrate that it is “strictly necessary and justifiable” to apply some elements of your proposed set of rationalised standards. Why don’t you think the local authorities can be trusted to deliver sustainable development?

Peter Schofield: I will read the rest of the paragraph: “and not a default to adopting them all because they are seen as nice to have”. I think the key point here is that we don’t just want a set of standards that are nice to have and the need for them isn’t set out by the evidence. Our whole approach to plan making that is set out through the National Planning Policy Framework is a needs-based process.

The whole point of this is to encourage local authorities, both in terms of standards but also in terms of all other aspects of planning, including how many homes to make land available for, to be based on evidence and need, and that is what that is saying. It is not just about the default of applying these willy-nilly because they are nice to have. It is about having the evidence.

Bob Ledsome: If I may add to that point, you talked about the Taylor review guidance and the new planning guidance that has been issued, and there is guidance on undertaking this sort of housing needs assessment that is published as part of that suite. That sets out the sorts of things that is good practice for local authorities to take forward, both in considering the volume of new housing that they may bring forward and whether there are special groups, older people, groups with special needs that may need specific types of housing within their area.

Q64 Peter Aldous: If your proposals are taken forward, is there any concern that some local authorities might have to start redrafting their local plans all over again?

Peter Schofield: If you have the document in front of you, turn over to paragraph 44, which is on page 15, where we basically set out our proposals but these are proposals. In terms of the transition, we are keen to hear back from interested parties. We want to encourage local authorities to update their plans. There are quick, streamlined processes where there are just one or two policies that need to be updated to do that really quickly and not have a long-drawn-out process.

Our view is the standards should be considered as a material consideration, both for the examination of plans and the way in which individual applications for development are considered. We are open to hearing from interested parties and we will come up with our final conclusions at the end of the consultation for the precise arrangements for the transition.

Chair: Dr Offord, did you wish to come back at all in respect of paragraph 31?

Dr Offord: I think all the questions have been put.

Chair: I will turn to Caroline Nokes.

Q65 Caroline Nokes: I know that my colleague, Mr Carmichael, has gone but I am going back to the questions he was asking about the various options that have been set out in the consultation paper. Specifically, why does the Government favour option B?

Peter Schofield: Our views are set out there just above that in that bit of the consultation. Quite a number of respondents in the process have said they wanted the certainty and clarity of having these standards in building regulations. Over time, that is something that we would want to do. The great advantage of building regulations is that they are outcome focused. They are not prescriptive in the way I would argue that aspects of the Code are prescriptive. I would therefore argue that building regulations is a great way of encouraging innovation because if you can find a different way, a new way of achieving the same outcome then that is perfectly acceptable and indeed something that would be encouraged by the way the systems works.

The practicability of moving directly to including all of this in building regulations means it would take time to do that. In particular, there are certain aspects of the standards that we think should have a degree of local variability and allowing that to happen through building regulations is not straightforward. Subject to views coming back on exactly that question in the consultation, we will work on that. We will come up with proposals, but in the meantime, the Government's proposal is to go with option B, a nationally described set of standards, for now with the view to including this in building regulations in the future.

Q66 Caroline Nokes: We heard from the previous panel that there were a range of answers to the question as to which option they preferred. Did the Government, at any point, consider the possibility of making CSH compliance a mandatory requirement across the board rather than going to all of this trouble of introducing a whole new scheme?

Peter Schofield: We basically looked at the code requirements alongside all the other standards I described earlier. We went through this in a thorough way. I don't think we would have wanted to bypass the methodical approach that we went through. I think it was important to go through that process. What emerged from that is there are some elements of the code we would say are overtaken—energy efficiency, for example. In 2007, building regulations requirements on energy efficiency were very different from where they are now. We have Part L where the standards were increased in 2010, we have announced that they are going to be increased again with it coming into force next year, and then we will have the zero carbon homes standard from 2016.

Given what is going on in building regulations, we would argue that those aspects of the code were overtaken. I think it did make sense to go through this in a thorough and methodical way to come up with if you have it in building regulations, you do not need to have it in a code and to have a code as streamlined and as clear as possible for developers.

Q67 Caroline Nokes: The Housing Standards Review consultation paper states, "Where there are significant issues for carrying forward, these have been reflected in the consultation proposals. In the light of that and the outcome of this consultation, the Government proposes to wind down the role of the code". I think we can all get from that that

the Government is going to wind down the code, but it would be really helpful if you could provide a clearer explanation of what exactly you mean by the rest of it.

Peter Schofield: This comes into the whole question about the transition and how do we move from where we are now to where we want to be. Elsewhere in the consultation document, we have asked questions about exactly how we should do that and how quickly we should do that. Unless Bob wants to respond on the detail, I think we are quite keen to hear from stakeholders in terms of the best way of doing that. We want to move quickly to a streamlined set of processes but whether the right way to do that is to do it very quickly with a quick cliff edge or whether the right thing to do is a gradual tapering is something we are keen to hear from a wide range of partners.

Bob Ledsome: It is also worth pointing out that the environment in which these standards are operating is changing very rapidly. As Mr Schofield has mentioned, the building regulations have, in effect, now caught up with the code.

The majority of code homes that have been built have been built to code level 3 and that is the 2010 building regulation standard on energy, so the building regulations have caught up with the code. It is not just our national regulations that have been developed over time and that have set a different framework for something like the code. There is a lot of European legislation, which is relevant, which has been developed and when we bring forward our national regulations and standards we have to ensure that they are compliant with relevant European standards.

We need to look at all of the elements within the code and see how they fit both within our national regulation but also within European regulation. Other aspects of the code also will be reflected in planning policy and planning guidance. The planning guidance that has recently been published captures some of those elements within new planning guidance.

There is a lot of movement, there is a lot of fluidity in this whole landscape, so the fact that we may be saying the code, as it has been established and as it has operated over the last six years, may have fulfilled its purpose and we need to move to a new approach, doesn't mean to say that the issues that the code addresses are being ignored or forgotten about. They are being picked up in other ways.

Q68 Caroline Nokes: Are bits of the code simply going to be transposed into the new regime?

Bob Ledsome: Take energy, for example. The requirements of code level 3 are now in the building regulations that were brought forward in 2010. The requirements for code level 5 will be in the zero carbon standard that will be introduced from 2016. This is just an example. The approach in the national standards set on water proposes a baseline level that is the current building regulation and it proposes a higher level that is the equivalent of code level 3. You can see we are drawing on elements of the code and proposing they are explicitly brought forward into the new standards set.

Q69 Chair: Going back to this issue about the costings, do you feel the basis on which you raise your assumptions about what the cost of the code was really would stand up to scrutiny?

Bob Ledsome: We invited views in the consultation about costs and evidence. As I say, we commissioned consultants to use the data they have available, talk to the industry and bring forward an analysis that we have used for the impact assessment. Through the steering group process, we did invite those members of the steering group, which included the code owners, to bring forward their own data as well to inform that. There were mixed responses on that. But we are very welcoming of further evidence that can be brought forward to inform those costings. It is not in our interests to—

Q70 Chair: How much did you take into account that things change and what is new and innovative is costly and then two years on it is much cheaper? Two years on, attaining level 5 is much easier than attaining level 3. How does your assessment fit into that?

Bob Ledsome: What we would normally do, particularly for new technologies that are just coming to market, is make an assumption in our impact assessment, using what we call a learning rate. That is an assumption that over time, as you get economies of scale, as the supply chain starts to achieve efficiencies in the production of these new technologies, those costs will come down. There is a learning rate assumption built into our costs. People may argue that those learning rates may be too conservative. On the other hand, we have people arguing that our assumptions on learning rates are too optimistic. We get it from both sides, so we do try to build something into our analysis that reflects what you would expect, which is that costs would reduce over time.

Q71 Chair: This is a cross-cutting Committee, so we are equally interested in what is going on by way of regulation at BIS. I was at an event yesterday where the brick industry, which is obviously concerned about sustainable construction, was addressing this very carefully. How have the wider environmental costs of this been included in your cost appraisal?

Bob Ledsome: We have invited views specifically in the consultation for evidence about environmental impact so we can inform the final impact assessment process. Where they can be quantified, we would—

Q72 Chair: I think it would be very interesting for this Committee to have those responses in terms of how that has been assessed, if that were possible.

Bob Ledsome: Sure.

Q73 Chair: Can I also ask whether or not there has been any input from the National Audit Office in terms of the cost?

Bob Ledsome: No.

Q74 Chair: No input from the NAO?

Bob Ledsome: No.

Q75 Chair: How does that square with the Government's commitment with the Cabinet Office to look at the whole sustainable development agenda in this cross-cutting way in terms of how you have carried out this consultation?

Bob Ledsome: The impacts we are talking about here are impacts on business.

Q76 Chair: I wouldn't like to speak for my colleague Ms Nokes, but certainly in my constituency—and I suspect possibly in hers as well—those constructing in bricks are looking to the long term to make bricks, and the whole process and the supply chain that goes into that, consistent with only the highest standard. How that does square with your construction design standards?

Bob Ledsome: For specific materials and products, one can see that elements of the industry want to develop new products that they can demonstrate will meet sustainability goals, which they can then sell into the market. Earlier I mentioned work that is happening across Europe on construction products. There is a new construction products regime that has just come into force in the last few months, which covers construction products, and there is a lot of work happening at the European standards level as well. So you can see it would be in the industry's interests that they need to be developing their own standards to make sure they are compliant with the new construction products requirements.

Q77 Chair: Sure, but my point is that the lead-in time to new innovative products, whether it is brick, sanitary ware or whatever it is, is a long way down the line. How can there be that certainty within business when there is uncertainty about what the local requirements might be?

Peter Schofield: As Bob has set out, the framework within which building materials manufacturers are working is something that is set at a European level and I think there is certainty and clarity about how that will be developed. The great advantage of moving more broadly to a nationally described set of standards is you do get that certainty for all key players, whether they are developers or in the supply chain, as to what the standards are going to be all across the country.

I would argue that where we are going to come out of all of this is with a much greater clarity and certainty for manufacturers and suppliers across the whole construction supply chain because they will know they will not have to deal with a whole load of different codes and standards in different parts of the country. There will be that consistency and certainty and I think—

Q78 Chair: But the price may be a watering down of standards.

Peter Schofield: No. I think Bob's description of some examples of the standards is a good one. Let's remember 81% of homes that are built under the code are built at code level 3. If you take energy efficiency, the standard that we have now set out in building regulations is between code 3 and code 4 and we will raise that going forward as we introduce zero carbon homes in 2016. I don't think I would agree with you, Madam Chairman, in terms of a watering down of standards. I think what we are seeing is appropriate standards that are designed, as I said at the beginning, to enable sustainable and high quality homes to be brought in more easily.

Q79 Peter Aldous: We want to explore how the Government might manage the winding down of the CSH. If you were to introduce national standards, what would be your key considerations in managing the transition to this new scheme?

Peter Schofield: It goes back to what I was alluding to earlier, Mr Aldous, which is what we are trying to do here is balance two things. On the one hand is the obvious advantage in terms of reduced bureaucracy and certainty you get from introducing a new nationally described process as quickly as possible. On the other hand is the fact that there are developers who are building homes to code standards already, particularly in social housing.

One of the things we want to do when we analyse the responses to the consultation is to assess the extent to which winding down the code quickly could impact adversely on those developers who are introducing homes now according to the code and how that would work in practice. It is very much a key part of the consultation, something we want to hear from partners about.

Q80 Peter Aldous: Do you envisage a role for the CSH assessors workforce with regard to the new set of national standards?

Peter Schofield: I would say one of the advantages of particularly including more in building regulations is that instead of having a whole range of different assessors, assessors for each—I know the Committee is particularly interested in the Code for Sustainable Homes but, as I said at the beginning, we are talking about a large number of codes and standards, each with their own set of assessors. The great advantage is that where these are then implemented as part of building regulations, it is building control who are responsible for assessing, alongside all the other existing aspects in building regulations, as a way of streamlining the process and streamlining the assessment process and the compliance process.

My understanding is that a large number of the existing assessors work in firms where they do a variety of other things, in environmental consultancies and the like. I think there will be a role for them in all sorts of different aspects and building control, for example, may want to contract with some of them in terms of carrying out their work because as one of the—

Q81 Peter Aldous: I think we heard there are approximately 1,500 assessors.

Peter Schofield: 1,500, yes.

Peter Aldous: Do you think it is appropriate to do a little bit more research to confirm those initial feelings, the views you have outlined, that they will indeed find alternative work in the organisations they work for?

Peter Schofield: We are expecting to hear back on that as part of the consultation. I would argue this process is not a surprise. It goes back, as one of your previous witnesses described, to 2010 and this has very much been the direction of travel since then in terms of trying to streamline the existing codes. As one of your previous witnesses said, there will be a role in terms of supporting building control. It is perfectly open, and indeed many building control agencies, whether they are part of local authorities or elsewhere, do contract with third parties.

Q82 Peter Aldous: Do you envisage any support or assistance in helping those assessors who might move over to more building control work?

Peter Schofield: We don't have any current plans to intervene in that way other than to provide clarity and certainty.

Q83 Peter Aldous: If the evidence indicated that you might have a large workforce with nothing else to do and demand somewhere else in the system, would you take that into account?

Peter Schofield: We would certainly take evidence into account. Absolutely.

Chair: We have come to the end of the session. It is slightly later than we expected. Thanks to both of you for coming along this afternoon and we hope we will have a report that can influence and be part of what is being considered at the moment.