



HOUSE OF LORDS

Revised transcript of evidence taken before

The Select Committee on National Policy for the Built Environment

Inquiry on

BUILT ENVIRONMENT

Evidence Session No. 4

Heard in Public

Questions 41 - 51

THURSDAY 10 SEPTEMBER 2015

10.10 am

Witnesses: Dame Kate Barker and Toby Lloyd

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Members present

Baroness O'Cathain (Chairman)
 Baroness Andrews
 Baroness Finlay of Llandaff
 Lord Inglewood
 Earl of Lytton
 Baroness Parminter
 Baroness Rawlings
 Baroness Whitaker
 Lord Woolmer of Leeds
 Baroness Young of Old Scone

Examination of Witnesses

Dame Kate Barker, economist, author of the Barker Review of UK Housing Supply, former member of the Bank of England Monetary Policy Committee, and **Toby Lloyd**, Policy Director, Shelter

Q41 The Chairman: Good morning everybody, and welcome to this evidence session of the Select Committee on National Policy for the Built Environment. You have in front of you, Dame Kate and Mr Lloyd, a list of the interests that have been declared by members of the Committee. A transcript of the meeting will be taken and published on the Committee website. You will have the opportunity to make corrections to that transcript where necessary. Could I begin by asking each of you to briefly introduce yourselves to the Committee, please, starting with Dame Kate?

Dame Kate Barker: Thank you. I am Dame Kate Barker. I have a history of advisory work for the Government on housing policy, but it is now a very long time ago; the report was published in 2004. To declare my interests as well, I am presently a non-executive director of Taylor Wimpey and a non-executive director of the Yorkshire Building Society, so I retain a very active interest in housing policy from various sources. I want to be clear that I am not here representing either organisation; I am simply representing my own views.

The Chairman: Your own expertise. Thank you. Mr Lloyd.

Toby Lloyd: I am Toby Lloyd. I am head of policy at the housing and homelessness charity Shelter. I have been a housing policy professional for the last 12 years, working for local government, national government, private consulting and the charity sector, in a range of different roles. I am here very much representing the views of Shelter, which as you know is

the leading charity in the housing space and we have done an awful lot of work on all aspects of the housing problem in this country.

Q42 The Chairman: Thank you. I am sure your evidence will be most welcome. There is a degree of political consensus on the need for more housing, but in practice housing completions rarely meet the targets that have been set. In your view, what are the reasons for this, Dame Kate?

Dame Kate Barker: It is interesting to say that there is political consensus. I spent a bit of time ahead of the last election reading all the different manifestos to see what they said about housing supply in particular. It is certainly true that both Labour and the Liberal Democrats had targets for housebuilding in England—well, I assume it was England. In the case of Labour it was 200,000 a year, and in the case of the Lib Dems a rather ambitious 300,000 a year. The Conservatives did not in fact produce a supply target, although they have been very clear that they would like to see supply increase; they did of course have targets for things like starter homes, over the course of the Parliament.

The difficulty is that the national targets very obviously do not necessarily translate into local targets, and of course these come from local plans. I am sure we will get on to this later—the change under the coalition towards locally driven targets. When you think about the costs and benefits of housing supply, it is usual to argue, and I would argue, that the benefits are seen in some sense more at national level. If you think that building more houses helps house prices generally or the housing benefit bill, you get those benefits coming through at national level, whereas it is the people who live locally who will bear the costs of having houses built near them. Either they are concerned that it will reduce their own house prices because it is right in their view, or, if it is not right in their view, they think the roads or the schools will become more crowded or they will never get an appointment at the doctor's surgery, all of which is true to some extent. It will often bring pressure on infrastructure, and even if your infrastructure has the space to cope with it, it is nice to live with an ample infrastructure; people do not necessarily want other people moving in.

Often people will say, “We really would be prepared to see homes, but only for local people”, which is a little bizarre, since most of us are aware that many people nowadays do not live anywhere near where they were brought up. I certainly do not, and I am sure many people here do not. At the local level, the argument has often proved very difficult to make.

I recently did a very rough piece of work looking across the councils in Hertfordshire, which I just decided to take as an example; it is a county relatively near to where I live. I was trying to find out where they were on their local plans and where they seemed to be going. When you added them all up, they only added up to 75% of the most recent household projections for that area. Housing projections can be quite variable, but actually household projections are probably not enough. Because of rising incomes, you probably need to build even more than the household projections. That just shows that there is still this gap between what is happening nationally and what is happening locally.

The Chairman: How would you suggest it should be addressed?

Dame Kate Barker: I thought we might get on to that when we talk about the NPPF. How would I address it? As a whole, I like the National Planning Policy Framework—this is one of your other questions—but one of the problems with the coalition's and now the new Government's approach to policy is the fact that they have made it very locally based. Councils of course have something called the duty to co-operate, and it is clear, again from the experience of reading through some of the planning documents for Hertfordshire, that inspectors look to see if they have made an attempt to co-operate with other local authorities, but of course they are all bringing their plans along at a different pace and they have them inspected by different people. Actually getting something coherent across a wider area is quite difficult, and a local authority that does not really want to play the game or whose people do not really want to play the game—because of course councillors do respond to what their constituents think—or a council that does not want to persuade its people to take their share of the responsibility will find it easy not to co-operate with the wider picture.

One of the things I would like to see is some focus back on a sub-regional housing market level, looking across the area, not just because I think it would help supply but because it would help with the infrastructure and even the environmental questions. A local authority is not necessarily the right spatial level at which to think about questions such as biodiversity or water supply; they will very often run a little wider. This is pretty difficult, because we have local authorities being very much encouraged by central government to produce their plans quickly now. If you are going to specify something slightly different and sub-regional, it would be quite awkward to add it on but it would not be impossible to add it on as an adjunct and, specifically when inspectors look at soundness, to try to give more force to that,

so that you could be sure that you were getting something across a housing market area that made more sense. It does go on to some extent. I am not suggesting that it does not go on at all, but not sufficiently.

The Chairman: I will just ask the final piece of this. Do you really think that at a sub-regional level you would get enough support for new housing that would meet up with the overall national plan for housing? The BANANA factor, as we have been told, is to not build anything anywhere at any time.

Dame Kate Barker: Getting local support remains terribly difficult. I am saying that I understand why it was felt that the downward pressure, which the Labour Party had introduced with the regional structures, should be stripped away. What we have now is still pressure from the centre, but it is coming through the planning system and the Planning Inspectorate in a way that in some sense I find less democratic and less efficient, because of the divergence of views between different inspectors. It's not clear that my proposal would solve the problem, but it would help to get housing built in the right place, because local by local does not do it.

Alongside that, you might have to consider financial questions. Everybody says that the new homes bonus has not been effective, but at the margin it has made councils more prepared to think about housing. Personally, I would be prepared to go further. Planners do not like you saying that you should compensate people for losing their views, because they say, "You do not buy the view, you just buy the house and you understand that the view may or may not stay". I would be sympathetic about saying to people, "You have lost this view. Maybe you should have some compensation".

The Chairman: Surely that comes in the pricing mechanism. If you put up an estate of 800 houses or something and some had really lovely views, the same houses in a different part of the estate would sell for less anyway, I would have thought.

Dame Kate Barker: The point is that if you are on the edge of that estate and have the lovely view, and then another estate is built just beyond you and your lovely view goes, that does have an effect on your price.

Q43 The Chairman: The evidence we have had so far is that we have to consult locally, because too much goes on without proper consultation. Mr Lloyd, what do you think on this particular one?

Toby Lloyd: While I would not disagree with anything Kate has said, I do think there is more to it than just the planning system. The failure to build enough homes in this country, I would contend, is not fundamentally a failure of planning, although planning is clearly an important part of that process. It is a fundamental failure of the entire housing supply system, which includes private sector actors, landowners, developers and, as we have touched on, individual homeowners, just as much as it does public policy and public bodies. Even the obvious point that has been raised about planning permissions is not really the be all and end all. In fact, there is plenty of evidence that planning permissions have been going up very fast and housebuilding has not. There is actually very little direct evidence and connection between the number of homes that get built and the number of planning permissions that are secured. It is always very easy to beat up the planners and say that it is their fault: if there is a failure—there is clearly a market failure; as you said, there is a consensus that we are not building enough homes—it must be the dead hand of the state getting in the way, surely. If not, the market would work perfectly and everything would flow. We would build more homes and prices would come down.

Clearly there is more to it than the planning system obstructing supply. In fact, the market has a very clear vested interest in not oversupplying homes, because developers quite rationally have no interest in building so many homes that prices are lowered. Therefore, it makes absolute market-logic sense to constrain housing supply to maintain maximum sales prices. That is how you maximise the value of your land assets. What this comes down to, therefore, is why it is that this market allows that sort of perfectly rational market behaviour to occur. You cannot do that in other markets. You do not increase your profits as a mobile phone manufacturer by producing fewer phones so the price goes up, because someone else will come in and sell into that market. The key point is that of course housing relies on land and land is in fixed supply.

It is often said that land is only scarce because of the planning system. That is the wrong way round. In fact, we have a planning system because land is inherently scarce. That is why even the most liberal free market economies in the world all have some sort of land use planning system, because it is a fundamental fact of life that land does not operate as other factors of production, because it is in fixed supply. Therefore, the relationship between the market and the planning system is merely one factor in the way in which developers behave

in the market so, if we are looking for why we do not build enough homes, we also have to look at developer behaviour. That is my first point.

The Chairman: There is another question in this session that will look at yet another issue.

Toby Lloyd: There is a real risk, though, of going round and round in circles over planning systems and planning targets. We can all argue about angels on the head of the pin and whether the targets should be X or X+10. We are not building half the homes we need. Targets are almost irrelevant in this context.

Q44 Earl of Lytton: This is probably for both of you. As you probably know, I am a chartered surveyor, so I know something about the issues, but when we are dealing with planning and new homes, even on the best shots the numbers that we are producing are a tiny percentage of the housing stock and it is the generality of the housing stock that makes up the market. Am I right in thinking that it is not realistic to look at just the annual input into that as a means for the 1% to control the other 99% of the market?

I ask that question because, it seems to me, there are not very many constituent bodies or groups out there that have any interest in lower prices other than the first-time buyer trying to get their foot on the ladder. How do we try to square that, given what this Committee is looking at, which is the built environment as a wider construct, in this context of planning and affordable new house or whatever type of new house development?

Dame Kate Barker: I just want to respond to something that the Chairman said. When I talk about going to a sub-regional level, it does not mean that I do not think you should consult local communities. You have to consult local communities. The difficulty is working out ways to deal with the in-built bias of local communities, particularly in the south-east, not to want very many homes.

My other point about sub-regional is in some cases that I am sympathetic to local communities, because their local communities may not be the best place to build and it may be a neighbouring council. We need to have a mechanism to overcome that. I absolutely think both that you need to consult local communities about the numbers and, indeed, that developers need to work with communities in the way that is described. I do not have any problem with that.

To answer your question, it is absolutely true that focusing on the rate of new supply will only resolve very slowly the problems that we have in the housing market. This is a general problem with the housing market: that policy changes produce their benefits after several

years. It is very difficult for politicians, because when they make the policy change there is a great fuss and the benefits accrue down the line to subsequent politicians who have not had to put up with the fuss. That of course is a problem in many areas of policy.

You say that it is just first-time buyers who have a problem, but—and I am sure Toby is going to say this as well—it is not just first-time buyers. The people who really have a problem today are the people in private renting, who are now 20% of housing. Sorry, it is not 20% now, but it has gone up an awful lot. It is probably on its way to 20%. That is a lot of people. Eurostat publishes some figures on housing stress: people who pay more than a certain proportion of their income in housing. The proportion of people in private renting are the ones who are struggling.

In some sense you are quite right: once, as a first-time buyer, you have your foot on the ladder, unless you lose your job or have some financial crisis, particularly given the affordability criteria that are used nowadays, your house is pretty affordable. If you are in private renting and the rents go up and up, you may never be in a position where you are able to deal easily with your cost of housing. I think it is really important not to have the debate just about first-time buyers, but to have it about everybody in housing.

Toby Lloyd: On the point about the constituencies for increased supply, there is a very strong perception in this country that a large majority, or at least a very powerful bloc, are absolutely wedded to ever-rising house prices and will oppose any housebuilding. Actually, the evidence does not bear that up so much. It is the experience of people at planning committees: we get 20 people who all object, but that is a tiny minority. Actually, if you look at the British Social Attitudes survey, which has been asking the same question about nimbyism and attitudes to building in your local area, nimbyism and BANANA-ism—build absolutely nothing anywhere near anybody—have been declining dramatically in recent years. In fact, in the last five years alone, the percentage has completely flipped round from people saying, “I would support more housebuilding in my area”, to those saying, “I would not”, so it has changed dramatically.

In terms of who can actually speak up for it, the problem is that it is very vocal minorities who oppose. The people whom we represent—those in private renting who are stuck spending more than 50% of their income to secure a grotty and insecure home to raise their children in, or, even worse, those who are actively homeless and have literally nowhere to

call their own—are the people who have a vested interest in more homes being provided, but their voices are never heard in planning debates or policy discussions.

The Chairman: If you have that information, a statistic or an article about how it has changed, that would be very useful. Certainly I have it in my mind that it is all a problem of nimbyism.

Dame Kate Barker: I may be unduly influenced by the fact that I live in a village where virtually every house has a notice in the window opposing greenfield development.

Toby Lloyd: To give you one story to counteract that, at Shelter we developed a toolkit called Shelter Housing Insights for Communities, which enables people, anybody—developers, planners—to look at different areas by postcode and identify which places and groups of people are likely to support development. The first time we tried this, just to help identify who might support a development, was for a greenbelt, greenfield affordable housing development. The planning committee, as a result of our action, got 60 spontaneous letters of support for the development. They said they had never seen anything like it, because they are only ever used to getting angry, screaming objections. It is because no one ever asks the people who do want more homes to be built and they do not go out of their way to tell planners that.

Baroness Young of Old Scone: I just wanted to follow up the point that was made about land being a finite resource. There are some who say that the land issue is the primary problem. I think you are right that it is a multi-faceted multi-organisation issue that we are talking about. From both of you, I would be interested in your perspective on how much land is currently being sat on by developers or local authorities and, indeed, how much of the current brownfield land is still undeveloped.

The Chairman: If you could give us those figures if you have them, they would be very useful. I am not trying to hassle you, but we do have a lot of questions to ask and it is always a problem: we get stuck on one.

Toby Lloyd: I can answer that very quickly. Yes, land is the central question, but it is not a simple matter of just an absolute shortage of land. There is plenty of land in England. It is sitting in developers' land banks, quite sensibly. It is sitting in local authorities. Most of it is sitting just in agricultural use, to be honest. The issue is about how we organise its supply and the prices at which it is supplied for development. It is not about the ultimate quantum. We use more land for golf courses than homes in this country.

Dame Kate Barker: This question about the figures is very difficult, but in some sense I am not sure how helpful it is to know. There is a lot of brownfield land around, and much more work is being done by the Homes and Communities Agency, which I hope you will see, and by government in building up a central land bank. I happen to come from Stoke-on-Trent, which is full of brownfield land, but frankly the world is not full of people who are burning to go and live there. That is another difficulty: do we want to try to persuade people to live somewhere else? This is something else that we do not explore properly.

I have been encouraged very recently by one thing, however. Toby has talked about local authorities. This is not just local authorities. When we talk about landowners, we often think about fat cat farmers or whatever. Actually, the public sector, as we all know, is a massive landowner in many local authorities. I am encouraged that the Government are really starting to put pressure on to get public land developed and to develop it in a more imaginative way, so that the public realm will get more back for it. That is a very positive strand to what is going on at the moment.

The Chairman: Thank you for giving us that steer.

Q45 Baroness Andrews: Kate, if I may, I have to declare an interest, having been in the department when you produced your report. I wanted to take you back a little. In order to make a proper diagnosis of what we can address, what things we can change as opposed to things that are really difficult to change, I want to ask you about your report in 2006 and whether, if you had to revisit it now, if the Government had commissioned that sort of report today, your analysis would be very different. We have heard a lot already about the obstacles to development and the problems with consensus, and so on. We had a chance, in that particular Government, to take a big strategic look at housing for the first time. It was the first analysis of its kind, with big targets. I just wonder, if we revisited it, whether it would be different. Apart from what you have said already, what do you think were the crucial problems that we had as a Government in implementing it, and would that be the same for any Government?

Dame Kate Barker: Since the Chairman has encouraged me to be brief, I will attempt to be so. I produced the housing report in 2004. The 2006 report was about planning more generally. That was just for clarification.

The first thing is that when I wrote the report, and in some sense other people kindly said this on my behalf, I was slightly frustrated by the fact that I was only able to write about

things that really affect supply. Mostly it was about planning and I did not have much ability to talk about the tax system, which is also relevant, or indeed about the mortgage market, partly because there was a simultaneous report on long-term mortgages being conducted by David Miles. If I were to write the report again today, and if I were to leave you with any thought at all today, it would be the one I really think about a lot: the failure of government to be coherent across itself in its approach to housing. You see this in many places, and because of looking at only part of it, I was guilty of partialness. I was appalled on realising how complex the housing supply problem was. I would never have agreed to write that report if I had known the issues.

Actually, some of the things raised in the 2004 report are better now. At the time, PPG3 had recently been introduced, which I thought was unnecessarily prescriptive for local authorities and was very focused on high density, not much parking and no building in villages. I thought that was very constraining. The move to the NPPF is a big improvement. One of the reasons why supply is so low today is not because of failings in the report or, indeed, the Government's response to it. It is actually because of the long tail of the financial crisis, which we struggle with everywhere, the loss of all the small builders and the changes in the mortgage market. As the housing market is rather slow moving, we have not yet fully adjusted to these, and indeed there is the slow response from government in getting public land out.

If I were to do it again today, I would say many of the same things. Some of the things are better. The ability to deal with planning conditions has improved post my review, as a result of the work of Adrian Penfold on administrative problems in the system. All that has got better. The NPPF's focus on growth and encouragement of developers to do better local consultation, not this endless "We hate you", is all very good. The planning side has got quite a lot better since I wrote the report.

I have talked about the fact that there are still some problems on the planning side, but I would be much more concerned today about something that I was bothered about at the time, which is already coming out in this session, and that is really good communication. I like Toby's example that you can find places that are prepared to accept development, but actually local authorities are not prepared very often to try to put the arguments to people about what they are trying to do and why. They very readily say, "Well, central government wants to do this". The Government then feel, "We will localise everything and it will all go

away”, but the problems have not gone away. We have to try to get local government motivated to work with central government in putting this problem forward, which I do not think has really changed since I wrote the report.

The Chairman: Is it a case of passing the buck?

Dame Kate Barker: Yes.

Q46 Baroness Parminter: You have both touched on the issue of the NPPF in your responses to the first question. Could I invite you to say in a bit more detail, particularly you, Toby, about what you think works well and what does not work well? Dame Kate, could you say a little more about this idea that you have expressed about being able to add sub-regional planning to the end of the process, which is an interesting idea but I am struggling to understand how it could actually work?

Toby Lloyd: With an eye on time, I will try to be brief. The best thing that can be said about the NPPF is that it is there and that upheaval and more fundamental reform are probably very unhelpful, because it takes the industry an awfully long time to adapt and these are slow-moving systems. We are absolutely not calling for massive upheaval in the planning system. Where it fails is to really follow through on the logic of a plan-led system. The point of a plan-led system is to exert democratic control in determining what development will happen.

Unfortunately, the NPPF repeats the mistake of the entire post-war planning settlement, which is that it is reactive. Ultimately, it sets vague policies and then waits for proactive developers to come forward with proposals, to which the democratic response is “maybe” or often “no”. It is entirely reactive and passive, whereas a planning system ought to be determining what development needs to happen and will happen. Therefore, it can write the land values. Therefore, it can capture the value that is needed to support infrastructure, provide affordable housing and to allow for quality development that people actually want.

Unfortunately in this country, we get the democratic involvement in planning at the wrong point in the process. It comes right at the end, when all the values have been baked into trading, the land market and so forth, so that there is very little real room for manoeuvre. At that point, we offer people the illusion of choice, but they do not really have it. What you end up with is a simple yes/no, and the answer is often no. Really, the place for democratic involvement is at the plan-making stage, which should then determine what is actually economically viable, not the other way around.

The Chairman: That is very interesting. That is actually looking for the real way that it would work, but how would you set about it? If you were in charge of all this, how would you set about doing that—i.e. consulting first and then getting the views of people—instead of imposing on them and then sweeping up afterwards?

Toby Lloyd: The late great Sir Peter Hall used to say that everyone extols the Dutch planning system, and I am one of these people who extol the Dutch planning system, but it is exactly the same as the British one. The difference is that they take it seriously; they do it properly. It is not about the system; it is the way we use it. If you look at most local plans, they do not exist, are massively out of date or are just woefully vague. They do not actually say anything about most of the area. Most of the time, it just relies on developers to come forward with proposals, which the local authority then judges against fairly poorly defined criteria. A local plan or a neighbourhood plan, if that is the way it is going—and either is fine by me—needs to have a strong proactive vision for the whole area that it covers, and that can involve huge amounts of not just consultation but active participation of local people.

Baroness Andrews: I entirely agree with you, Toby. Is not part of the problem actually that most local plans deal with things as they are? At the very most, you are looking at a bit of urban extension or a bit of translation of local infill. There is not the massive opportunity for the big design, the big greenfield site or whatever it is, so somehow we have to feed possibilities into the culture of training and education.

Would you agree that in infrastructure planning we did try in the 2008 Act to introduce the notion of local democratic accountability earlier in the process, so that people were part of the argument and part of the formation, rather than just reaction at the end? That was not very successful at all, because there are all sorts of democratic tensions between the people who get a benefit and the people who cannot see a benefit. Although we do not want to reform the planning system again, we are looking at what effective change would be, which is likely to have the greatest impact.

Toby Lloyd: At this point, I would say that it is insisting that local authorities come up with proper, comprehensive plans as soon as possible and that those are given sufficient teeth, so that, rather than being seen as something that is there to be fought and argued over, they are the strong planning documents that write the land value. If your local policy says, “Fifty per cent affordable housing”, that is what it means, because then the market adjusts, the

prices adjust accordingly, and development is viable. As soon as you accept that, “We will flex on that”, you have dug yourself a hole, a viability, which you will never get out of.

Baroness Andrews: Is that not a case for national planning?

Toby Lloyd: No, it can be done at a local level, too. It does not really matter which level it is done at as long as it is strong and clear. Where it does matter is when you are talking about very large developments, where you need a national steer, but the principles are exactly the same, whether it is at neighbourhood or national level.

Dame Kate Barker: I will try to be brief. You have embarked on something where I do not quite agree with Toby. I do not disagree, by the way, that the planning system simply does not work now because local plans are not very good. The habit of waiting for people to bring land to you, rather than saying, “Actually, we would quite like this land to be developed”, is a difficult one. Of course, you cannot force a landowner today to sell a piece of land if they do not want to. You can say, “We think this is a great place for development and we want 50% affordable housing. Therefore, the price is lower than it was 10 years ago”, and the landowner says, “I think I will just wait for this council to go away”.

That is a big problem. I do not say this happily, but trying to think about how you persuade landowners that you have changed the land market so they are not going to be able to make huge sums of money from selling for housing is fundamentally one of the problems, and I do want to distinguish here between landowners and developers, because it is often landowners, including the public sector, who are very keen to get these large sums of money.

On the sub-regional, I am completely with Baroness Andrews about not wanting to tear up the system. You are quite right. You and Toby are both saying the same thing: you want to identify quite big places where you might do a new town or a big urban extension. That will be easier if it is seen at a larger area than a local authority. It is about trying to work with a group of authorities, making the duty to co-operate have more teeth, so that in the plans the consultation between local authorities is much more real. It is getting the Planning Inspectorate to approach it with a more consistent view, so that if you have two planning inspectors looking in the same area, they do not take different views of where would be a good place to build in that area, because that is not going to give you a sensible and comprehensive plan. In that sense, I want to reintroduce it. From the environmental point

of view, environmental issues do not sit in local authorities; they sit much more widely, and it is genuinely harder to address that.

Q47 Lord Inglewood: I had better declare an interest as a landowner. To some extent, Kate Barker replied to some of the points I was going to put to Toby Lloyd. It seems to me that you are not right in describing the planning system quite in the way you did, because there is a residual CPO power in local authorities to promote schemes. It is not merely its use, but actually its existence that acts as a kind of catalyst towards bringing things forward. I do not disagree with you that there are many instances where, either for reasons of greed or perhaps sometimes reasons of sentiment—for example, wind farms—landowners decide not to do something. I do not think that the analysis you have given is necessarily completely balanced.

Toby Lloyd: I make no apologies for the fact that, as a representative of Shelter, our interest is in ensuring that the nation is adequately housed primarily, rather than that the sentiments of landowners are satisfied. I appreciate that there is often a tension there, and I declare my interests as to which side of that tension I sit on.

Lord Inglewood: I entirely accept that you are an advocate for Shelter, but if you are describing the planning system, which is what we are interested in here—I am not trying to argue the interests of landowners—we have to see a picture that is as closely in agreement with the reality of the arrangements that are in place as we can. Then we can politically, quite properly, argue on the barricades, either the same one or different ones.

Toby Lloyd: Where I would agree with both you and Kate is that the planning system alone is only one part of it. The zoning approach that I have outlined is only one element. You also then need the mechanisms for making sure that it happens, including compulsory purchase, which is a vital tool within the operation of the land market, the planning system and the development industry as a whole, which has fallen into terrible disuse, effectively because of a series of case law, which has meant that it only really works now to overcome very egregious blockages. It does not work to give that zoning approach to planning teeth.

In other words, it does not serve to communicate to landowners that the price you will get is that which reflects the local plan, including all the infrastructure, affordable housing and environmental requirements that that plan specifies. You need compulsory purchase to act exactly as you say—as that last-resort incentive to encourage landowners to participate

positively. If it is there, you never have to use it, because then you can strike reasonable deals, based on reasonable land values that reflect the requirements of the local community.

Lord Inglewood: I entirely agree with your general approach, but is there not a problem with things like the European Convention on Human Rights if you approach compulsory purchase on the basis that you will not compensate people fully for the market value of the asset?

Toby Lloyd: No, there is not. The European Convention on Human Rights is very clear on this point. After all, it is European and its methods are used all over Europe far more effectively than they are here. As long as there is a clear planning policy that says, "This is what the community requires", it is perfectly acceptable to human rights.

Lord Inglewood: You still have to pay full market value.

Toby Lloyd: The market value will be determined by what the planning policy says.

Lord Inglewood: That is right, but there is an argument that we have seen canvassed, and again I am not trying to argue one way or the other—I am trying to stand back—that says that in certain circumstances the public sector should be entitled to acquire the underlying asset, i.e. the land, at less than its market value. This is what Kate Barker has been suggesting. I am saying that I think there is a problem with that, forgetting about any other consideration, from the perspective of the human rights legislation.

Toby Lloyd: We have had councils' advice on this matter and it is less significant a concern.

Dame Kate Barker: There are examples where land is compulsorily purchased. I have to say that I am kind of with Toby on this, because if we are talking about urban extensions and new towns, you would have to make this kind of land deal there. The question about the market value is a tricky one. I accept this and I hope that perhaps this Committee can produce some legal argumentation on it. In some senses, particularly if you are identifying a site for a new town, the truth is that if the new town is not built, your land is probably of agricultural value. Of course, if it is built, it goes up to several millions a hectare. The cost difference is enormous.

The question is where in that you might think would be a reasonable place to put the price. I would not, for example, support trying to give people agricultural value. That would seem to me to be quite wrong, because you are forcing them to change their land into a new use willy-nilly, when they might not like it. Equally, if I was building a new town I would not want to give them the full price that you would get for a development on a more normal site.

There is a serious question as to how you set up a national policy that would enable you to do that.

I also agree with Toby that, although we are talking about the land market, this is such a regulated market that the public sector sets the price to some extent. It is the outcome of the planning system and the incentives around it that enables land price to be very high or result in land prices that are very high. A different planning system could quite well result in a different land market. The problem is persuading landowners that what you have changed is going to be changed permanently. That is very hard and we have plenty of history of people who think that they will wait it out. Unless you are prepared to use compulsory purchase, that is where it falls foul.

Lord Inglewood: I entirely accept the generality of the problems as you have analysed them, but it is not straightforward, as we know. My only stone to throw in this particular pond is that of course the characteristics of the land market as you have described them—and I do not disagree with quite a lot of what you have said—are probably the same as the characteristics of the art market. Two pictures of the same size, one by Rembrandt and one by me, are worth very different amounts of money.

Dame Kate Barker: Yes, absolutely. It is entirely site-specific. It is one of the reasons why policy is so difficult.

The Earl of Lytton: I was only going to make a very brief comment. I am with Lord Inglewood on this, because the Land Compensation Acts, as we have them at the moment in this country, provide a very clear framework. If you are going to have wholesale compulsory purchase, I would suggest that in order to achieve your aims we would have to rewrite those particular bits of primary legislation.

Toby Lloyd: You absolutely would, and I am very pleased that the Treasury is looking at this question.

The Chairman: Lord Inglewood, you have a question. Have you been sufficiently informed?

Lord Inglewood: I am quite interested in a sort of rider to it about zoning. The system of planning is not based on zoning, and each of you has indicated to some extent that it would be a shift in the right direction to go that way. If you were to do that, do you think it is realistically possible, then, to make sure that the quality of what is subsequently built is going to be of as good a standard as we would like? Clearly, living in well-designed, well-built housing is a better experience than the opposite.

Toby Lloyd: Yes, I absolutely do. In fact, all the evidence is that zoning tends to deliver far higher quality than the speculative model that we currently use.

Lord Inglewood: That is by its inherent nature.

Toby Lloyd: Yes.

Lord Inglewood: You do not need to do any more.

Dame Kate Barker: I would quite like to ask Toby why, but anyway. Zoning gets used in lots of different ways. I am sorry to ask you this, but what exactly do you mean by “zoning”?

Lord Inglewood: Basically, the way I see it is that once you have an allocation on a map, you can more or less go ahead and build.

Dame Kate Barker: That is fine, but in order to get the quality that you then want—I talked about this back in the 2004 review—you have to specify building to a certain standard and quality, and then that is fine. You cannot just say that it is fine to build housing, and I am sure that is not what Toby is saying either.

Lord Inglewood: We have building regs and all the rest of it.

Dame Kate Barker: Yes, but you probably need to go beyond building regs. Everything that is built coincides with today’s building regs. You might want to say something specific about that area and that you wanted a particular type of housing. You will more readily get that—and in a sense Toby is right—because you have the certainty that you will get the permission. That will then be a bit more like the Dutch system. I agree with Toby that the thing with the Dutch system is that they have much more weight on democracy in the plans, and people take the plans more seriously. Once those plans are in, objections to stuff being built under them are pretty much dismissed, but it would be psychologically tricky here to make that shift, because people are used to ignoring the planning system.

Again, to go back to my experience trawling through these local plans, I was interested to see that the planning consultation for Stevenage, which is not a small area, received 188 letters. I bet you that every single development in Stevenage gets close to 188 letters about it, and it is because we have somehow not persuaded people that they should take more of an interest in the plans and be exercised at that level, and then that things have more chance of going ahead.

Lord Inglewood: As an ex-chairman of a planning committee, I agree with you about that.

Toby Lloyd: That is why zoning is the answer. A masterplan zone gets people very exercised. It is a really good opportunity for people to engage positively. The reason why it drives up

quality, assuming you have set proper minimum standards, is because within a zoned environment, where planning permission is guaranteed and the land value has been written in advance, the competitive pressures on different developers are not who can get the most planning permissions for the smallest units and build them cheapest; the competitive pressures are who can make the best quality product, because that will deliver them the best return. The land price is already fixed. What you build is already fixed. Therefore, you only make more money than your rivals by making better, whereas at the moment the competitive pressure is all the other way round and drives quality down, rather than up.

Lord Inglewood: I admire your optimism.

Baroness Whitaker: It is very reassuring to hear that zoning can improve quality, but it would be very helpful to us if there was hard evidence of this. Maybe you can send us something.

Toby Lloyd: We have huge amounts of evidence, mainly from Holland and Germany in particular.

Q48 Baroness Young of Old Scone: The greenbelt has done not a bad job of stopping ribbon development and maintaining the character of the countryside, but do you think that it is now getting in the way of delivering sufficient new housing? If change to greenbelt policy is required, how would you stop the public from doing what they did when we wanted to do something to the forest estate?

Dame Kate Barker: I was really reluctant to say anything negative about the greenbelt, because my experience is that it can result in a lot of unpleasant post. I am saying that because it is important background. When you look at the greenbelt, of course, you discover that it occupies more of England than built-up areas, which is the first surprising fact that people should think about and hang on to more.

The second thing, of course, is that it is not an environmental designation; it is a planning designation. I completely agree with you: in a lot of places, the greenbelt has done a very good job at keeping developments apart and looking after the setting of historic towns. All those things are really important, but it does not mean that it is right to have it in exactly the same place for all time. It is right for local authorities to be encouraged to do greenbelt reviews.

I am increasingly of the opinion that that is the right way to go: to give authorities guidance about greenbelt reviews and encouragement to think about whether the bits of greenbelt

that they have are still in the public interest or not and are still or not performing their planning designation. I am not one of these people who say, “We just get rid of the greenbelt and all our problems are over”. That is to misunderstand the importance of the greenbelt and to overstate the value of just removing that designation, because actually people do not like greenfield developments either.

This is one area in which the new planning guidance, which on the whole I welcome, was unhelpful, because it says that unmet housing need is probably not a good reason for going into the greenbelt. As a matter of fact, I do not think that is right. You just have to look at it in a more constructive way. Actually, lots of local authorities do greenbelt reviews. As I say, they should be encouraged to carry on with them. I am not sure, as you rightly imply, that drawing huge amounts of attention to it, as opposed to making it a locally thoughtful matter, would be very helpful. You would just get a big negative response.

Toby Lloyd: I entirely agree with everything Kate has said and would just go one step further. If you were to remove greenbelt restrictions at a national level, all you will do is spark a massive speculative land trading frenzy, which will quite probably end up with no more homes being built and certainly not in the right places. The greenbelt is a huge opportunity, precisely because it has suppressed land values in the very places where the market wants to develop most. It is a great opportunity to release land at low cost, enabling the uplift to fund infrastructure, affordable housing and all the things that people want to see.

We need to treat it as an opportunity to release bits intelligently, rather than as an environmental designation, as Kate says, but also not to treat it as some kind of sclerotic dead hand of the state getting in the way of the market. It is actually a great opportunity to get development in the right places, at the right price.

The Chairman: You have got my brain stirred. If there was a certain amount of greenbelt—a hypothetical situation—and the decision was made that in order to fulfil the obligation of getting more and more houses, you really had to create something that was a sense of place, which we have heard from Professor Carmona about, there would be a very strong argument to release greenbelt, which would make the subsequent housing estate or housing quarter much more acceptable and add to the overall whole.

Stevenage is a fortunate one to think about. You probably saw on the television last night about it being the first new town of Queen Elizabeth’s reign. As a result, they are always celebrating it and they have a great sense of pride there apparently, but there are other

areas where developments have looked really ghastly and could be hugely improved overall by adding on new satellites around them, which use the greenbelt.

Toby Lloyd: Absolutely, and that requires exactly that proactive approach to it, rather than incremental nibbling away at the edges, which leads to crummy developments, which are what really riles people: crummy developments on the outskirts of existing settlements. Strong confident bites out of the greenbelt are a far better way to go, whether it is doubling the size of Stevenage, urban extensions to other places or even smaller things. The M25 is entirely on greenbelt land. No one is really suggesting that every inch of that motorway verge is the most precious environmental designation in the country. There are huge amounts of industrial land in London that do not really need to be there. It would much rather be next to motorway junctions in the greenbelt, freeing up industrial land for high-density housing in London, for example.

The Chairman: Is that hypothetical thing I talked about likely to gain traction?

Toby Lloyd: It is not, under the current system. This is the failing of the planning system at the moment, which does not have that national level to drive significant growth like that. Stevenage is the perfect example. Stevenage wants to grow, but it cannot get co-operation from its surrounding authorities.

Dame Kate Barker: That is indeed another good reason for mentioning it. It is a good example where the duty to co-operate has not worked, and there are plenty of other examples. Nottingham is an example.

I do not know if you remember the Wolfson prize, where people were asked to design garden cities. The winner of the prize in fact produced an urban extension, which they gave an odd name to. It sounded to me a bit like Uttoxeter, but was not; it was actually based partly around Oxford. Cambridge has been good on releasing its greenbelt. Some of the development around Cambridge is good and some of it is less good, but on the whole they have been doing some quite interesting stuff.

The Chairman: Actually, we are coming on to that in the next question.

Dame Kate Barker: Oxford has not released its land. What happened the day after the Wolfson prize was announced? The then Minister said, "We would never do anything like that".

Q49 Baroness Whitaker: That leads us really nicely on to garden cities. There have been warm words about garden cities ever since Ebenezer Howard came up with the idea, but not

an awful lot of them have actually happened. I would like to ask both of you if you would agree that one of their chief advantages is that the increase in the land value accrues to the local community. Can you say what you think the prospects are for new garden cities and the factors that will determine whether they come about and really work? Can you focus a little on how one would ensure a proper social mix, neither a dump for just affordable housing nor elite tax-advantaged people? How can you continue keeping it thriving? Can you help?

Toby Lloyd: I came second in the Wolfson prize with our proposal for a new garden city. To answer your many questions, the first answer is yes; garden cities are a good way of doing precisely this. In fact, whether we are talking about zoning or urban extensions, these are all the same thing; these are just ways of doing large-scale developments that get land in at reasonable prices and capture that value to ensure that there is adequate provision for affordable housing, infrastructure and quality. They are all the same thing. It does not matter whether it is the public, private or voluntary sector. The great estates of west London are kind of an aristocratic version. Letchworth Garden City was a philanthropic, charitable version. Stevenage New Town was a state-led version of exactly the same model. The Olympic development in East London is exactly the same model. It really is not rocket science.

The great thing about garden cities is that they have the name “garden” in the title, which makes them more acceptable to a lot of people. That really is the only difference. It makes perfect sense. Let us talk about garden cities, rather than new cities, which sound scary.

Baroness Whitaker: Do you think a garden city is the same as a new town?

Toby Lloyd: In its key economic aspects, yes, it is. The design aspects are different, but to be honest those have changed anyway. No one would design a new garden city in the same way that Ebenezer Howard designed Letchworth, for example. It would be considerably higher density. The housing composition would be different. The design aspects have changed in any case. What matters is the economic model and the social model that the garden city envisaged.

The Chairman: Can I ask a question? I just have to ask it. Have any of you been on the High Line in New York?

Toby Lloyd: I have not, no.

Dame Kate Barker: Yes, I have.

The Chairman: The change that has happened there over the last five years is incredible. It was done in this awful sort of warehouse part off the river. When I was there last time, just about a year ago, all those warehouses had been converted into condominiums and social housing. Right through the middle of it is this ex-railway, with a wonderful garden, for a mile and a half. I know we cannot do that, we cannot actually replicate something in New York, but the very idea is bringing greenery into the centre of a ghastly area and then building all these brownfield sites into huge homes.

Toby Lloyd: That is exactly what we are doing in Stratford. There is a fantastic new park there. There are fantastic revived urban waterways, and tens of thousands of homes being built. It is exactly what is called “regeneration”.

The Chairman: I must go there.

Baroness Whitaker: If I may clarify your argument, is it your contention that we just need to apply the sort of good planning ideas that we would to any urban redevelopment to get what other people might call a “garden city”?

Toby Lloyd: What makes a garden city unique is, first, that it is a single large planned development. Secondly, it captures land value, but, again, you could do that without calling it a “garden city”. Thirdly, it gives a strong element of community ownership and control to preserve that ethos. Those are the three key elements that make a garden city, in my view.

Baroness Whitaker: What about its economy and jobs?

Toby Lloyd: In any decent place, whether it is a garden city or not, you would want to have a decent economy and jobs. Those are universals of development.

Dame Kate Barker: I sort of agree with Toby that the key thing that both of us want is to see some ideas for big new places developed, where the public sector puts itself forward, in the way it did with the new towns, and gets the land value in. I completely agree with that. Garden cities are slightly different, because they place a bit more weight on the greenery and environment, but you would hope that anywhere would do that. I rather dislike the habit of calling things like Ebbsfleet garden cities, in a slightly random way, where something was already going on, and designating it as a garden city. I am not sure what that would do. I also agree that one thing that is interesting about the garden city movement, and is interesting about Letchworth today, is the continuing way in which it is managed and run so that it has more community involvement. That is incredibly interesting. If you ask whether

garden cities will solve the planning problem, Milton Keynes built at an average rate of 2,500 a year. You just have to bear that in mind.

The key thing for me is not: should we have garden cities? Yes, but they will not do the job on their own. Plenty of work has been done, partly in the Wolfson prize, about how you might design them and make them really interesting and exciting places where people will want to live. Milton Keynes and Stevenage are not places that trip off the tongue as great places to live, but we know that both of them are places where people enjoy living and get a lot of value from that.

The Chairman: Perhaps we should ask Ebbsfleet, if they extend all around Ebbsfleet, what name they would like to give to it, other than “garden city”.

Lord Inglewood: A quick point arising out of this is if you can say what differentiates the ones that work from the ones that do not, really.

The Chairman: That is a good point. If you cannot give us that answer straight away now, could you write to us about it? I am very conscious that we have been carried along.

Dame Kate Barker: To some extent, that is the point that was made. It is about economic connections. New towns that were built with not particularly great building standards and in places that were not especially economically vital do not really work. Towns rise and fall. I referred earlier to the fact that I come from Stoke-on-Trent. It has probably never been a pretty town, but when I grew up there it was an economically vibrant town. It is not the fault of the planning system that today it is not a very pleasant place, although I would like to say that I am enormously loyal to it and one day hope to go back and have a house there.

The Chairman: It is all the fault of table-top industry not keeping up to date.

Dame Kate Barker: Should we get distracted on to the pottery industry?

The Chairman: Seriously, that is what happened, with Johnson and Wedgwood.

Dame Kate Barker: Sorry, I could dribble on about this—and the closure of the mines and steel, of course. It is not the fault of the planning system and it is not wrongly located. It sits on the M6 and the main line.

Baroness Andrews: Perhaps our two witnesses could give us a note on what they think are the lessons we can learn from the eco-towns, because that has been our only attempt in recent years to plan, from scratch, for coherent locations and towns. They were very problematic.

The Chairman: I will make a submission, because I was deeply involved locally on that one.

Q50 Baroness Rawlings: Dame Kate, you mentioned earlier on that you regretted that your 2004 report did not include taxation problems. We would all agree that the taxation of land and property is a complex topic. Could you expand on three points? Then I have one question. The three points were about the stamp duty reformed to end its slab structure and the lost revenue, partly replaced with the site value tax on vacant land that is both urban and brownfield. Your other point is that higher bands should be added to council tax and that the single adult discount should be abolished. Could you say why, and expand a little on why VAT should be removed from major household renovations and extensions? Finally, what tax incentives might be used to encourage developers to build faster on land already allocated for housing that has planning permission? Sorry, that was quite a lot.

Dame Kate Barker: Yes, there is a lot there. I would make two general points about tax first. One is that if you are going to use tax very actively to improve the housing market, you have to be aware—and I am slightly concerned that some of the things Toby was saying would fall foul of this—of doing too much to values today. Values today sit on lots of people's balance sheets. If you disturb land values incredibly rapidly, because you disturb house prices incredibly rapidly you have to be aware that there will be a lot of collateral damage. Changes to the system often have to be introduced gradually and thoughtfully. In fact, the Chancellor's proposals to change mortgage tax relief on buy-to-let landlords, which on the whole I support, were announced two years before anything happens, and a four-year period is very helpful because it enables a good adjustment process. That is a general point. My second general point is that when I wrote about the tax system I tried to think about it coherently rather than address it point by point, otherwise you get unintended consequences in different places. People often put forward a tax proposal that they think addresses one thing, but it has spillovers. I was trying to think about changes that went in two directions: partly changes that helped the market to work a little better and encouraged some land into the system, but partly changes that changed the incentives for homeowners, which is much more contentious.

To answer your question specifically, on stamp duty the Chancellor has now got rid of the slab structure since I wrote about it, so that is great, but he did not pay for it by introducing a site value tax; he paid for it by having much higher rates of stamp duty at higher levels, which I would do. I wanted a site value tax on vacant brownfield land because it is important to try to get brownfield land into better use. It was one of the things I very much

wanted to introduce in one of the reports. I now cannot remember which one, but anyway it proved quite difficult.

Why do I want to increase council tax higher up and reduce the single person's discount? This all comes back to a view about the housing market overall. Like Toby, I want to see everybody adequately housed. I do think that there are some environmental costs to building more housing, actually, because it uses up land. I also do not think that land is finite, but there is some evidence that if people live in bigger houses relative to smaller houses, they use more water. You might think that you do not necessarily want to encourage everybody to live in the big house that they might otherwise want, because the more money you have the more space you want. Housing is an income-elastic good, so if you are richer you tend to want more of it. That is why the household projections would not be enough to stabilise prices. You have to build more than household projections to stabilise prices if incomes are rising. Of course, with the financial crisis, incomes did not rise. Sorry, this is proving to be a terribly long answer.

If you therefore think that from an environmental point of view you want to constrain how much is built but you do not do anything about demand, you will end up with what we end up with today, which is that some people have a lot of money and live in very big houses. We know that there is more housing stock per head than there used to be; it is just that we share it very badly. I live in a reasonably sized house and I dare say a lot of you do. Something like 8.1 million people live in underoccupied homes, but at the other end you have these people often in private renting who live in overcrowding.

Part of the reason why this occurs is that we all have an incentive to invest in housing. It is absurd to say that there should not be an investment motive for housing, because it is clearly part of your financial planning to put money into a house. That is perfectly reasonable, but the fact that government constrains housing development for environmental reasons and then you have an incentive to invest in it does not seem right. The reasons for wanting to increase council tax on higher-value properties and to reduce the tax relief for single persons is really to try to have some way of discouraging investment in housing and discouraging underoccupation, in order to ensure that our housing stock is shared more fairly. I have to say that this is politically pretty tricky, as indeed is my proposal on CGT, which you did not mention.

VAT is a bit simpler. If you have a house and you want to make a big extension to it, it may be cheaper to knock it down and start again. This seems to me absurd. A good way of increasing supply and densification would be to make that a little cheaper, so actually I think I would just clean the VAT system up. It is a much more trivial argument. It would also help revive the small building community, which would be a good idea, because then they might go on and build houses. That is a relatively simple one. I am sorry that was such a long answer.

The Chairman: The other thing you have not mentioned of course is the fact that families are much smaller now and that there is huge demand, particularly away from London, from people who live in big houses trying to reduce to downsize to get more equity back. Also, 40% of households are now one or two people apparently. Can you check out those figures and let us know?

Dame Kate Barker: The average household size in the UK is still around 2.3. Unlike other countries, our household size has not been declining, partly because of the constraint. For homeowners, household sizes are quite small and they have quite a lot of rooms. Private renters and other people are quite crowded. To sum up the point I am trying to make, it is that because we live in a small place we feel we should huddle up. At the moment, only poor people huddle up. Rich people do not have to bother.

Q51 Baroness Rawlings: Can I just ask you about encouragement to developers? What tax incentives?

Dame Kate Barker: I apologise for not answering that question. I declared my interest at the beginning of this meeting, so perhaps you would not want me to answer that question. If I were to answer, I would say that I am not in favour of necessarily placing a tax on permissioned land. First, the issue about permissioned land is misunderstood. Toby was right about the fact that permissions do not quickly lead to building. They do not, partly because if you have a very big site you do not build it out all at once. Actually, probably nobody would want you to build it out all at once.

If you go back to all these figures about these unbuilt permissions, you find that not so many of them are on projects that have not been started. When they say that there are 400,000 unbuilt houses, that is because if you get permission for 1,000 houses and you have only built 100, which is very often the case, the whole site goes down as being unbuilt. Do you see what I mean? It is an exaggeration of what is unbuilt.

The other thing is that if you start from the date of the permission, you will almost certainly get a delay, because you then have to clear your planning conditions, which can often take quite a long time. To put my developer hat on very briefly, at the moment it often takes a disproportionately long time, because local authorities have had to reduce their staff and we just cannot get people to clear our planning permissions. It is not surprising that there is a delay.

Then the question is whether we can do something at the margin to force developers to build out a bit more quickly, so that they do not necessarily get quite as high a price as they would have got. Of course, the tax system will do that, but you have to remember that that will then increase developers' risk and the cost of that will get borne somewhere else. If you did it today of course, people would build out more quickly, but they would be a lot more cautious about the next set of planning permissions they applied for, so actually it might make the future market less elastic. Today, if there are permissions about and demand rises, the industry can respond. If you make it expensive for them to hold permissioned land, they will not have as much permissioned land and that may make the market less elastic. You have to be very careful in thinking about that.

It is perfectly possible on public land, and I am quite supportive of this, for the public sector to say, "We are going to give you a contract and you have to build this out", but then the public sector has to recognise and bear the risk of that build-out rate, and that is a slightly different proposition.

The Chairman: There is just one point.

Dame Kate Barker: I think Toby ought to be allowed to reply to that, because I am sure he has a different view.

The Chairman: Is there a case for looking at some fiscal penalty on developers or people who hold large land banks and do not even pretend to want to build on them, on the basis that land has gone absolutely through the roof?

Dame Kate Barker: This is terribly difficult, is it not? Taylor Wimpey holds several years of land—let us be straightforward about it—but you would not want us to build on it all tomorrow. When a local authority produces a plan, it produces a plan for 15 years. If we, the developers, all said that we wanted to build on it today, they would not give permission for the whole 15 years at once, because they have views about sequencing. I am not suggesting for an instant that the land market works terribly well.

The other reason why you have a large land bank, though, is that you do not necessarily know where your permissions will come from. You want to have a lot of land, because you are uncertain about where the permissions will go. If you go right back and read the report that the OFT wrote about housebuilders and the land bank, it explains why it is an important part of the business model.

You could change it by deciding to have a tax on all land, but that would not necessarily just be aimed at developers. It would be much more differently motivated. It would actually be motivated on the fact that land is, in some sense, an undertaxed thing, but it would not necessarily help the permissions. That would be about equality, which gets you into Piketty territory, which I do not want to get into.

The Chairman: Can I just ask for about three sentences from Mr Lloyd on that one? I suspect his attitude will be quite different from yours.

Toby Lloyd: It may not be as different as you think. Kate's answers are extremely thoughtful and well considered. I absolutely agree about the complexity and the delicacy of this area, but she is also absolutely right that tax changes are a potentially very important tool, which we have underutilised, in order to change incentives, both in the homeownership market and in the development market. We do need to be looking at both ends: the demand and the supply side.

There is no simple answer on the developer side, and, again, I agree that it is too easy just to point at current land banks. Actually, the real issue there is probably more about strategic land banks, which no one really has any handle on, because developers are slightly tricky about admitting what they are. Most of these are optioned sites, so they are typically still owned by a farmer and under agricultural use, but are optioned for development at some point in the future. It is complicated; I do accept that.

The one element I would just like to chip in on, in addition to everything Kate has said, is to consider levelling the playing field more between buy-to-let investors and homeowners. At the moment, buy-to-let investors have a colossal tax advantage, and then we wonder why a whole generation is being priced out of ever owning a home of their own. There will be collateral damage in any change; there always is, and the losers will always scream.

I would just like to make one final plea; 90,000 children will wake up on Christmas morning homeless in this country. Are they just collateral damage or are we not prepared to be a

little brave about trying to change some of these systems so that they work better for the people who are already losing out from the current system?

The Chairman: That is a wonderful note on which to end your session. I am sure that we could go on for ever, but we have another set of witnesses. Are there any other issues that you would like to raise with the Committee? Would you like to tell us about them? Perhaps you could write just a few points. Also, if you were in my position, what do you think would be front of mind in the things you would like to see in the report coming out, say three recommendations? You have one minute. In fact, think and write.

Dame Kate Barker: I would like some stern stuff on public understanding, ensuring that public consultation is done in a more interesting and imaginative way when you are doing plans, although it is pretty hard to interest people. I would like the Government to do more solid work on the costs and benefits, in environmental terms, of extra housing. I would like government to be really joined-up, so that the Bank of England, DWP, the Treasury and CLG actually think about each other.

Toby Lloyd: I would agree with all that. We need a serious coherent plan from government. From this Committee, what would be really useful is to bottom out what “zoning” actually means. There is a lot of talk about it at the moment, and as with garden cities—a whole series of crack developments labelled “garden cities”, which do not live up to the name—we are in danger of doing the same with the zoning approach, where it will be a label slapped on things that does not do what it needs to, which is to get to the land value question at the heart of development.

The Chairman: Thank you very much indeed, both of you. It has been very stimulating. You can see by the questions asked that we are engaged and very excited about this. I want us to report with a report that is going to be of use in the future, as your two were. Thank you very much.