

Housing, Communities and Local Government Committee

Oral evidence: Long-term delivery of social and affordable rented housing, HC 173

Monday 8 June 2020

Ordered by the House of Commons to be published on 8 June 2020.

Watch the meeting

Members present: Clive Betts (Chair); Bob Blackman; Ian Byrne; Brendan Clarke-Smith; Ben Everitt; Paul Holmes; Rachel Hopkins; Daniel Kawczynski; Abena Oppong-Asare; Mary Robinson; Mohammad Yasin.

Questions 85 - 170

Witnesses

I: Tom Copley AM, Deputy Mayor for Housing and Residential Development, Greater London Authority; Nick Walkley, Chief Executive, Homes England.

II: The Rt Hon Christopher Pincher MP, Minister for Housing, Ministry of Housing, Communities and Local Government; Tracey Waltho, Director General, Housing and Building Safe, Ministry of Housing, Communities and Local Government.

Examination of witnesses

Witnesses: Tom Copley and Nick Walkley.

Q85 Chair: Welcome, everyone, to this hearing of the Housing, Communities and Local Government Committee. It is our final evidence session today in the inquiry into the long-term delivery of social and affordable rented housing. We have two panels today. On the second panel, we will be seeing the Housing Minister, Christopher Pincher, but to begin with we have Tom Copley, who is the deputy mayor for housing and residential housing development at the Greater London Authority, and Nick Walkley, chief executive of Homes England. You are both very welcome. There will be some questions that I will put to both of you; other members of the Committee will address questions specifically to one or the other and let you know which.

I will look at the situation that we are currently facing in terms of the affordable homes programme, which was announced at the Budget, in terms of the spending made available. What we are not clear about,



HOUSE OF COMMONS

though we have an overall sum of money, is what the tenure split is likely to be in terms of the housing that is delivered in that programme. No doubt both of you have been having discussions with the Ministry about what it expects to see in terms of the resources, how they are spent and what tenure of properties are delivered. Could you just update the Committee, from those discussions, what you think the future is going to hold in terms of the different tenures that are going to be funded from the programme?

Nick Walkley: Thank you for this opportunity to come and speak to the Committee today. Unfortunately, at this stage this remains a Ministry matter. We do not have any clear indication of tenure splits. We have, of course, been providing detail on the current programme and how it is performing. Unfortunately, both in terms of the balance between affordable ownership and affordable rental products, we do not have that detail yet. There are a number of consultations also out, as you will be aware. I do not have detail to share with the Committee at this stage. That is a question for the Minister.

Q86 **Chair:** We will ask the Minister. Given that in the end you are in charge of actual delivery, when do you expect to know what you are supposed to be delivering?

Nick Walkley: I anticipate some indication during July. We are anxious to get the programme off and announced so that we can issue a prospectus at the earliest opportunity, but I do not have that clear timeline yet. I guess Tom is in a similar situation.

Q87 **Chair:** Is that true, Tom?

Tom Copley: Thank you for having me; I am making my Select Committee debut today. Yes, we are in exactly the same position. We do not know yet what share of funding London will get, what the tenure split will look like in the future affordable homes programme, or indeed what scale of delivery the Ministers will be expecting us to deliver.

I can tell you what we need, which is £4.9 billion a year. That has come out of a piece of research that was conducted jointly between the GLA and the G15 group of large London housing associations. To put that into context, at the moment our entire affordable homes programme budget over five years is £4.8 billion. We need £4.9 billion over 10 years if we are to deliver the scale that our strategic housing market assessment says that we need to deliver.

Q88 **Chair:** Just to put it in the context of the inquiry today, which is about social and affordable rented housing, we have had evidence that you are going to have to spend in this country £12.8 billion a year of grant funding to deliver the number of social and affordable rented homes that are needed. That is not going to be possible out of the sum of money you have just talked about, is it?



HOUSE OF COMMONS

Tom Copley: No, we need a vastly increased level of investment into affordable housing. At the moment, our programme is split roughly 50-50 between low-cost home ownership and rent, despite the fact that our assessment of need is that 70% or more of the affordable homes that we need to be building in London should be for low-cost rent, with 20% at low-cost home ownership and 10% at intermediate rent.

Q89 **Chair:** Why are you content, then, with the amounts you just told us, as opposed to the amounts you just said are needed?

Tom Copley: We need a lot more. We are reliant on the Government, as Homes England is, to provide us with the investment that we need. Alternatively, of course, the Government could give us more tax-raising powers. Both the current and the previous mayor called for the devolution of property taxes to London. We would be very happy with that as well, but otherwise we are entirely reliant upon the Government to give us the funding that we need.

Q90 **Chair:** To track back to Nick Walkley, you talked about conversations with the Ministry. Are they simply about the dividing up of the money, or are you actually arguing a case for more resources for social and affordable rented homes, particularly in the light of the current COVID situation? Do you think that is actually going to make the Ministry more receptive to such requests?

Nick Walkley: Ours are technical arguments. As you know, we are an agency of MHCLG. We are providing advice on the current programme and grant levels. In terms of the current COVID crisis, that depends very much on the shape of the economy come the autumn and beyond. We know historically that where there has been, for example, an increase in unemployment, that has a direct impact on the housing market and demand for affordable products, and the role that affordable products play within the wider housing market moves significantly. That is a point we are making; I can see Tom nodding, and I know the GLA are making it as well.

Tom Copley: Absolutely, yes. I can only imagine that the current crisis, particularly when the recession hits, will only increase the demand for low-cost rented social housing.

Q91 **Chair:** Finally, before I pass over to colleagues, in terms of the COVID crisis, that leaves builders with unsold properties on their hands or sites that they cannot now build. Are you both ready to actually move in if the Government gave extra resources to put those homes and those sites to good use?

Tom Copley: Yes, we stand ready, and this is going to be essential. In the face of a recession, we are going to need some counter-cyclical funding. Unfortunately, we are very reliant at the moment on a cross-subsidy model. It does not work particularly well in the good years. In the bad years, it could fall apart completely, but we stand ready to act, for example as a purchaser of last resort on private schemes, or indeed to



HOUSE OF COMMONS

buy up and flip over private sale homes to social rent if the Government will provide us with that funding.

Nick Walkley: Absolutely, Chair, we are of course working closely with the Ministry on potential scenarios for the housing market and what we might do in the event of a downturn.

For the agency, given its mission to create a different housing market, what is foremost in my and my board's mind at the moment is that at the last significant housing market downturn we lost almost 80% of SME providers. Productivity and choice really does require a much more vibrant SME sector. We are actively thinking about what role Homes England could play, not only to support the existing SME market but further grow it. Again, I can see Tom nodding in there. There would be significant disadvantages in this being a period where there is further consolidation into a smaller number of providers.

Q92 **Ian Byrne:** Welcome, Tom and Nick. The next three questions are going to be directed at Nick so you can rest easy, Tom. Between April and September 2019, only 5.2% of affordable housing starts on Home England's sites were for social rent. Furthermore, your affordable housing priority is to deliver 130,000 starts by March 2022, but less than 10% or those are for social rent. Do you consider social rent to be under-represented in your affordable housing initiatives, Nick?

Nick Walkley: Thank you for those questions. I would like to take that in two parts. Let us deal with the affordable homes programme first. We are on target to deliver the 130,000 homes expected in the programme. That programme allows for smaller percentages of social rent. It is the product that requires, fairly obviously, the highest level of grant subsidy. The question about whether it is under-represented is really a question for the Minister. Whilst we do not simply do what we are told, the affordable homes programme is a grant funding programme that ties delivery very specifically to different tenures at different levels.

Turning to our own land, we were very candid during the review of the public sector land programme with the Public Accounts Committee that the agency probably should do more on its own land. Clearly, receipts are an important part of public sector finances, but we have worked hard in the last couple of years to ensure that we look at our entire portfolio of sites. We now always seek to deliver not just a local planning policy compliance scheme where it is land that we are disposing of, but then, on top of that, should receipts move ahead with what we were anticipating, really going back to the planning authority to see if affordable numbers and social housing numbers, and even social rent, can be pushed forward, so that we get a lot more of a balanced view and we are not simply driving land value.

We are seeing the first fruits of that from schemes in Preston. Initially, the agency got planning permission for only 5% affordable. We did a lot of work on the viability of that scheme and we have now pushed that up



HOUSE OF COMMONS

to nearly 30%. Likewise, at schemes in Macclesfield and elsewhere, the creation of the new agency has given us greater confidence to look across the portfolio and begin to do those things.

To return, social rent figures are a direct product of the funding regime that we operate. Questions about the balance of different tenures are ones that you might direct to the Minister. I would just comment that our partners in local authorities and housing associations have a very strong appetite, were there funding available, to deliver more social rent. This Committee has heard evidence to that effect and received written evidence.

Q93 **Ian Byrne:** I just have a follow-up to that. You talk about a balanced view. Looking at the Homes England strategic plan, there is a KPI for helping households into home ownership, but not a KPI for increasing social and affordable rented housing.

Nick Walkley: One of our public-facing targets is for affordable homes. We monitor that on a monthly basis. Last year we delivered just under 27,000 affordable homes through the programme, but we monitor not only affordable homes through the programme but every affordable home we deliver across all of our activities as well. That is now included in our annual planning data and in our reporting.

Q94 **Ian Byrne:** I accept that. Lastly, a significant element of your building programme involves shared ownership schemes. Post COVID, do you not feel we may need a rethink of the Homes England strategic plan, heeding George Clarke's call for an updated Addison Act for the 21st century and meeting Shelter's call for 155,000 new social rented homes a year?

Nick Walkley: George Clarke and I speak regularly together on platforms. You can imagine that he has pressed me very directly on this issue.

Ian Byrne: I am sure he has.

Nick Walkley: The first thing to say is that shared ownership is very definitely the most affordable route into home ownership for large numbers of people. It continues to play an important role in not just supporting that route into home ownership but in providing cross-subsidy for housing associations to continue their building programmes. As I said in response to the question from the Chair, it is the case that, if there is an economic downturn, affordable rent products, both because of the demand but also their very high absorption rates, will continue to play a very significant role. I would anticipate those questions to the Minister will be a significant part of this evidence-gathering today.

Q95 **Bob Blackman:** Tom, the questions are going to come your way in this particular segment. First, obviously the 2020 housing review concluded that, in terms of the actual delivery of homes and the target of 116,000, the gap between those remains considerably large. Do you agree with that analysis?



HOUSE OF COMMONS

Tom Copley: We are delivering very well. We have had three record-breaking years in a row. In fact, in the last financial year we started 17,000 affordable homes in London. That is the highest number since the GLA began keeping records in 2003. As with any affordable homes programme—this was the case under the previous mayor as well—delivery tends to ramp up towards the end of the programme, and that is exactly what we are seeing now.

Of course, COVID does throw some of that into question. I imagine Homes England is grappling with exactly the same issues. We remain committed to our overall target of 116,000 affordable homes, but we think that we need a 12-month extension; that is what we are asking the Government for, although so far we have not received any answer from them as to whether this will be granted or not.

Q96 **Bob Blackman:** You said that 17,000 were started in the last financial year. In the previous two financial years, what were the numbers?

Tom Copley: The year before was about 14,500, and the year before that was around 12,500.

Q97 **Bob Blackman:** How many were completed? That is the crunch. It is all very well starting developments, as we know, but it is when they are completed and people can actually move into the housing that really matters, is it not?

Tom Copley: The agreement with the Government is we are judged based on starts. This is much more sensible than previously when we were measured on completions, partly because it meant that all completions had to take place within the short timeframe of the overall programme, but also because it meant that certain mayors would get credit for homes that were actually invested in as starters under previous mayors. Judging us based on starts is the best metric and it is certainly the one that the Ministry wants.

Q98 **Bob Blackman:** Just adding up those numbers that you have mentioned about starts, there seems to be a considerable gap. What sort of numbers would you have to achieve as starts, in the current financial year and the following financial year, in order to meet the 116,000 target? We understand that COVID has had an impact.

Tom Copley: Before COVID, we would be looking at around 28,000 starts, off the top of my head. As I say, COVID has compounded the challenges that our partners were already facing, particularly around cladding remediation and Brexit. That is why we have gone to the Government now, in the light of COVID, and asked for a 12-month extension to the programme.

Q99 **Bob Blackman:** The Secretary of State has intervened in the publication of the London Plan. Do you think that was the right decision?



HOUSE OF COMMONS

Tom Copley: No, I do not. I believe the Committee actually is doing a parallel investigation into devolution. This is quite an interesting point. The London Plan process has gone on for more than three years, with extensive consultation. The Mayor of London has the biggest directly elected mandate in Europe after the President of France, yet at the last minute the Secretary of State can come in with his red pen and demand changes to it. That is not in the spirit of devolution. A cynic might suggest that perhaps the timing of it was somewhat political, but I could not possibly comment on that.

Q100 **Bob Blackman:** Can we therefore know what the status is of the London Plan and what is happening? Clearly, without that being in place, development of housing in London is, let us face it, a real challenge.

Tom Copley: It is with the Secretary of State. It is the Secretary of State's decision as to when to publish it. All of the elements of the London Plan that are not subject to his direction already carry considerable weight in planning terms. It is a shame that we now have this further uncertainty. Developers, housing associations and councils are desperate for certainty, particularly at the moment. I would urge the Secretary of State to publish it as soon as possible.

Q101 **Bob Blackman:** Finally from me, following the Panel of Inspectors' review of the London Plan, there was a downward shift in the number of dwellings to be developed. How confident are you that the London Plan, the mayor's office and so on will be able to deliver the 66,000 units per year of housing need that there is in London? You just mentioned 28,000 social rented. Obviously, there are other aspects to it.

Tom Copley: Sorry, that is overall affordable.

Q102 **Bob Blackman:** Okay, but nevertheless delivering 60,000 units is going to be quite a challenge, to put it mildly. What number would you put on it today, with the COVID situation, to be achievable?

Tom Copley: It is far too early to say, given the COVID situation at the moment. Let us put this into context. I do not think, certainly in the post-war period, that London has ever reached 66,000 homes. I would repeat and go back to what I said earlier: if we are going to get to these sorts of figures, we need the investment in affordable housing. We need at least 32,500 of those 66,000 to be affordable and over 70% of those to be at social rent level. If we are going to get to that level of house-building, it is going to require big investment from the Government and a move away from the cross-subsidy model that we have relied on for many years now.

Q103 **Ben Everitt:** Nick, you mentioned that you recognise the agency should do more with public sector-held land. We know that the Public Accounts Committee said last year that failing to develop a strategy for public land disposal was a wasted once-in-a-generation opportunity to alleviate our housing crisis. Can you tell us what actions Homes England has taken to try to rectify the undershoot of the target that we have witnessed over



the last year or so?

Nick Walkley: Yes, absolutely. Of course, Homes England is only one proportion of the overall public sector land target. We went through a very significant internal review to understand what was in programme and how much of that target could be met. We are now well on the way to 90% or more of that being delivered, even if delivery is falling behind what was anticipated in the initial programme. We have also taken some time to reflect on whether we have adopted the right approach in working with Whitehall partners.

I am in the really fortunate position of being chief executive of a public sector agency that has actually had political and financial backing over the last two years, as Government has recognised the importance of the entire housing sector. We have therefore taken the view that we should act as a resource not just for the programmes that we manage but as a wider resource for the whole of Government. We have begun to strike partnership arrangements with other Government bodies, to support them in land disposal. Historically, this has been about financial transaction first. What is the value that we are going to get for this land? That always creates real concerns about whether it could be better if we did it ourselves, what happens if there is an upturn in the market and all the things that we all go through when we are thinking about our own housing situations, if we are homeowners.

Beginning with the DIO, the defence organisation, but now stretching into some hospital trusts, we have struck partnership arrangements where we actually work on sites identified as potentially surplus, directly with the body, before taking responsibility for them, to come up with development proposals, look at options, and consider whether we could provide additional finance for land assembly or technical know-how, so that we get to a much more rounded view of what is achievable. We then work together in partnership, going forward. We are effectively working on a fee-only basis, where the upside is shared with the agency, which would normally look at housing numbers and specifically value terms.

That partnership is already delivering some much larger proposals around the country that are moving sites forward that otherwise would have required departmental or health service capability and capacity. I employ people who know how to do housing development, and probably the best thing to do is actually get on the front foot and work with departments on that side, rather than trying to capture the value at an earlier stage. That may be the key to the future of the programme.

I am also pleased to report that, likewise, we are taking a much more proactive role, working with the GLA, looking at infrastructure on some of their sites. We recently announced investment into Barking, where we see our role as one of enabling rather than simply capturing value and then selling land at the end of it. That is a much more sensible approach.



Tom Copley: As a director now of Barking Riverside Limited, we are enormously grateful for the investment that has been put in by Homes England.

Q104 **Ben Everitt:** That is incredibly heartening to hear. One of the questions that I was planning to ask, Nick, was relating to the fact that the District Councils' Network had told us that negotiations with Homes England were often very protracted, because of the focus on getting the best value, the best receipt, from the sight. Would you say that the partnership approach that you have just elaborated is helping to fast-track those negotiations and get a best public value, as opposed to a best-receipt-for-the-site approach?

Nick Walkley: Thank you for that question. Let us just say that relationships are not always straightforward with all partners. I take my responsibility as an accounting officer to deliver value for the public purse very seriously. One of the cultural challenges that we are trying to overcome, internally but also with partners, is that all public money in this area is an investment and we need to make sure we are securing the maximum value for that investment.

One of the things we have therefore sought to do is to ask some questions, particularly where we are working with local authorities and some housing association partners. If we are putting in grant or funding where we expect a very low return, I and my board need to be absolutely confident that we are not simply subsidising a developer's profits. Where we are investing for long-term infrastructure that we know is going to generate future uplift in the value of land, we need to make absolutely sure that that business case has a minimalist commercial edge or that, if there are going to be significant profits, the Government get some of their cash back.

Some of our colleagues—let us be honest—are small organisations with stretched budgets. I used to be a local authority chief executive myself. We at times have maybe not appreciated the commercial skills we have, with large numbers of ex-bankers and ex-developers now working on the other side of the fence. It has not made for an easy relationship, and we are actually doing work at the moment to support capacity-building in local authorities so that this is a much fairer transaction.

I make no apology that I have some miserable so-and-sos who occasionally try to strike a tough deal, because the Committee would want that, but we also need to respect that capability and capacity is an issue, particularly in the smaller districts. We could have done more to support them and we are now working in that space. I am not sure I am yet going to get a round of applause from the District Councils' Network annual conference, but we are working on it.

Q105 **Ben Everitt:** Tom, you mentioned earlier that, in light of the downturn, you are going to need some counter-cyclical spending. We know that a significant amount of public land in London is owned by TfL. Essentially,



HOUSE OF COMMONS

you are sitting on a large part of the answer to this. I recognise that you said to Bob that you want to be judged on starts, but figures from 2019 found that there were only 322 starts on TfL land since 2016, despite a target of 10,000 starts by 2020. Why is this so slow?

Tom Copley: TfL is now up to 1,400 starts on its land. 3,000 more have gone through planning permission and there are a further 4,500 that will be going through planning very shortly. As I am sure you know, when lockdown began, TfL, as many developers did, stopped work on its sites for a period of time. They are now reopening, but of course the knock-on impact of COVID will be felt by TfL, just as it is being felt by all developers at the moment.

On land, one of the big things that the mayor has done that I am very proud of is the establishment of the land fund, which is partly funded by him and partly funded by MHCLG. This is going to be one of his big legacies. You have sites like the St Ann's Hospital site, which was only going to be developed with 14% affordable housing; it is now up to 60%. It is the same with the former Holloway prison site. This is going to be a really big legacy.

Q106 **Ben Everitt:** Talking specifically about the use of TfL land, what is the plan to get closer to that 10,000 figure?

Tom Copley: As I say, there are 1,400 started, 3,000 through planning, and a further 4,500 about to go into planning. Momentum has been really building behind the TfL programme. It is incredibly exciting. It is also worth pointing out that, of the post-2016 homes, 50% are going to be genuinely affordable according to the mayor's definition.

Q107 **Ben Everitt:** It is an important target. That is absolutely right. Do you think that TfL's current financial difficulties make it less desirable for them to sell the land with a 50% affordable housing requirement? Could it mean less land comes forward for the purposes that we need?

Tom Copley: The mayor is responsible both for transport and for housing, and it is important to balance the need to create revenue for TfL, which is what a lot of this is about, with ensuring that a significant proportion of the homes that are built are affordable to Londoners. The 50% target on TfL land strikes that balance very well.

Q108 **Ben Everitt:** It is safe, then, even given the current situation of the finances.

Tom Copley: Yes, the 50% target remains. Indeed, in the mayor's new London Plan, there is a 50% threshold for all public sector land.

Q109 **Mary Robinson:** Could I ask for your assessment of the potential impact of the first homes programme, as currently proposed, on the delivery of social and affordable rented homes through Section 106 agreements?

Tom Copley: We are extremely worried about the impact of the proposed first homes programme on delivery of other forms of genuinely



HOUSE OF COMMONS

affordable housing. The work that we have done at City Hall has found that for every three first homes delivered through Section 106 we would lose two social rented homes.

Indeed, in London, first homes would only be affordable to households with an income of around £76,000, which is only the top 2% of Londoners. The Government have stated that they want first homes to be for key workers. Most key workers are not going to be able to benefit from first homes. It is likely to be only the richest people. I would urge the Government to think again. Apart from anything else, introducing a new form of tenure, essentially, at a time of great uncertainty is only going to add further uncertainty to the market. As I say, I would urge them to think again.

Q110 **Mary Robinson:** Now that the mayor's threshold approach to private developers has bedded in, how do you rate the success of that project?

Tom Copley: It has been enormously successful and it is borne out by the statistics. Under the previous mayor, affordable homes on referable application, so home applications for more than 150 units or otherwise of potentially strategic importance, was 22%; it is now up to 38%. Simply looking at the figures, it is quite clear that it has been enormously successful. It has been quite welcomed by developers as well, because it provides an element of certainty.

Q111 **Mary Robinson:** Given your evaluation of the success of this project, is this something that could be rolled out elsewhere, or will it only apply in the London market?

Tom Copley: The London market is very different from other parts of the country, not least because we have much higher land values. It is certainly something that could be explored elsewhere. I am very much a believer in devolution and having the right policies for the right locations. It should be up to other parts of the country to come up with a system that will work for them.

Q112 **Mary Robinson:** Looking at the planning part of this, what has been the feedback from councils using the GLA Homebuilding Capacity Fund to develop their capacity and skills in the housing and planning departments?

Tom Copley: Again, this is something that I am incredibly proud of. This is the revenue funding that we are providing to councils. It was oversubscribed. I believe we had applications for twice the size of the fund, which shows how popular it is. It is absolutely crucial, because we are now starting to see a sort of nascent re-emergence of councils as developers, which is very good news. Of course, after decades of them not really developing at all, there is that skills gap. This is precisely what this is designed to address. I would very much like us to go further in the support that we are providing to boroughs over the next few years.

Q113 **Mary Robinson:** Nick, our evidence called for Homes England to have a



HOUSE OF COMMONS

much greater role in helping local authorities bringing forward and completing developments, including suggestions such as helping councils with capacity and resourcing issues, and arbitrating when needed in viability assessments. Do you see this as Homes England's role now or in future?

Nick Walkley: Yes, very much so. We are currently in the process of developing a capacity offer for local authorities. We have an experienced chief executive working with us and a team, working alongside the LGA, the RTPI and others to look at what is currently on offer. There is a lot of support and capability already in the sector. It is just not effectively joined together at times; it is a little bit pick-and-mix. Can we make sure that there is a single coherent offer? We need to look at what we can do to support in getting, first of all, the fundamentals in place—five-year land supply, the right sort of local planning framework to ensure delivery is there, but then also adding capability and capacity at key points in the development cycle, particularly commercial skills and skills in the technical area, as I was referring to in the response to an earlier question.

In terms of our new arrangements, as well as adding that capability and capacity to the local authority at the planning end, we are also building tools for everyone in the sector to use around the technical aspects of development. For many local authorities, it is not just that they have not built homes for many years, but also they have not remediated brownfield land. They may not have even let a contract for someone to advise them on how to remediate brownfield land.

We are really keen to short-circuit those issues by creating procurement frameworks as well as technical guidance in a centre of excellence that is accessible and free to use for all. We think there are also fairly obvious efficiencies to be driven from that by being able to manage advisers' fees and so on and so forth. We think that is a key role for the agency, not substituting for local decision-making but ensuring that local councils and local communities can be confident that there is the right capacity to take those decisions.

Q114 **Chair:** Could I just pick up with Nick Walkley on the first question that Mary asked Tom Copley about the potential impact of the first homes programme? Perhaps you thought you were going to get away with that, Nick. The truth is that, if that programme is implemented as suggested, it will reduce the number of social and affordable rented homes that are delivered, will it not?

Nick Walkley: As you would expect, Chair, the impact is something that will be subject to the response to the consultation's implementation. I would just comment that there is already within the affordable housing regulations and the NPPF a discount market sale product. That product is used by local authorities. It is not widely used; it delivers about a thousand homes a year. It is not unprecedented to have this form of



HOUSE OF COMMONS

product. The question would be about the impact, not just on rent but also on other home ownership products and the balance between them.

Q115 **Chair:** But if 40% of homes, as a minimum, under 106 agreements were going to be in the first homes programme, that is bound to reduce the number of social and affordable rented homes produced, is it not?

Nick Walkley: That is a potential impact, Chair, yes.

Chair: That is probably as close as I am going to get to a yes, so we will take it.

Nick Walkley: Thank you, Chair.

Chair: Thank you both, Tom Copley and Nick Walkley, for coming to the Committee this afternoon to give evidence to us. Thank you very much indeed.

Examination of witnesses

Witnesses: Christopher Pincher and Tracey Waltho.

Q116 **Chair:** We now move to our second panel, and a very warm welcome to the Housing Minister, the Rt Hon. Christopher Pincher MP. You have an official with you, Minister, who is going to accompany you. Perhaps you would like to introduce your official to the Committee at the beginning. That would be really helpful.

Christopher Pincher: Thank you very much, Mr Betts, for inviting me to this Committee. Congratulations to all the members of the Committee on their appointments. It is a pretty new Committee, almost as new as I am a Housing Minister. I would like to say initially how very pleased I am to be here. I hope that I can work constructively and effectively with you, although sometimes perhaps we will not always agree and I may be subject to some challenging questions. I certainly hope that I can help you with your deliberations as best as I can.

I have with me Tracey Waltho, who is the director general in MHCLG responsible for housing and planning. She will be on hand to help with some of the questions that you may have.

I do not know if this will come up during the course of the questioning, but before you kick off, at the outset, can I say that, as we are approaching the third anniversary this weekend of the Grenfell Tower tragedy, my thoughts, and I am sure the thoughts of all of us in Parliament and in the Department, are with those people who were affected by the tragedy, both families and friends of people in the tower and those caught up around it? Our thoughts are with them. Also, as we are in the middle of the coronavirus epidemic, a thought to all those people working in social housing: landlords, those people that support tenants and the tenants themselves. We are concerned to make sure we do the best for them that we can at this difficult time.



Q117 **Chair:** Thank you for that, Minister. I am sure we will all share those thoughts that you put forward to us. We will be coming to the issue of coronavirus and the impact particularly on social rented housing and the whole issue of fire safety, which we have been exploring with your colleague, Luke Hall, in terms of the issue of cladding and building safety. We look forward, as a Committee, to doing pre-legislative scrutiny on the Building Safety Bill when it comes before the Committee, we understand in the next few weeks.

Before we go on to the questions today, could I make one plea to you? When we talk about social and affordable rented housing, we often get Ministers replying with answers about the whole of the affordable houses programme, both in terms of numbers and in terms of spend. This inquiry we are conducting as a Committee is specifically related to social and affordable rented homes. We hope you will be able to address our questions with answers that relate directly to those and, where possible and where asked, to try to distinguish between social rented homes and affordable rented homes themselves, which are often different in terms of the impact on the rents for people who live in them. That would be very helpful if you could.

Christopher Pincher: I will do my best to help you.

Q118 **Chair:** If you do not, I am sure we can intervene and draw your attention to any failings. Let us move on. There have been quite a number of studies, by Shelter, National Housing Federation and the Chartered Institute of Housing, that have looked at the number of homes that are needed in this country to be built in the social and affordable rented sector, both of themselves needed but also to get to the overall target, which I think we all share, of 300,000 new homes a year. Do you agree with the consensus that we are probably going to need 145,000 social and affordable rented homes a year and 90,000 of those should be social rented homes?

Christopher Pincher: We need more homes, more affordable homes and more socially rented homes. We have done a good job in the last 10 years of increasing the number of affordable homes, including those for social rent. I think it is something in the order of 450,000 affordable homes have been built since 2010. About 12,500 of those in the latest programme will be for social rent. Of that 450,000, more than 330,000 are affordable homes, and something like half of that number—140,000 I think—are homes for social rent.

We have done a good job. We can do more, and that is why the programme we have been working to, £9 billion in the affordable homes programme, has been delivering those homes. As the Chancellor announced at the Budget in March, we will be bringing forward £12 billion, which is the largest cash injection for 15 years, to ensure we are building the homes in the places and the quality that we need.

Q119 **Chair:** The problem is that last year there were just over 6,000 social



HOUSE OF COMMONS

rented homes built and 24,000 were lost through right-to-buy sales and demolitions. We are actually going backwards in terms of the number of social rented homes available. Do you think that provides for the country's needs, or do you accept that we need to build more social rented homes? I mentioned the studies that have been done independently. 90,000 homes are needed but we managed just 6,000 last year. We are a long way off targets, are we not?

Christopher Pincher: I am not sure about the contention you make about the right-to-buy homes. Those homes that have been sold have resulted in more homes being built now. I think something like 120,000 right-to-buy purchases have been made in the past several years and something like 140,000 homes have been built in their stead. We are doing the right thing to build more homes of a variety of tenures, because that is what people want. I am very keen, particularly in the present circumstances, with the COVID emergency around us, to make sure we are building more homes and the right homes in the places that people want them. I will be looking very closely at what your Committee recommends when you publish your report.

Q120 **Chair:** I am still trying to get out of you what you think a right number might be. Yes, everyone wants to see more homes built. Are you committed to building more social rented homes? If so, how many?

Christopher Pincher: I do not think it is right to put a number on the number of homes that need to be built of one particular tenure or another. People want different things at different times in different parts of the country. We are committed to building more affordable homes. We have put the money in place to build those homes and we have the sorts of tenures that will provide for them. That is what we are determined to do.

Q121 **Chair:** We have a targeted programme between 2016 and 2021 of 250,000 affordable homes, but you cannot tell us what the split will be between rented homes and homes for shared ownership or purchase.

Christopher Pincher: The tenure mix for the new programme is still being worked through. The important thing is to make sure that we have the money on the table, which we have, that we have a determination to build those affordable homes, and Nick Walkley and his team, as a key disruptor of business, is determined to do that. We have an appetite among people for those homes.

Q122 **Chair:** When the breakdown is being finalised, in terms of the money available and what it will purchase, will you then have a clear target for the number of social rented homes and the number of other affordable rented homes, as distinct from affordable homes in general?

Christopher Pincher: We are going to be very clear that we want affordable homes and I do not think it is going to be necessarily the case that we want to put numbers on the number of socially rented homes or affordable homes that we want. We want to be very clear. We want a lot



HOUSE OF COMMONS

of new houses but we do not necessarily want to put numbers around them.

Q123 **Chair:** You do not think it is the job of Government to say, “We believe there is a demand and a need in this country for rented homes that people can afford—socially rented and other forms of rented housing—and that we then have a duty as a Government to help provide that”. You do not think that is Government’s responsibility.

Christopher Pincher: We have a responsibility to build more homes. That is what we have said that we will do. We have local authorities that need to assess need in their various places. We want to build 300,000 new homes each year by the middle of the decade and we have put the money aside to ensure that happens. We will certainly want more affordable homes in that mix.

Q124 **Chair:** We are coming back to affordable homes again. We are mixing up the rented and the affordable homes that are for purchase and shared ownership. We are mixing it up again, are we not?

Christopher Pincher: Housing associations, for example, produce affordable homes. They have to develop their business plans during the balance of this year so they are able to plan for the next financial year and beyond. We want to make sure we have the new affordable homes programme in place so they can make those plans, so they can build those homes, so that people who need them can live in them.

Chair: We probably will not make much more progress on an absolute target at this stage. We may well come back to that issue in due course when the Committee has developed a clearer view, or maybe at a time when you have a clearer view of the funding issues.

Q125 **Rachel Hopkins:** Current housing expenditure is split around 75% on the private market and only 25% on affordable housing, and only a small percentage of that on social rent. In contrast, Scotland devotes 85% on affordable housing. Are you happy with the Government’s balance of funding to tackle the housing crisis?

Christopher Pincher: It is for the Scottish Government to decide how they wish to dispose of their funds. I am content that we have a good deal from the Treasury. As I said earlier in the discussion, it is the largest cash injection that any Housing Department has received in 15 years for the purposes of building new and affordable homes. It is of course against a more challenging financial backdrop. I am content that we have the money we need. I am also content that we have built a significant number of affordable homes over the last five years. We want to do more and that is why we have that extra cash to try to do it.

Q126 **Rachel Hopkins:** The Government spend over £20 billion a year on housing benefits. Do you agree that this bill could be hugely reduced if much more social rent housing was built in this country?



HOUSE OF COMMONS

Christopher Pincher: The time it takes to build a property from start to finish is two or maybe three years. It depends, of course, on the individual planning situation. We need to balance building new homes, which is what we are determined to do, with the here and now, which is providing funds for those people on low incomes who need to be helped with their provision of housing. We have a good balance. Can we build more? Yes. Are we going to? Yes.

Q127 **Rachel Hopkins:** To clarify, you say you are going to build more homes for social rent, but we do not know the number.

Christopher Pincher: We are going to build more affordable homes, as we have been for the last 10 years. We have also built more homes for social rent. We have built something like 12,500 in the last period. If you look back to the period of the last Government, the last nine years of the last Government, we built significantly more social rent homes than that Government did. We have a good record. Can we improve it and do we want to keep it going? Yes, we do.

Chair: Minister, just to intervene, you slipped again into talking about affordable homes. Can we focus again? This inquiry is about rented housing. There is social rented housing and affordable housing. It is important so we understand precisely what you are promising us.

Q128 **Rachel Hopkins:** Housing associations have told us the current funding mechanisms simply do not work to enable them to build social rent homes. We have something here from Clare Miller of Clarion. She set out an example for us and said, "In London, to build a new two-bedroom flat, it costs us on average around £400,000. The rent that I can secure for social rent, if we forecast that across 30 years, which is our planning horizon, is around £100,000. I am looking to fill the gap of £300,000 from either grant or subsidy that I can generate myself. At the moment, the average grant rate we are securing in London is around £60,000 per home, so for every social rent I build there is a gap of £240,000. That is the pure economics of the situation". That has come from a housing association. Do you accept that the main reason housing associations and local authorities cannot build more social rent homes is a lack of enough grant investment to meet that funding gap?

Christopher Pincher: I have talked to the National Housing Federation and it is very keen to help with the present challenges we face and certainly also to help with the future challenges we may face with housing. There is a balance between the amount of grant that is available for individual units and the number of units you can build. There is only a certain amount of money that is made available to us. We have £12 billion from the Treasury for the new AHP and £9 billion for the one that is presently underway. We need to balance how we provide grant subsidy with building out volume.

There is some evidence that housing associations are becoming increasingly innovative in the way they finance their building operations. I



have spoken to Nick Walkley about this. That should enable them to build out more homes at a lower grant. Bigger grants will mean fewer units being built and that balance has to be struck. We have the right balance.

Q129 **Rachel Hopkins:** That goes completely contrary to the quote that I said that came from a housing association. We might have to follow up on that, because there is obviously a disagreement there.

Christopher Pincher: I am very happy to work with all housing associations. I did not catch which one you said that was from.

Rachel Hopkins: That was from Clarion.

Christopher Pincher: I am very happy to talk to Clare and her colleagues. We have fairly regular roundtables with them. If that is raised, I will certainly address it with them. As I say, we have to strike a balance between making sure that we have the right level of grants per unit with the right number of units that are being built out. It is very important that we build out those new units because there is an appetite for them.

Q130 **Mohammad Yasin:** The consultation on right-to-buy receipts was done and concluded in 2018. My understanding is that Government have still not responded to that consultation. Can you tell us why?

Christopher Pincher: There are a number of reasons. One is that we have had a change of Government. Another is we have had the general election and presently we are in a rather challenging and fast-moving crisis situation. I certainly want to look at the evidence in that particular consultation and to make sure that we get the response to it right. I think that right to buy is a very good opportunity for people who desperately want to own their own home to own their home. It is also a very good opportunity for local authorities to build out new homes with the receipts that are generated. As I said in the previous answer, we have had some good evidence of the way, as a result of the 2012 change to right to buy, that build-out process has been increased. Those are the reasons and, as and when we can publish it but get it right, we will.

Q131 **Mohammad Yasin:** Our evidence has been unanimous that right to buy must change from its current form. The LGA, for example, has said that the Government's insistence for one-to-one replacements can only be achieved if councils can set discount rates locally and receive receipts in full. Considering that one-to-one replacement is not achieved, do you accept that, in its current state, right to buy reduces the country's social housing stock over time?

Christopher Pincher: I do not accept that. As I said, for the 120,000 or so right-to-buy sales that have been executed in recent years, 140,000 new homes have been built, so there is a one-to-one relationship. That is very different from the pre-2012 changes, when I think 127 properties had to be sold under right to buy in order to generate the development of one new property. I recognise that there are presently some significant



HOUSE OF COMMONS

challenges that local authorities are facing, most notably the COVID emergency. I will be very happy to discuss with them the challenges they face, and with the LGA and SMEs. I will be very happy therefore to build that into my thinking.

Q132 Mohammad Yasin: All rental homes built as part of the new affordable homes programme will be required to include right to shared ownership. When tenants buy a share of the property—for example, 10%—will housing associations be expected to spend the receipts of this part payment on the replacement homes within three years?

Christopher Pincher: The grant element will be expected to be recycled into new homes as it presently is. I understand that there are challenges with the timeframe. A lot of people are facing difficulties with it and other timeframes because of the COVID emergency. Again, I will be happy to talk to the National Housing Federation and others in the sector to make sure we are approaching this in the best and most sensible and pragmatic way to ensure people have the opportunity of shared ownership, so they have a stake in their own home, but also that we make sure the build out happens effectively.

Q133 Mohammad Yasin: Finally, it is estimated that around 40% of all properties sold under right to buy make their way into the private rented sector. Are you happy with this tenure drift from the state to private landlords? If not, what are you doing to prevent it?

Christopher Pincher: I am conscious that the PRS is a major part of housing framework. Something like 20% of the housing stock is in the PRS. It is for individuals to decide how they wish to dispose of the property that they have bought. We need to focus on making sure we are building out those new affordable homes, including socially rented homes. The evidence thus far of the success of right to buy—2 million people owning their own home because of right to buy, 120,000 sales recently and 140,000 builds because of those sales—is evidence that the right-to-buy programme is working and is resulting in an increase to the housing stock.

Q134 Chair: Can I pick you up on one or two of those figures? 140,000 is the figure of affordable homes, not affordable rented homes, is it not?

Christopher Pincher: Yes.

Chair: We are slipping back into this terminology again.

Christopher Pincher: I was asked a question about the PRS.

Q135 Chair: We will come back to that in just a second. The truth is that there has never been a single year since, let us say, 2010, which your party has been responsible for, when the right-to-buy receipts have led to a one-to-one replacement, has there? It has still not happened in any one single year, has it?



HOUSE OF COMMONS

Christopher Pincher: They have led to a one-to-one replacement in the housing stock. I am keen to make sure that continues.

Q136 **Chair:** They have not led to a one-to-one replacement in any year with replacement rented homes, have they?

Christopher Pincher: I am saying that have resulted in an increase in the housing stock. 120,000 sold and 140,000 built as a result of those sales is a net gain of 20,000.

Q137 **Chair:** Surely that is 140,000 built. They are not a direct result of the sales of right to buy, are they?

Christopher Pincher: It is because those receipts have been received that those sales have been executed.

Chair: A direct link between the two.

Christopher Pincher: I am making that link, but I can bring Tracey in to give the technical detail if that will be helpful to you.

Chair: It might be helpful, yes.

Tracey Waltho: Chair, you are right that there is a proportion where the one-to-one ratio has not been met. I think what the Minister is outlining is that the total increase in stock exceeds the sales of the right to buy.

Q138 **Chair:** The two are not directly linked, are they? It is not the receipts from the right to buy that have produced that 140,000 homes, is it?

Tracey Waltho: It contributed to some of it.

Q139 **Chair:** How much?

Tracey Waltho: I would have to check my notes or we might need to get you a note on that.

Q140 **Chair:** It would be helpful to have that. Could you tell me the last year when the level of social rented homes available in the country went up?

Christopher Pincher: I would need to check that for you. I do not have that figure to hand.

Q141 **Chair:** The point is that every year in the last 10 years, certainly, the number sold has been greater than the number built. That is true, is it not?

Christopher Pincher: My point is that, if we were not selling those homes to the people that wanted them, you would find that those homes that were built as a result of those sales would be much less likely to come forward in the speed they have or the numbers they have.

Chair: There is an issue about the principle of the right to buy, which we may or may not have disagreements on. The point we are trying to get at as a Committee is what happens to the receipts and if they could deliver more homes than they currently are. That is something we will probably



want to explore further. It would be interesting to have those figures back from Tracey Waltho. That would be really helpful, thank you.

Q142 Bob Blackman: I want to start with a point here that Rachel raised in her questioning, which is the cost of building a social housing unit anywhere in London, or indeed if you extend it to the south-east in general. One of the reasons why the cost of building a dwelling is so high is the cost of land. One of the issues the Ministry has to grapple with straightaway is the cost of land. One of our problems is that we insist on public authorities, be they local authorities or other public bodies, selling their land that is surplus to requirements for the maximum possible price. We are then surprised when developers eventually come back and say, "In order to build housing on this site, the cost of the units is going to be double what we would expect it to be".

One of the clear areas that we need action taken on is to lower the cost of land, particularly for social rented housing. One of those areas that could be done for London and the south-east is amendments to the Land Compensation Act 1961. If we took action here, we could reduce the cost of the land by 40% and therefore the cost of building out homes by a comparable amount. That would then mean that the money you have at your disposal could go much further and we could build many more homes. Will the Government do this?

Christopher Pincher: Mr Blackman, as ever, you are second to none in your knowledge of the London terrain. You will know that the Housing and Planning Act 2016 made changes. The Neighbourhood Planning Act 2017 that also made some changes. It made compulsory purchase orders clearer and the like. We are keen to see those changes bed in to see what the effect of them is going to be. I certainly recognise that the price of land is a significant factor in the ability to develop homes, particularly in certain parts of the country, and your part of the country in particular. I would be keen to continue to work with the Committee and individuals in all-party groups and the like to see what we can sensibly do as part of our ongoing reform package.

I re-emphasise that the changes that we made four and three years ago are still bedding in. We want to make sure we allow them to do so. Perpetual revolution is not necessarily the solution.

Q143 Bob Blackman: I can accept the concept there. However, the Public Accounts Committee, admittedly before you arrived in this current job, was heavily critical of the Ministry, saying that a once-in-a-lifetime opportunity had been wasted by not taking action on this. That was in October 2019. Remember that this is land that is owned by public bodies. I am not even talking about the private bodies at the moment. I am talking about the land that is owned by public bodies that ends up going through this cycle that means housing is therefore far more expensive than it has to be. If this land is retained in public ownership and used by housing associations or local authorities to build housing, housing could be built on it substantially cheaper. Surely that has to be an aim that



you, this Committee and everyone who is desperate for a home would like to see.

Christopher Pincher: I have never known the Public Accounts Committee not criticise the Government as part of its function. I do not mean to be flippant in my response. I will happily look at what the Committee recommended. I reiterate that it is very important that we let existing and relatively new provisions bed in. We have the programme of disposing of public land. The figure I have is that could release up to 160,000 homes, but I will defer to Tracey in a moment to confirm if I am correct, over the period to 2025. We have a programme of land disposal. We have changes to the 2016 and 2017 Acts to bed in, but I will look at both your report and other Committees' report. I will ask Tracey to confirm whether I have my numbers right.

Tracey Waltho: The original intention of the programme was 160,000 homes. Departments are still working towards those figures. At the PAC, we said that we expected up to 69,000 to be delivered within the original timeframe of the programme. Those figures have not yet been published and we will anxiously wait to see what the final numbers are.

Q144 **Bob Blackman:** This is the final go I will have on this. Obviously, London and the south-east have some of the most expensive land anywhere in the country. We have just had the issue of TfL land exposed by the previous panel. We could talk about hospital land. We can talk about all sorts of public land in London and the south-east. If we sell that land to private developers, by the time it is developed, the value will have increased, and probably trebled. As a consequence, we will not get the social housing that everyone wants to see. Surely, as a new Minister, you can take a cold, hard look at the numbers, so that we are not paying £400,000 to build a new social rented unit but we are paying maybe £200,000. That makes it more affordable and we can build far more properties at a faster rate, so that you can hit the Government's 300,000 units a year target.

Christopher Pincher: You make it sound very attractive. I have to balance the subsidy, the grant, versus the volume that we need to build out, not just in London and other expensive parts of the country but for the whole of the country. There is that challenge. We should look at it much more holistically. We should look at it in terms of planning reform and changes; the planning White Paper will be published later this year. We need to make sure we have the right numbers of competition in the supply side to make sure there are the right numbers of builders so we do not have a consolidated sector, which is what effectively happened in 2008, 2009 and 2010. There are lots of elements and lots of plates spinning in this situation. I am very happy to have a look at what you recommend and see whether it is a plate that should be kept spinning, not smashed.

Q145 **Paul Holmes:** Good afternoon, Minister, and congratulations on your appointment. I have not seen you since then. It was a good appointment



and I am pleased you are in the role. As the Chair said, I would like to turn to planning conditions. As you know, Section 106 agreements with private developers currently deliver the majority of social rented homes. First homes, under its current proposal, will require developers to include first homes as a mandated percentage of their affordable housing obligations. What early assessment have you made of the impact of these proposals on social rent delivery?

Christopher Pincher: As you will know, the first homes proposal is a key one for levelling up. We are keen that people have the opportunity to buy their own home and have a stake in their own home. We think that makes stronger communities. We also want to make sure we get the discount right, which is why the 30% discount is a minimum discount that we would expect to be applied. I am conscious to make sure that the consultation, which closed on 1 May, so just over a month ago, and which had a significant number of submissions, is properly assessed to make sure we get our approach to first homes right.

I should reiterate, as I did at the beginning of the interrogation, that the amount of money we are investing in affordable homes this year, for the next five-year period, is more than we have invested for 15 years. It comes on the back of a very successful AHP programme that is coming to a conclusion. I hope we can be successful with first homes, giving people the opportunity to put a foot on the property ladder, but also make sure we are building the right types of other affordable homes that people want and need.

Q146 **Paul Holmes:** Moving on to permitted development rights, they have come under sustained criticism, from both our evidence and the Government's own Building Better, Building Beautiful Commission, for creating poor-quality homes and being exempt from Section 106 agreements. Why are the Government considering extending permitted development rights even further without first reviewing their impact on quality and social housing delivery?

Christopher Pincher: The Secretary of State, Robert Jenrick, made it very clear that he was very concerned about light in certain homes that had been built as a result of permitted development rights. He has committed to make sure we resolve that particular challenge. I am aware of that particular criticism. We have carried out a review of those sorts of converted buildings and we hope to publish it soon. There is an opportunity, through PDRs, to build out new homes, to build them out effectively, learning the lessons that we have as a result of that consultation. I dare say it will form part of your Committee's inquiry, either here or in the future.

Q147 **Paul Holmes:** It would be helpful if you could write to the Committee with the results of that review so that we are aware. We will know when that comes out, but for the detailed context in which your review is taking place it may be helpful to write to us. It would be good if you could commit to that.



HOUSE OF COMMONS

Christopher Pincher: I will happily commit to that. We will publish it in the normal way, but, if you want me to signpost it directly to the Committee with a cover note, I am sure we can do that too.

Q148 **Paul Holmes:** Can you tell us more about your plans to reform planning fees as part of the planning White Paper? The Government has said that will ensure planning authorities are properly resourced. Will you consider allowing councils to decide their own planning fees?

Christopher Pincher: The White Paper will be published later this year. There will be a lot of opportunity for input to be provided to us. We will learn the lessons from both it and the submissions we receive broadly from parliamentarians and the Committee.

Q149 **Paul Holmes:** Are you finding from local authorities, particularly lead members and directors, a problem with the expertise and maintaining of staff levels to cope with the planning system as it goes through these reforms? We know that the quality and experience of planning staff within local authorities currently is not where it should be.

Christopher Pincher: The quality and experience can differ from planning authority to planning authority. That is the nature of the beast. I am keen to make sure we work with local authorities and the LGA to refine the planning system, make it more transparent and make it more digital, as we have done through some emergency legislation, which you will know about, over the last several months, to make planning applications, as well as the review of those plans, much easier and more straightforward. I hope that will also local authorities and the pressures that have been placed on them.

As you will know, with respect to the particular pressures that local authorities face of late, they have been awarded £3.2 billion to help them through the emergency. That of course is not all about planning and housing. It forms part of their funding to get them through this crisis and the mix of focuses that they have.

Q150 **Paul Holmes:** There is one last point from me. Local rural councils, such as the council in the constituency I represent, but also the wider county, are particularly impacted by the small-site exemption for Section 106. Will you consider allowing councils to decide locally whether this is suitable or not?

Christopher Pincher: In the present situation, with regard to the CIL, for example—not 106, I know—we want to make sure local authorities can defer CIL payments because that helps SMEs to build out properties and not leave those footings unattended. It is better that the CIL is delayed than the properties not be built at all and no CILs be paid. In the last Government's tenure, at the back end of 2008 and 2009, they were very keen on flexibility around 106 payments for the very same reason—for making sure there is liquidity in the supply side, particularly among SMEs. If you write to me, as I am sure you will, on behalf of your council, I shall be happy to respond.



Q151 **Ian Byrne:** I have a follow-up on first homes. A previous witness in the first session, Tom Copley, said he was extremely worried about the first homes programme and the ability to deliver social housing. In another session, we had George Clarke call it a terrible idea. He went on at quite a length about how detrimental the first homes programme was to delivering social housing. Post COVID, we are going to be faced with a whole array of economic problems. Shelter is saying at the moment that we need 155,000 new social rented homes. As I say, there are economic issues facing this country post-COVID. Would the Ministry consider the first homes programme and maybe look at taking it in a different direction?

Christopher Pincher: As you know, we have consulted on the first homes proposition. As I said, that consultation concluded on 1 May. We will sift through the evidence. I will ask Tracey to confirm again the figures to check I am right. The British Social Attitudes survey suggests that something like 88% of people want to own the home they live in. They want to buy a home. The first homes programme, as we wind down help to buy, is a means of doing that. As I also said, we want to make sure that the discount level is, at a minimum, 30%. In those areas where perhaps costs are higher, the discount can be higher.

We have to balance, as I said in my earlier responses, grant against total funds available. We also need to work with the lending community—UK Finance, the banks and building societies—because they need to be able to produce the products that allow people to buy those homes at a reasonable mortgage. We are seeing that higher loan-to-value mortgages are moving back into the marketplace, but clearly those conversations, which I am sure the Treasury is having, as well as other Departments, to make sure they do, need to continue. We do not plan to redirect first homes in another direction, which I think was the last question.

Q152 **Ian Byrne:** Post COVID, the economic problems are still going to carry on with the mindset you have just outlined.

Christopher Pincher: We are going to build more homes. That is why we are putting £12 billion into a programme of homes. There will be a significant number of affordable homes and social rent homes that we are going to develop. We reckon that £12 billion for the affordable homes programme is probably going to generate something like £38 billion in further investment, so there will be more homes built because of the opportunities that suppliers find. That will make sure we are building out the right number of homes that we need, in the right places that we need, with the different sorts of design that we want, with the right quality and the right tenure mix.

Q153 **Ian Byrne:** I am struggling with the 155,000 social homes that we need now before we go into a potential downturn. The Government surely must be listening to the previous two guests beforehand who were talking about potentially moving to look at different models, because we need more social housing. My great fear is that you seem to be very blinkered



in your thinking. You should be looking at a much wider range of evidence in what we potentially need post COVID. I really fear for my communities, who are desperately in need of social housing now, about what is going to happen post COVID. I really hope the Government listen to some of the experts on what is potentially required. I do not think first homes delivers it. That is my great fear.

Christopher Pincher: I am sorry we disagree on that. There is a wider question here of course, which is not really for this inquiry or this Committee. It is about how we reinvigorate and recalibrate the economy to emerge from this crisis. Part of that is the housing sector, which employs 2.3 million people, from brickies to carpet fitters to removal people. There is a wider question of what we do to get the economy moving again so that people can afford to rent or buy their homes as they wish.

I put to you again that the evidence of the BSA and other surveys is that people want to be able to buy their homes. This first homes programme is a way of doing that. We also have a much wider affordable homes programme, which we will see will build significant numbers of new and affordable homes. Tracey, did you want to comment on the statistics to make sure I have them correct?

Tracey Waltho: Your quotation of the British Social Attitudes survey was correct, yes.

Q154 **Chair:** Before we leave first homes and pass on, because we want to talk about the coronavirus situation—I do not think we could avoid that today, quite rightly—there is a question I asked Nick Walkley. You probably heard it at the end. I appreciate that you have had the consultation about first homes and we are awaiting the Government’s response to it. Very specifically, the minimum number of first homes you said should come out of a 106 agreement was 40%. I think that is the figure. 40% was the minimum you consulted on. If it was implemented, that 40% would reduce the number of social rented and other affordable rented properties from 106 agreements, would it not?

Christopher Pincher: I will await the outcome of the consultation, talk with Nick and see what we can do to make sure that we are building the right number of affordable homes, including social rent homes.

Q155 **Chair:** My question was not what you were going to do. If you did the minimum you were consulting on, 40% first homes from any 106 agreement, or 106 agreements collectively, that would reduce the number of social and affordable rented homes built under 106 agreements by definition, would it not?

Christopher Pincher: We want to make sure we are building the right number of homes.

Q156 **Chair:** Can we have a straight answer to a very simple question? It is your consultation, not mine.



HOUSE OF COMMONS

Christopher Pincher: I will look at the consultation. We will work out what the figures are. I am very happy to come back to the Committee and have a further conversation with you about it.

Chair: I think that is nearly a yes, but we will move on.

Q157 **Abena Oppong-Asare:** Congratulations, Minister, on your appointment, like everyone else has said. I wanted to ask you about COVID. The average COVID-19 death rates look like they are higher for local authorities with the most people in temporary accommodation and local authorities with the most acute shortages of social housing. Newham Council, which also has quite a number of people in that particular borough who have died from COVID, has said that COVID-19 is a housing disease. I wanted to ask you whether you agreed with that. Secondly, would you consider further investment in social housing as a result?

Christopher Pincher: COVID-19 is a very significant challenge to all of us, to our economy and to local authorities. That is why we have given local authorities a very significant amount of money to deal with the challenges of it.

With respect to things like people who are homeless, people who were rough sleeping and in temporary accommodation, we have done a great deal to deal with the immediate challenges those people were faced with, which was a lack of safety during the crisis. As a result, something like 90% of those people now have a roof over their heads and advice from their local authorities to get them through this crisis. If you exclude London from the calculations—I know it is where your major focus will be—it is something like 95% of homeless people and rough sleepers who have been accommodated.

The focus now is to provide them with continued support. Only this morning, Luke Hall announced something like £6 million of further funding for homelessness charities, for example. I do not know what it means for Erith, but for my constituency, in Tamworth, it means that £37,000 is available to the Tamworth Cornerstone Housing Association. Luke Hall is looking at local authority plans for the further accommodation and support for those people who are suffering. As Dame Louise Casey, who has been brought in to look at this particular challenge for us, has said, the overwhelming priority is to make sure those people who have been brought in off the street and are in temporary accommodation do not go back on to the street.

Q158 **Abena Oppong-Asare:** This is really helpful. I wanted to go back to your point where you said 90% of rough sleepers outside London are in temporary accommodation and 95% are in accommodation in London. As we know, this is very short term because these measures have been put in because of COVID-19. I know you have mentioned that Luke Hall has put in an additional £6 million of funding. I wanted to see if you can give some assurances that there will definitely be investment ring-fenced specifically for social housing.



Christopher Pincher: Sorry; perhaps I was not clear. In fact, the numbers are the other way around. It is 95% of rough sleepers and homeless people in England are off the streets as a result of the interventions we have taken. If you factor London into the equation, it is 90%. London of course has its own challenges and they are always going to be more difficult to grapple with.

We are committed, as I say, to supporting those people who have found themselves in this very difficult situation at this hugely difficult time. I am very happy to talk to Luke to see what further plans he may have. It is for local authorities to identify what their local challenges are. They are best placed to do that on the ground. I am sure we will continue to talk to them about the sorts of support they need. Luke Hall is talking to those individual councils and looking at their plans, to make sure their plans are fit for purpose.

Tracey Waltho: I am conscious that I work with Minister Hall as well and wanted to build on the Minister's answer. £433 million has been committed to bring forward 6,000 units of accommodation, so there are some very clear funding commitments in place.

Q159 **Abena Oppong-Asare:** I wanted to ask if you could go back to Luke Hall and ask if further investment can be given to social housing. I have had conversations with a number of local authorities and they feel that more support should be given. I understand where you are coming from, where different local authorities need to be able to establish what is best for them. It seemed to be unanimous that they were all in agreement that further investment needs to be given. I also wanted to go on to the point where you issued guidance in May, advising councils to offer deferral periods for Section 106 planning and obligations, which includes affordable housing, to help SME developers cope with the impact of COVID-19. Have you carried out an assessment to find out the impact of these deferrals on the delivery of social housing?

Christopher Pincher: No, we have not. Those deferrals have only been announced in the last few weeks or so. My focus is to make sure we support the supply side—the builders—and the supply chain, throughout that chain, to make sure we are able to build out as rapidly as possible when we are through this emergency. One of the challenges for SMEs is the need for liquidity. They do not necessarily have large balance sheets that they can sit on and try to ride out the challenge of the emergency. They need money into their bank as a continuous flow.

Local authorities are very supportive of what we want to do. Certainly, the conversations we have had with the LGA and other local authorities suggest it. It is better that deferrals of CILs, for example, are made because that will enable the cash flow situation of SMEs to be improved. That will enable them to continue building.

With respect to Section 106, that of course is a negotiation between local authorities and the builders themselves. As I said earlier, there is



HOUSE OF COMMONS

evidence that, in the 2007, 2008 and 2009 crisis, the Government of the day pushed Section 106 deferrals quite heavily as a way of helping SMEs through the crisis. That means, in the medium to long term, you get more build out.

Q160 Abena Oppong-Asare: I appreciate that this guidance from May is quite new—it has only recently come—but in terms of looking at how it has impacted social housing, there needs to be a review in terms of the impact of deferrals. Is this something you would consider looking into?

Christopher Pincher: I am very happy to look at the effect of the deferrals. I hope there will be a very positive one. I would not want any sort of detailed study, which is going to take time, cost money and perhaps not give us too much information, to be done. I am very happy to have a light-touch look at the way the effect of the deferrals has been achieved.

Q161 Abena Oppong-Asare: None of the £3.2 billion of extra funding for local authorities was made available for councils' housing revenue accounts. Given the potential impact of rent arrears, there have been delays to development and many more. What interventions are you considering taking forward to help councils maintain their new-build programmes?

Christopher Pincher: We removed the cap on borrowing of the HRA, as you will know, which will enable local authorities to borrow to build more effectively. At the Budget, we also changed the interest rate for the Public Works Loan Board charges. That is another mechanism by which local authorities can source funds to build. They can also, like housing associations, bid for AHP funding to Homes England, which is very skilled in identifying good projects and good programmes and providing the support that needs to be given to those programmes in order to build the sorts of houses we need. The infrastructure is there to support local authorities.

Q162 Chair: To push a little bit further, you did not really answer the question about the HRA, if I could just comment on that. I completely agree: the Government's lifting of the borrowing cap and the reduction of the charge on Public Works Loan Board borrowing that councils do for social housing is very welcome indeed. The coronavirus has hit local authorities in terms of rents being paid. Cashflow into the HRA determines future building programmes, in terms of what authorities can afford. Is there any way that Government are prepared to help in the HRA in the current circumstances, or not? If it is not, councils ought to know they are standing by themselves.

Christopher Pincher: I am very happy to discuss with the LGA and local authorities the challenges that are presented by COVID-19, including these sorts of challenges. Where those conversations lead is for the conversations to be had.

Chair: At least the conversation is better than not talking. I am sure we will be drawing that to the LGA's attention, because I think it is a problem



that many local authorities, of all political persuasions, are going to face in the current situation.

We will move on to discuss issues to do with building safety. We have already mentioned Grenfell at the beginning. There is clearly lots of work to do following that.

Q163 Brendan Clarke-Smith: Good afternoon, Minister, and congratulations from me as well on your new position. The National Housing Federation warned that the cost of remediating social sector buildings of all fire safety defects could easily exceed £10 billion. The Government's building safety fund provides £1 billion for removing non-ACM combustibile cladding. Social landlords can only apply if they can prove they are in financial difficulties. What assessment have you made of the impact of the cost of remediation on social housing delivery?

Christopher Pincher: The numbers are a little bit higher than you suppose because of course £400 million was made available to local authorities to remediate ACM cladding and work is continuing at pace to do that. We anticipate that there will be other means by which non-ACM cladding costs can be paid for, which will not fall upon the homeowner, the leaseholder, through warranties from the developers, insurance schemes and the like. I know that my colleague, Lord Greenhalgh, is looking at the Building Safety Bill, which we plan to publish before the summer recess. He is looking to see what can be done and is talking to the industry to make sure that those sorts of remediations are done and done effectively.

Q164 Chair: You referred in the answer to leaseholders and others, but the question was actually about social rented landlords, housing associations and local authorities. The National Housing Federation said £10 billion but the £1 billion announced by the Chancellor specifically says that local authorities and housing associations can only get the money if they cannot afford to do the work. There is a financial test for them. Why?

Christopher Pincher: If they can afford to do the work, they should afford to do the work. If they cannot, the help is available to them.

Q165 Chair: We were here in exactly the same position when the first problems post Grenfell were identified. The Government's response then was, "If local authorities or housing associations cannot fund the work on ACM cladding, come to us for assistance". In the end, the Government had to provide a fund, which was not means-tested for authorities. Is the reality not that, if you force authorities to replace non-ACM cladding and other building defects and fire safety issues, without Government funding, that comes out of the money local authorities have identified for future house-building and maintenance? Is that not the case?

Christopher Pincher: I do not think it is. Other ways can sensibly be found to remediate. The Government will want to help local authorities. That is why they have launched the scheme. That is why they have funded £400 million worth of ACM—



Chair: That is for ACM cladding. We are talking about other forms.

Christopher Pincher: Agreed. The £1 billion that was announced last month is for non-ACM cladding, on top of the money that is available for ACM cladding and remediation. The Government are taking clear steps to discuss, with the industry, with local authorities and with the owners of other properties, what is the best and most effective way of remediating combustible materials. We will continue to have those conversations. I am sure that Lord Greenhalgh will be conducting them over the next several weeks as he brings forward his legislation.

Q166 **Chair:** You just mentioned other ways. What other ways do social landlords, local authorities and housing associations have of paying for this work?

Christopher Pincher: There may be warranties with the builders. There may be insurance that they have. A whole variety of ways need to be looked at to see how this can be sensibly funded. We will look at that, discuss with local authorities and other building owners, and bring forward legislation appropriately.

Q167 **Chair:** If local authorities and housing associations cannot pay through insurance or warranties, getting the developer to pay where the developer has made mistakes, if none of those avenues are open to them, will the Government then look at providing the funds for local authorities and housing associations to carry out this vital work?

Christopher Pincher: We will discuss with local authorities what their financial challenges are. Fundamentally, we want to make sure these properties are remediated and remediated effectively. We will have those conversations with local authorities. If there are other ways of paying for a remediation that do not fall on the taxpayer, clearly we would want to look at those.

Q168 **Chair:** You presumably would not want local authorities or housing associations to have to reduce their future building programmes or maintenance work to pay for it, would you?

Christopher Pincher: I am very keen to make sure that future maintenance work continues and the future build-out programme across all tenures is as effective as it possibly can be.

Q169 **Chair:** There may be further conversations on that as well. You have had quite a range of questions from the Committee this afternoon. I think you can tell that the whole issue of the provision of social and affordable rented housing is something that is very important for the Committee. We will now give consideration to all the evidence we have had over quite a period of time, with the election intervening, and come to a report. We are sure you will take that extremely seriously and, hopefully, in the spirit of agreement, will respond positively to all our recommendations.



HOUSE OF COMMONS

Christopher Pincher: Absolutely. I look forward to receiving it. Can I ask a question finally? This precedes my time as Minister. When did you begin your inquiry?

Q170 **Chair:** It began in the last Parliament. We started with another inquiry on devolution and obviously the election came, but the Committee decided this was an important subject. We had already taken some evidence, a lot of written evidence and some oral evidence, and decided to conclude it. We thought the issue was just as important now as it was when we started it last year.

Christopher Pincher: I see. That is very interesting and helpful. Thank you very much.

Chair: Thank you very much indeed, Minister. That is the end of our proceedings for today.