



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. 9

Heard in Public

Questions 94 - 108

THURSDAY 22 OCTOBER 2015

10.10 am

Witnesses: Chris Carr and John Slaughter

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
 Lord Clement-Jones
 Lord Freeman
 Lord Inglewood
 Earl of Lytton
 Baroness Parminter
 Baroness Rawlings
 Baroness Whitaker
 Baroness Young of Old Scone

Examination of Witnesses

Chris Carr, Chair of the Home Builders Group, Federation of Master Builders, and **John Slaughter**, Director of External Affairs, Home Builders Federation

Q94 The Chairman: Welcome to this evidence session of the Select Committee on National Policy for the Built Environment. Thank you very much for giving up your time. I know that everybody is busy nowadays and to give this slot of time is probably a bit of an irritant, but it is very valuable to us. We learn a huge amount from these sessions, so thank you for doing it.

You have in front of you 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's website. You will of course have the opportunity to make corrections to that transcript where necessary. I begin by asking each of you to briefly introduce yourselves, please, to the Committee. This is for the record.

John Slaughter: My name is John Slaughter. I am the director of external affairs for the Home Builders Federation and am responsible for quite a wide range of policy issues within the federation. I have been working in the housing field for more than 12 years now.

Chris Carr: I am Chris Carr, the managing director of Carr & Carr (Builders), based in Cleethorpes in north-east Lincolnshire. It is a family-run business and has been running for nearly 100 years. My son is now the fourth generation to join the company. By trade I am a carpenter, although I sit behind a desk for most of my time now. Until the recession, probably 90% of our work was in building new homes but during the recession, we dropped off and went on to doing contracting and listed building work, purely because of the housing

market. So from 10 to 15 buildings a year, we dropped back. In the last five years, we built one house, but we are now back on to the market and have started building again.

The Chairman: What do you see as the total for this 12 months, starting now?

Chris Carr: We have one site with four units, which we are in the middle of, and we have just got a site for 96 where the infrastructure is going in now. By the time we have the Section 106 agreed, the conditions lifted and the infrastructure in, we will probably start in the middle of next year. We will probably still build only 10 or 15 a year at the moment.

The Chairman: But are you feeling more hopeful?

Chris Carr: Oh yes.

Q95 The Chairman: Good, thank you. You have had a list of questions. The first question is from me. The Committee has previously been told that the private sector will only ever deliver around half of the new housing required in England. Why is this? How many new homes, in your view, is the private sector able to deliver over the forthcoming years, and how in broad terms might it deliver more? I suppose you will say that if the economy is booming, companies such as yours would be able to, but over to you.

Chris Carr: The crash in the housing industry was predominantly everywhere bar London. I spoke to a gentleman down at Canary Wharf who said that the recession was for 18 months. We need to get away from that. It has been five years where we are, and we are only just coming out of it now. There has to be an understanding that London and the south-east are almost their own market. We need to remember that, because I represent builders from all over the UK.

We are looking at a benchmark of 220,000 homes. Historically, we managed to build 150,000 in the private sector before the crash. I still see achieving that again as being a long way off. The key constraint at the moment, I suppose, is skills. It is brought up over and over again and is still a key factor, but my members say that the biggest problem is still finance. The SME sector is still struggling to access finance through the traditional banking system, and having to look at alternatives. We can bring the numbers up. I do not think we can achieve the 150,000 straight away. It will take a few years to get up to that sort of level. My biggest worry is the amount of developing companies that have gone out of business, or pulled out of it. We were building two-thirds of all new homes around 25 years ago; we are now down to a third. So we have lost a third of the capacity, and with the greatest respect to the national housebuilders they cannot take up that sort of slack. They are doing very well to

deliver the numbers, but when you lose a third of your industry it is a big problem. Even though we are coming out of the recession, the NHBC announced at its AGM that it has lost 400 registered builders in the last year. Yes, we are on the up, but we are still managing to lose 400.

The Chairman: How many registered builders are there?

Chris Carr: I cannot give an answer for that. I am sorry that I do not know.

The Chairman: Perhaps we can follow it up by asking HSBC.

Chris Carr: It is the NHBC.

The Chairman: Oh, the NHBC—I thought you were talking about the bankers and finance. I will pursue one point. You mentioned skills. I have been getting a lot of questions saying, “What you mean by skills? Everybody’s got skills”. So what are the real deficits in the areas of skills? Is it in architecture, brickies or roofers, or whatever?

John Slaughter: From the data and from talking to our members, it is a range of roles. If you talk about sites, site management is a key function. Certainly it is in some of the professions, such as quantity surveying. We all know that nationally there are not enough planners to go around anyway. But it is also in key trades such as bricklaying and carpentry. There is a range of roles where we need to have more people with the right skills coming into the industry. It is about attracting people who are already in the workforce and may have previous or relevant experience, as well as people coming into the workforce for the first time.

The Chairman: In an ideal world, if there were no constraints, how would you overcome this lack of skills? Would it be through further education colleges, more apprentices, or what?

John Slaughter: Again, it will be a range of things. Certainly, it would be through having more apprenticeships, but personally I am very keen on the new generation of university technical colleges. As a bridge between technical, vocational and academic education, they offer a lot of opportunities to bring more people into the industry in a creative way. Five or six UTCs already have a construction or housebuilding affiliation, but we would like to see a lot more of that kind of initiative. It could be in restructuring of the Construction Industry Training Board’s support mechanisms. The construction sector is almost unique; only one other part of the economy has an existing levy and grant system. From the housebuilding perspective, we are pressing hard for a reform of the CITB in a way that will make the support it provides far more attuned to the requirements of our industry, so that we can add much more value by bringing more people into the industry.

Lord Inglewood: This is a quick question. One of the big political questions of the day is the immigration of people, particularly from eastern Europe, to work in the building trade. Are they taking jobs from British people, or would you be unable to build even what you are now without them?

John Slaughter: I think it is the latter; we need these people to come in. You cannot switch on a new apprentice, as an apprenticeship is a two or three-year process to get someone up to speed, so if the need is now there is probably no alternative. I do not think they are actually taking British people's jobs. We need both, in reality.

The Chairman: That is reassuring, actually—it hits other buttons.

Q96 Baroness Andrews: I have a couple of short questions. What you said about the UTCs is very interesting, because that model fills the gap between very high-spec engineering-type training and the sort of skills that you can really put to use quite quickly. You recommend them, but we obviously need more, as you say.

John Slaughter: A lot more, I would say.

Baroness Andrews: You mentioned finance. Can you explain a bit more about where the difficulty actually presents itself when you come to try to fund your developments?

Chris Carr: The finance is quite crucial to us. We have been with our bank for at least 80 years and we are now deemed as a risky project for no other reason than we are an SME housebuilder. Gaining finance from banks in the traditional way is quite harrowing at the moment. We are having to look at alternatives. I chair the FMB's homebuilders group. When we spoke to a group of our members the other day, of the 12 ladies and gentlemen there who are based all over the UK, six or eight of them borrow off friends and private investors, normally people who know them and so know that their money is safe. That is what a bank used to do when your bank manager knew who you were. They trusted you, and you did not want to let them down because they were almost a personal friend. It has got to the stage now where we are purely a number, and because our number comes under the category of an SME housebuilder we are refused point blank.

Baroness Andrews: Is that to do with the size of your firm or its function?

Chris Carr: That is the million-dollar question. We do not know why. It is just that we do not have bank managers any more; we have relationship managers.

Baroness Andrews: So you do not know why you are in that category?

Chris Carr: They take a report and send it off to the head office in Leeds or Birmingham. Then they send it back saying whether they will lend or not. They will not give you the criteria. We had a relationship with a bank for more than 80 years. We never defaulted on a payment, we always paid, and they made good money out of us over the years. It is just that it now goes from my relationship manager, since we do not have bank managers, who feeds it into a computer—and the computer says no.

Baroness Andrews: Do you have a date for when that changed?

Chris Carr: It was within a year or 18 months of the recession coming in. The banks were heavily into the national housebuilders, by the billions, and knew that they had to pull back as an industry. They had overstretched themselves in the construction industry, so the easiest people to hit were the ones in the middle. They could not pull the plug on the ones at the top, who owed so much, and the ones at the bottom they did not know a great deal and that were not the problem. It was the ones in the middle, the genuine SME entrepreneurial house developers, for whom they just stopped the finance.

Baroness Andrews: May I ask a question following on from that? Have you as a group, a trade association, gone to see any of the banking groups or authorities?

Chris Carr: We have. Emma Reynolds MP and Chris Leslie MP held a meeting with the FMB and some top people at the banks to see where the problems were. They did a great job. Emma Reynolds did a fantastic job in finding out what the problems were, but I think even she was shocked by the attitude of the banks. When they went around the room and asked them who would lend to the SME sector, they all sat on their hands. A couple—Lloyds and Nat West, possibly—said that they were interested. I thought the others might give the idea that they would lend, just because they were in front of two MPs, but they did not. They just said, “We are not interested”.

The Chairman: Yes, but surely you could aim higher than that. You make press statements, do you not?

Chris Carr: Yes.

The Chairman: You could say that this is some of the evidence you gave to this Committee, or whatever, but Carney ought to know that this is going on.

Chris Carr: I think that people know it is going on.

The Chairman: They are a block on progress and on fulfilling the Government’s objective.

John Slaughter: I think that is right. Perhaps I could come in on this. I also want to come back to your initial question about whether there is a limit on what the private sector can deliver. The answer is no, not really. If you have favourable economic conditions and a sensible policy and regulatory framework, then in principle the private sector can grow as far as it needs to grow. We would not say that there is any particular limit on what the private sector can deliver, but a key part of that picture is the issues that Chris has touched on. We have seen a reduction of 75% in the number of SMEs in housebuilding over the last 25 or 30 years. We really need to remove the barriers to entry for small businesses, and to enable them to grow into big businesses. If we are to be successful over time in meeting the housing supply challenge, we need to do that.

Finance is part of it. Our perspective is that finance has been improving for smaller companies. It is not perfect, but another key point here is that smaller businesses often rely essentially on project finance, as opposed to wider financial facilities, so it is a different type of dialogue. From our members' feedback, part of the reflection of the tightening of the banks' attitude to project finance for small companies was in effect that they were expecting small companies to put more equity into project finance themselves. That would obviously challenge their ability to either stay in the market or grow their output. Some of the initiatives which the Government have taken recently are trying to address those types of issues and help with that side of things, but we need to do a lot more to help small companies.

The Chairman: Maybe when wearing your hat as a trade association, you ought to get together. I do not want to pursue this point, because we have a lot of questions, but it coincides with a lot of complaints out there in the financial world about the loss of that relationship management. I know that the Treasury is trying to do even more to make it easier—there was even something in one of the papers yesterday. On the back of these questions, Lady Whitaker wanted to come in, and then Lord Inglewood.

Baroness Whitaker: I have a very quick question, returning to the issue of skills. Mr Slaughter mentioned an increase in CITB support. I know that it has gone down considerably and was very valuable. How should this be funded?

John Slaughter: It is about the use of the funding that the CITB already has. Through the levy from the construction sector, it generates annually about £160 million—

Baroness Whitaker: So it has enough.

John Slaughter: It has enough; it is just the way that funding is used. From our point of view, the funding has not been used in the best way.

Baroness Whitaker: But is not the industry represented on the CITB to say how the money should be used?

John Slaughter: It has been, but this is a very big subject. The CITB is in the midst of a process of significant change and governance restructuring. The old structures did not really work very effectively, so that from our point of view our voice was rather lost in the way that the CITB worked, even though we had representation. There is a genuine feeling in the industry that we could invest far more effectively for the future in the skills that the housebuilding part of construction needs, if the CITB were more responsive and working in a way that properly understood how the industry is structured and where the money could gain most benefit.

Baroness Whitaker: If you wanted to send us a note on your ideal CITB, that would be very helpful.

John Slaughter: I am very happy to do that.

The Chairman: You took the words out of my mouth, because we do not want to spend much time on this. But you obviously know all about it, and I certainly do not know anything about it. It would be most helpful if you could give us an aide-memoire on this.

John Slaughter: Yes, that is no problem.

Lord Inglewood: One quick question, if I may. You have spoken to us about the lending policies of banks. Is it your evidence to us that the banks' lending policies have a direct and material responsibility for at least some of the shortfall of housing that is needed in the country today?

The Chairman: Yes or no?

Lord Inglewood: It is a yes or no answer really.

Chris Carr: A very big yes.

John Slaughter: And it would be a yes from us as well.

The Chairman: Let us have the next question.

Q97 Baroness Rawlings: Thank you for your very clear answers. I wondered how the local plan-making process might be improved to allow the delivery of a greater number of new homes. As you know, we are preparing a report for the Government, which will be debated. There are ways that we might improve the process and develop ideas. What are your views?

I do not know whether you saw Clive Aslet's idea in the *Times* this week about out-of-town shopping centres and large land areas. He said that shopping centres often occupy what were large farms and are "not strictly ... brownfield sites, because they're still in use". He went on: "Keep the ground-floor shops, put the cars below ground and raise four or five storeys of housing on top". To help to do this, he said, "Changes to the tax system could be introduced to incentivise them". Apart from having large areas of land, one of the most important parts is that they have the infrastructure there. Aslet said: "At present, the push-me, pull-you of planning delivers the worst of all worlds: unhappiness to nimbys, not enough houses for the chancellor and misery for those" who would like more houses. What are your views on that?

Chris Carr: The local plans play a very important role for all new housing. I know that you talked about building above out-of-town shopping centres, but that would work in very few places. In London, it would be great, but in Grimsby I could not see that doing that would make any difference whatever.

Baroness Rawlings: But what about putting the cars underneath so you can build the houses on top?

Chris Carr: I understand that we cannot have car parks underground in flood-risk areas. There would be no desirability or commercial viability in probably three-quarters of the UK. It would work in certain key areas—your Londons and your Bristols—but not even, I would think, in the northern powerhouses of Manchester. I do not think that would work except in a limited amount of places. The trouble is that the local plans are based mainly on these big strategic sites, which will not give the numbers you are looking for. If you have a planning application that delivers 2,000 units on a site, it will still probably deliver you only 40 units a year—and if you had two developers on that site, it would deliver you only 60 units a year. So if you have two national builders on a 2,000 unit site, it will deliver a maximum of only 60 to 80 units a year.

Delivering more of the larger sites will not deliver the numbers we are looking for. We need more of the smaller sites. We need everything and everybody—all the local towns, hamlets and villages—to take their fair proportion. Percentage-wise, in a hamlet with six houses you might build two houses. In a village of 1,000, you might build only 20 houses at the side of it. That is more sustainable and deliverable, and you will get the numbers growing a lot quicker than you would on those big strategic sites.

The Chairman: Is there not also a feeling that we want people to be going not “up and up” but “out and out”? The big thing about that Clive Aslet article is that he is a man, obviously. Women do not like going into those underground or multi-storey car parks. None of my friends would want that, because they have a bad name and you never can find your car, and goodness knows what else. So there are problems with multi-storey car parks. I think the answer is what we saw in the Elephant: keeping cars underneath the houses and away from the general traffic-flow areas.

John Slaughter: Certainly that model can work, as Chris says, in particular market contexts. To broaden it out, we need to be inventive and look at all such opportunities. In the housing sector, one of the Government’s reforms that has helped to boost housing volumes over the last couple of years has been permitted development rights to convert vacant office premises into residential—

The Chairman: That is true.

John Slaughter: The Government recently confirmed that that flexibility is to be made permanent, so a range of things can be done on the supply side. None of them will solve the problem individually, but we could take enough measures across the board by looking at opportunities to be inventive, such as using out-of-town shopping facilities. I am aware that there are situations where out-of-town developments may not go ahead or get scaled back because of changes of fashions in the way that we all shop and live. We have to be open to all these flexibilities and possibilities.

To go back to the big question of what we can do to make a difference through the local plans, first, we really have to stick with the system as it has been reformed under the NPPF—a helpful set of reforms. We are very pleased that the Government are saying in the Housing and Planning Bill that all local authorities should have a local plan in place by early 2017. Within that, from the housing perspective, it is a question of ensuring that the local plan properly assesses what housing requirements are and then makes the right land supply allocations for them. The points that Chris raises are very important in that respect. We totally agree that an overreliance on a few large strategic sites is not necessarily the right way to go. You need strategic sites, but you need a whole range of different sites. In fact, the way the market works, the more active sites you have across an area the more you can build up supply, because any individual site tends to have an absorption limit. Housing markets

are very local in practice, so you need as many active sites as you can reasonably have across an area.

Q98 Baroness Young of Old Scone: I have a question for Mr Carr. You said that even on the strategic sites, the big builders will deliver only a very limited number of houses. Why is that?

Chris Carr: It is about physically delivering the houses when they take such a long time to build up now. It is probably three or four months before you can complete a property, with the infrastructure going in. It is not an easy process.

Baroness Young of Old Scone: You do not think that there is any dragging of feet to keep prices up.

Chris Carr: No, I would not like to say that about the national housebuilders. Can we change the subject?

Baroness Young of Old Scone: Think it and we will read your mind.

Chris Carr: You are very good at mindreading. To a certain extent I think there is, but they want to deliver as many as they can. They have shareholders demanding that these houses are built, so, in defence of the national housebuilders, they cannot drag their heels too much. Building a new house is a slow and complicated process; there are so many things to go into it that it is no easy thing. We need to find easier ways to develop new homes, which might increase the numbers.

John Slaughter: There is a limit. You obviously have to sell at a price that is viable, so that is a factor, but there is also a market absorption level. Another way of looking at this is that every builder has their own market space. They are not all necessarily competing for exactly the same customer base, so in any given area there will be a limit on the number of sales you could reasonably make on a type of development. That brings you back to the question of having more active sites, because if you do you will have a bigger range of builders active—and they will be in different parts of the marketplace. You will have a more varied product offer overall, which is what the market needs to flourish.

Baroness Andrews: May I pursue this?

The Chairman: Yes, but we are running out of time on these questions, and Lady Parminter is before you on the lists that we take from your signals. We do that very fairly.

Q99 Baroness Parminter: Can I tease it out a bit more? You are suggesting that if more sites are available and there is a fully functioning local plan and sufficient finance, effectively the

sky's the limit for how many houses you can build. But the evidence we have had from some people in the public sector, and indeed others in the industry, is that there is a limit on the amount that the volume housebuilders will build to meet the Government's targets, just because of the nature of your market. It is just the way a competitive market operates. Would you confirm whether there is a limit to the amount that the volume housebuilders could deliver in meeting the Government's agenda? You seem otherwise to be suggesting to us that you could meet the whole need.

John Slaughter: I should be clear that I am not saying it would be just through the existing volume housebuilders. They can grow but the point that Chris and I are making is that ultimately we need more players on the pitch, because the more businesses that are out there, the more sites they are operating. That is how, touching on the answers I have just given, we could actually build up supply. The large builders have grown since the recession, and, if you read their trading statements, they are still planning to grow further. But it is fair to say that if we are to get to the levels of output we would all like to see in a relatively short time, that would be much assisted if we could bring more players into the market.

There is no physical limit as such, but there are investment decision points if you grow a business beyond a certain size. This is a very quick aside. The big builders effectively comprise an agglomeration of regional business units. When they are growing they have to open new regional business units, each of which has infrastructure and set-up costs. You need to be confident that you can grow your business to that extent and sustain it. You do not want to open up that capacity and then, given that it has traditionally been a fairly cyclical market, have to think about closing it down again. There may be reasons to be quite judicious about how you grow your business, but there is no actual physical reason within the nature of the industry why it cannot happen, and it does.

Baroness Andrews: I want to drill down a bit more on the management of these strategic sites. Are you not essentially talking about market absorption in relation to private homeowners?

John Slaughter: Yes.

Baroness Andrews: The other players in the field are essentially local authorities and social landlords, so on a strategic site you would obviously get a lot more building than the current market has.

John Slaughter: Oh yes.

Baroness Andrews: I just want to make sure that we do not all run away with the impression that these sites are lingering half-empty for donkeys' years.

John Slaughter: No, that is right.

Baroness Andrews: What do you see as the relationship these days between the private and public sectors in terms of building? First, are there opportunities for more partnership and co-operation? Secondly, we are moving from S106 over to CIL—the community infrastructure levy. Can you tell us something about how that is enabling or inhibiting development, from your perspective?

The Chairman: Can I interrupt for one moment? Could you send us that answer, as we are really running out of time? What Lady Andrews asks seems technical but I could be wrong and there might be something that we could get on that.

John Slaughter: Yes, we could send a note based on the work that we do on CIL around the country.

The Chairman: That would be very helpful, thank you.

Baroness Andrews: But on the first question, this relationship between the public and private sectors is quite important for innovation and prompting the market.

John Slaughter: I know that we are short of time, but it is probably worth saying on that first question that of course we are in a landscape that is changing quite significantly at the moment, with the Housing and Planning Bill as well as some of the other changes that the Government are introducing. The larger housing associations—what we tend to call the developing housing associations—are in many ways moving closer to a private sector model, so that necessarily opens up opportunities for collaboration perhaps in ways that did not happen in the past.

Baroness Whitaker: Very quickly, I want to return to the time that it takes to build a house, which Mr Carr talked about. I have seen very economical and well-designed prefabricated houses, both in the UK and abroad. Is this a useful technology that we should be encouraging or even incentivising?

Chris Carr: No.

Baroness Whitaker: Why? I asked for a quick answer, but I think that we need just a little background.

Chris Carr: We have looked at this. We are driven now by quality and design. With prefabricated, you probably get the quality but you do not get the design—they are premanufactured. You will get the same property over and over again.

Baroness Whitaker: You get the quality but not the design?

Chris Carr: For the design, you almost pick the design off the shelf. However, we are being told that we need more unique new homes—something that stands out and something that is going to last. The prefabricated homes are not brick and block, which is traditional in the UK because of our adverse weather; they are mostly timber-framed. There is a market for them. Some of the custom-build sites to deliver new homes, which we are potentially looking at, could work in that market, where you develop a site with infrastructure and you literally pick a home off the shelf. That could work, but not for mass-produced. I think the National House Building Council has looked at the idea and the SME sector has definitely looked at it—and it is fairly popular in Scotland—but it does not attract the type of clients who buy our homes.

The Chairman: Is rain the only problem?

Chris Carr: Driving rain is the problem.

The Chairman: In Scandinavia, they have lots of them.

John Slaughter: Our perspective on this is probably a bit different from Chris Carr's. Among our members we have all the large-volume national builders as well as smaller companies. Some of the volume builders use off-site manufacture. From all the work that has been done on this during my time at HBF, the main reason why there is not greater use of off-site manufacture is essentially economic, in that unless you have assurance of a real volume of production from the offsite manufacturing, the upfront capital cost is not necessarily competitive with traditional methods.

Baroness Whitaker: So the return is lower?

John Slaughter: Yes. It has many other potential advantages. I accept Chris Carr's point that it may not be the right thing for certain types of development, but if you are a volume builder using a range of house types, it could work quite well. However, if the economics are not attractive, obviously you will not go into it. The idea is being looked at again at the moment, and—to tie this back into skills—because of the skills issue, if we are going to grow output, the economics of offsite manufacture may become more attractive and there may be a bigger take-up of it in the next few years.

Baroness Whitaker: That is very interesting. Thank you very much.

Q100 Baroness Young of Old Scone: Can we talk about the green belt? The green-belt policy has been long-standing and has done some good stuff on stopping urban sprawl and settlement sprawl, but is there a need now for a change of policy? If so, how would that deliver its traditional benefits and, in particular, promote the sustainability and environmental agenda? Would it need to be set alongside a policy of still having brownfield as a priority?

John Slaughter: I do not think there is a need for a change of policy as such. The current planning rules—the NPPF and associated guidance—allow for green-belt use through local plans where that is reasonably justified. There are undoubtedly a number of parts of the country that are severely constrained by the existing green belt and are unable to grow within their existing area without potentially looking at some revision of green-belt boundaries. The ability to look at that is already available within the planning rules. I do not think that we would suggest that we need to change those rules, but it may be helpful for the Government to reiterate that that flexibility exists and, if a proper case can be made for some change to green-belt allocations, it can be looked at. Within a green belt, there are often areas either of what are in effect brownfield land that have been used previously or that are of relatively low environmental quality. So if there is a sensitive review of the options for redrawing the green-belt boundaries, we would not want that not to be looked at where, otherwise growth simply cannot be accommodated. It has to be a sensible way to go.

The Chairman: Do you agree, Mr Carr?

Chris Carr: Yes, I do agree. There needs to be a common-sense approach. To put a line through everything and just say, “Yes, we can build on green-belt land”, would be wrong. I think local authorities should think about whether there are areas that they need to develop that are in the green belt rather than just say that there is an open policy to develop. I am very keen on brownfield developments, and our members are very keen on brownfield developments. I do not like so much the out-of-town developments for shopping.

In many smaller northern towns, such as where I live in Grimsby, and Cleethorpes in North East Lincolnshire, our local authority is pushing heavily for regeneration of the centre of Grimsby to stop everyone moving out. That incorporates having a nightlife economy—so we need to make sure that there is an after five o’clock economy—and we need to make sure

that the younger people and the elderly who want to live in the centre of town have the right facilities there. If you have a family, you traditionally move out to the outskirts, but you want to move in as you get older. We need to cater for that, so I think that there needs to be an overall package so that we do not destroy the town centres. I am doing some work with Central Bedfordshire Council on exactly the same thing for one of its towns, because the council is frightened that if everything is put outside the town, the inside will suffer from the doughnut effect, which we have all heard about. I think there needs to be a combination of the two, so we need to look at greenfield, but we certainly need to look at town centre regeneration rather than think that we can just add numbers to the outside of the town. That would be a short-term win, but in the long term it would absolutely destroy our towns and cities.

The Chairman: We saw quite a good example of that last week when we went to Birmingham—it was really amazing—where they are doing both.

Baroness Andrews: May I ask a short follow-on question? Mr Slaughter made the precise point that the change-of-use arrangements for permitted developments—from offices to housing—would make a big difference. This is clearly one of the things that will revive and sustain town centres. What about the use of shops? Clearly, the whole retail landscape, which we have not talked about in this Committee, is completely changing, and that is having a devastating effect on the normal patterns of shopping and therefore on town centres. That will also have an impact on planning. Do you see the town-centre challenge as also being about bringing a new sort of accommodation—literally accommodation, from shop fronts and everything else—into different sorts of uses? Small builders would have a particular role in that sort of development.

Chris Carr: New shopping is not a problem; converting existing shops is quite a logistical problem for sound, for fire and for everything else. It becomes not particularly commercially viable to take an existing unit and turn it into housing above. The cost is prohibitive, so we just cannot do it because of the regulations—rightly, for safety you need fire exits, but you might have sprinkler systems, so you need to rip out the whole interior and redo it. You also need sound-proofing from building to building and from room to room. All those things just put on additional cost, which means that it is not commercially viable at all. However, it would be viable with new build. If you were doing new-build shopping centres of shops, yes I

could see that you could influence them to do that. But for existing shops, the issue is commercial viability. We looked at it for our local authority, and it just did not stack up.

John Slaughter: There are other things that can be looked at in terms of town-centre opportunities. Another issue that we are working on quite a lot at the moment is improving the supply of retirement housing for older people. Very often, the ideal location for that is in the town centre or very close to the town centre. That could help bring new life into town centres. I know that this is not on your list of questions, but it would probably be helpful to mention that as part of the picture as well.

Q101 Baroness Andrews: I think this question has been answered in some ways. It is about the disparity between the granting of planning permissions and the actual build out. Is there anything that you want to add on that to what you have said already?

John Slaughter: We have done quite a lot of work on this as the HBF, so yes I have some additional comments. It is quite a complex picture, but let me recap and clarify the implications of some of the things that we have already discussed. One reason would be the effect of altered local plans, where a lot of weight has been put into a relatively small number of large sites. When you look at the statistics, when a consent is given for a large strategic site for, say, 2,000 units, that is what will show up in the consents. However, as we have discussed, those 2,000 consents will not all be built out in one year, so that alone would partly explain the divergence between the number of consents and the number of starts.

There are other factors, such as the length of time that the full planning process takes to come through. The stats may tell you partly about outline consents rather than full consents, but even when you have a full consent, these days you regularly have a lot of pre-commencement planning conditions that have to be discharged before you can start on site. So the statistics probably do not tell you about those non-discharged planning conditions that are stopping you starting work on sites. You need to dig down into those kinds of issues to understand it.

Baroness Andrews: Is the shortage of planners an issue?

John Slaughter: The shortage of planners is a big issue. We are certainly concerned about that, because at the end of the day that slows down the process for the industry as well as causing issues for local authorities.

Baroness Andrews: Is there any way round that?

John Slaughter: Well, we have discussed all sorts of possibilities, including looking at whether an increase in fee income could be ring-fenced specifically for that resource, but I know that there are issues with ring-fencing in terms of local government finance arrangements. There is probably more scope for joint working between local authorities, and they could maybe even look at outsourcing. There is a range of possibilities. We are discussing those with the Government—with the DCLG.

Baroness Andrews: How interesting. How far have your discussions got?

John Slaughter: Not as far advanced as we would like. It is a tricky set of issues, but they are being discussed.

Baroness Andrews: But you would be prepared to pay higher fees for aspects of planning permission that would not compromise the outcome, shall we say?

John Slaughter: Yes, if it was set up in the right way. Our concern would be about paying higher fees if that did not result in a better service. That is why you would need to look at seriously ring-fencing the system if you went down that route.

The Chairman: Sorry, did Mr Carr want to respond to the question?

Chris Carr: Our local authority is privately running our planning system.

Baroness Andrews: Which local authority is that?

Chris Carr: North East Lincolnshire. We have a company called Cofely GDF SUEZ—it used to be Balfour Beatty—which runs our planning system, highways, trees and woodlands and building control. It runs a huge amount of services. Six to 10 years ago, we were ranked one of the worst planning authorities in the UK, but I would like to think that we are now one of the top for delivery. When I say delivery, that is not about approving planning; it is about the way that it is done. If the application is refused, it is refused quickly and we are told the reason why. It is very much run on a business model rather than a traditional public sector model. We have noticed a massive difference.

Lord Clement-Jones: Has that reduced the number of appeals and that sort of thing?

Chris Carr: The trouble with appeals, with the greatest respect, is usually down to the planning committee. You may have a great planning system, but you are reliant on the ladies and gentlemen sitting around the planning committee who can go against their officers' recommendations. The planning appeals are probably still the same, but the winning of a planning appeal is reduced because they work so closely. We work together—we work together as a unit. That may sound a bit bizarre, but we have informal meetings and they are

associate members of my association and there is a relationship side to this. We mix together, and if they have an issue, they come to us, and if we have an issue, we go to them. It is a working relationship rather than a “them and us”. Since doing that, that has made a huge difference.

Baroness Andrews: Does that happen anywhere else?

Chris Carr: I think that two other local authorities have done it. By the way, I am not being paid by this company for promoting it. It is just that I have worked so long and I have moaned about how bad things were to see this coming forward. It is just putting the matter on a professional basis. Just as we are professional as a construction company, they are as a planning company.

The Chairman: Is it the French influence?

Chris Carr: I do not think so. The name changes, but the people tend to stay the same. They are just more proactive. Our working relationship with the officers there has changed dramatically because they are respected by the developers—we respect them. We have an understanding of how it works, and it is a good place to work. The planning officers say that it is a far better place to work than it used to be when it was run by the local council.

Lord Inglewood: Are they the same people who were previously in the demoralised organisation? Is it the same personnel?

Chris Carr: Yes. Some of the traditional people who have been there for a long time, whom we might say were institutionalised, have a way of working that they will not change, but the new, younger planning officers coming through—usually, the best planning people get poached by developers—are willing to stay there because they enjoy being at work. Before, I do not think that the planners did enjoy being at work, if the truth be known.

Lord Clement-Jones: Were they TUPE-ed over in the first place?

Chris Carr: Yes.

Q102 Earl of Lytton: There is a perception out there that developers are accumulating large land banks that could be brought forward much more quickly to boost housing supply. How could such land be more quickly developed?

Let me also insert my supplementary at this point. It would be helpful if you could explain to the Committee—I come to this with a certain amount of professional knowledge, being in the employment of a firm of chartered quantity surveyors—what the processes are between

the granting of planning permission and the groundwork, as it were, in actually getting on site? What are the issues and the time lags that might be involved in that?

Chris Carr: From planning approval to starting on site?

Earl of Lytton: Yes.

Chris Carr: As we said before, the conditions need to be lifted and the Section 106 agreements all need signing. That will take you, we would say, probably between 18 months and two years from getting the planning approval to actually physically starting on site—probably 18 months. When you have planning approval, for a highway for example, you then need to send it off to a consultant, who will tell you how to design it. You have to get that signed off and you then have to go out to contractors to get prices to tender to do the work. That comes back and then you have to find time within their schedule to deliver the work. All that sort of thing goes on all the time. For example with services, you cannot start without gas, water or electricity—especially water and electricity, because you may need them to build. Your infrastructure needs to go in—you have your health and safety management—and you are usually encouraged to start straightaway on the biodiversity, so you need to plant trees and hedgerows. By the time that you have done all that, you are 18 months to two years down the line before you physically sell the house—I am not saying build it. The building might takes four to six months, depending on the size of the property. At the top end, a more bespoke property will take us at least six months to build. That is where the time lag is.

Earl of Lytton: What about the land-banking issue?

Chris Carr: I think that some people do land bank. I suppose that, technically, my company does so, but I like to call it reinvesting in my business. I am building on land that my grandfather and my father bought, but I am investing now for my son and grandchild—I have a grandson. We are looking to reinvest all the time. The land that we buy is not land with planning permission. If I buy agricultural land 20 to 30 years in advance, do you call that land banking, or does land banking refer only to land that has full planning permission?

Earl of Lytton: The thought is that people are hoarding things that have consent and not bringing them forward because there is some notion that it may go up in value.

Chris Carr: The SME sector cannot do that, because if we buy the land, the bank wants a return straightaway, so we cannot land bank. So the idea that a small developer will buy such land and sit on is just not going to happen. The national housebuilders are accused all

the time of land banking, but in their defence from purchasing a piece of land to actually building the first property on site is probably three to five years. People do not realise that we are probably going for a year on pre-application before we actually put an application in. With the pre-application talks, where we try to sort everything out, it is three to five years. These PLCs would be doing a disservice to their shareholders if they did not show that they have at least five to seven or eight years of land in front of them. As a PLC business, you need to deliver for your shareholders, and it is bad business if you do not have the materials in front of you to do the work.

John Slaughter: Thank you, Chris, for that very good explanation of the situation. Perhaps I could add a bit about the national builders. It is true that there is often a perception of “land-banking” out there but it is really important to understand the status of the land that we are talking about. It is precisely as Chris is saying: the larger companies need the visibility of a forward pipeline of land to develop to satisfy their shareholders, because they are a business at scale. You need a fair amount of land going through various stages of the planning system, from being an initial option to being in pre-application discussions and to outline consent—whatever it is, you have to keep that pipeline moving to maintain and grow the volume of your business over time.

When it comes to land that has full implementable planning consent, which is after a resolution to grant when you have discharged all the conditions and can physically start to work on site, the large companies have exactly the same interests as the small ones. They want to get going straight away as at that stage they have a lot of capital tied up in that site, if they own it. Until they build something and sell it, they are not getting any return on the capital they have laid out. It is a high-risk industry. The builders are judged on their rate of return on capital employed. It simply does not work that you get a better return by hanging on to land and not developing it, compared with building out and selling.

Baroness Whitaker: You mentioned what was the Highways Agency. Are it and the other road authorities easy to deal with? They will already have joined in the permission which has been given. Why do they hold things up?

Chris Carr: Would you believe that every area has a different way of building a road? We do not have a national policy on how to build an A4 road.

Baroness Whitaker: That is interesting.

Chris Carr: So my company could be building in three local authorities, and each will want their road constructed in different ways. It seems a bit of a crazy way to do it.

Baroness Whitaker: So we are not talking about the design of the roads and where they go but their construction.

Chris Carr: Yes, it is the design of the construction and the specification.

Baroness Whitaker: The construction and not the routes.

Q103 Baroness Young of Old Scone: Can I go back to land banking? There is a lot of loose talk and accusations against the larger housebuilders. Should we have a proposition in this country that would provide more transparency and some sort of compulsory registration of land acquired for housing development purposes, so that people could see what is held by various companies and what is being actively developed?

John Slaughter: We do not have a strong view about that. It was an idea looked at before the election in the Lyons review. There would be no problem with it in principle, as long as there were no unintended consequences. We would not want to see any steps taken that could in any way, however unintended, frustrate the land market and add to risk. I am not sure whether that would in itself. But I think it would generally be known in practice through local authorities, certainly for any site of any size. Because of the nature of the local plan process, it is not untransparent now.

Baroness Young of Old Scone: Presumably the options process is not visible to the public.

John Slaughter: No, that process might not be but if it is a site of any size, you would probably try to promote it to be an allocated site through the local plan process. At that point, it becomes quite transparent that that site is in play. You are probably talking in practice about going further back in time and whether that would be helpful. But for most sizeable sites, at any rate, the local plan process gives relatively early visibility anyway.

Lord Inglewood: Are we not moving to a system of land registration of title anyway, which will enable anybody to find out who owns any piece of land when it is finished?

John Slaughter: Indeed, yes.

The Chairman: Is there any evidence that people who have large land banks soft pedal on releasing them?

John Slaughter: Probably the only study we are aware of that has looked at this—I do not know whether the Committee has already looked at this—was done by a company called Molior in London. It showed some indication of that in the London market, but it has to be

said that its analysis also showed that it is not housebuilders who are hanging onto it but other parties. The reason that housebuilders are not doing that is for the economic rationale that I explained a minute or two ago.

The Chairman: Perhaps you could drop us a link on that.

Q104 Lord Inglewood: We have covered a great deal of the points that might have arisen in response to the question I wanted to ask. Perhaps I may simply say, particularly to Mr Carr, that we have heard evidence that the reduction in the number of smaller builders has had an impact on the amount of housing coming forward. Are there any serious barriers to entry, for example to a building firm wanting to become a small housebuilder, which make that step more difficult than it need be? Obviously it costs money that, as we know, banks are not being very good about supplying. But are there other things such as regulation, or whatever?

Chris Carr: The predominant one is finance and the lack of a track record. A smaller jobbing builder who wants to become a developer and build one or two houses does not have a track record in doing that, so the banks would just wave them away straightaway. The availability of small sites is another issue. We do the SHLAAs, or strategic housing land availability assessments, but those do not cater for units that are five and below—or is it 10 and below?—so those sorts of mini-sites are not easily accessible. It can be an onerous task for a smaller company to navigate the planning system, which is very complicated. When you get into it, it becomes a lot easier. Viability and developer contributions can also be proportionally against the smaller sites compared to the larger sites.

Lord Inglewood: Could you explain that further?

Chris Carr: On smaller sites, in our area, we have only 20% social housing because we are a fairly low-cost area. There probably does not need to be any social housing on some of the brownfield sites we were talking about. We are still seen, although it sounds awful, as a kind of cash cow to the local authorities. Since the funding has been cut from national government, they see the developer as still being one to claim their money off. For example, we had a small site—96 units—and the highways officer wanted a contribution to the highways. I said, “Can you justify why?”. He said, “No”, so I said, “Then why are you asking for it?”. He said, “Because all the other departments ask for money”. So you pay to education and to other things, and that sort of mentality becomes the issue.

To go back to your original question about getting smaller companies and individuals to get together, we have a land company called Humberside Land Developers, which is based in north-east Lincolnshire. It is a consortium of probably 20 companies, which range from one-man bands to companies building 100 units a year. We get together and buy against the national housebuilders: when a piece of land comes up with, say, 1,000 or 500 units, we will get together as a consortium to buy it. The more money you put in, the more land you get out. An umbrella company funds the purchase of the land, the infrastructure and everything else, so you just pay proportionately into it. This has worked very well.

In fact—this is quite embarrassing—my plumber of 15 years ago is now building 80 units a year, which is far more than I have ever done, and my joiner is building 40 a year. They came in and said, “Can we have one plot?”, then the next time they bought two plots on a development site. It has worked so well. Of those 20 companies, probably only 12 want to go for a given site and then you do the proportions between you. The bigger companies take the bigger amount of land, just to subsidise the smaller ones, but we work together. It is not that I am proud to say this, but we have only one national housebuilder in north-east Lincolnshire, because we buy as a consortium together. There are two companies, Land Developers (Lincs) and Humberside Land Developers. People said that it would never work, but one has been going for 60 years and the other has been going for 40.

Lord Inglewood: Is that model being worked up on that basis?

Chris Carr: No—the DCLG wants me to do a paper on it because it is quite unique. I thought that everyone did it as we have two in our town, but if you talk to anybody else they say “No, we’ve never heard of it before”. That working together is what gets you the tradespeople. It goes from my plumber who, as I say, now delivers 80 to 100 units a year and my joiner, who is delivering 40 or 50, to all these other individuals who come in and carry on.

John Slaughter: I do not know of any other examples like that and I can see the logic of doing it. We would say that if the National Planning Policy Framework and the local plan assessment of housing, and the allocation of land for it, is got right we perhaps would not need to do that.

For the small company, part of that is about making sure that local plans allocate a range of sites. I hope that some of the other measures that the Government have in mind at the moment, such as the new brownfield land register and facilitating getting planning permission for land that is on it, would help smaller companies as part of the picture.

On what Chris has said about barriers, I would add that there are quite high upfront costs for someone to come into the market as a small housebuilder. Over the past 20 or 30 years, the planning system has certainly become a lot more complex. Getting initial planning consent is quite a costly business and you have to deal with a number of other regulatory and policy requirements, so that potentially costs you quite a bit of money. If you are working on a project finance basis, the situation probably arises that you have to lay that money out before you get anything back. That in itself is quite a big barrier to entry. It also constrains the ability of SME housebuilders to grow their businesses, because if they have that degree of capital locked up in an individual project, it partly frustrates them being able to take on another project.

Q105 Baroness Whitaker: There is quite a variation in standards of design quality over England and that is probably one of the reasons why local communities often resist new housing: they really have no confidence in the design, not having seen a good one. Why is the practice so varied? How are housebuilders working to improve design standards and, very much to our point, what could encourage more consistent attention to design quality across the industry?

Chris Carr: The reason that we are not delivering better quality design is pure laziness. There is no reason whatever; a house is a house and is built in the same way whether you design it in brick, block or timber frame. We believe that these homes will be there for 100 or 200 years. No other product you buy will ever last that long, except for jewellery, probably. So we take pride—and I think people do take pride—in delivering something different, especially in the SME sector. We cannot compete on price with the national housebuilders so we have to deliver a better quality product. I am not talking about quality in build, because the national housebuilders do good quality work, but quality in design. We have to be unique and build something that nobody else is, but we are up against constraints.

My architect has won awards all over the UK and he is fantastic. When we get together, he draws a design when I tell him what I am looking for. I do not want something that you cannot physically build but I know something of what my clients want. So we come together to get a great design laid out for a house and the site, but then it comes to the process of building regulations, energy efficiency targets, design codes, planning officer approval—and sometimes conservation officer approval—public consultation reaction, parish councils and

planning committees. By the time you have done all that, everything in the quality gets chipped away. I would love to show you a design that we do—

Baroness Whitaker: I am sorry. Are you saying that the design codes militate against good design being achieved?

Chris Carr: The design codes are okay; it is just how they are interpreted by the planning officer. The codes work okay if there is some flexibility in them, which in theory there should be, but it is about how they are interpreted by an officer. My frustration is: why pay an architect a huge amount of money to have his plans destroyed by everybody around him?

Baroness Whitaker: You are saying that planning officers do not, on the whole, facilitate good design.

Chris Carr: No, planning officers are trained and qualified, but probably not as trained and qualified as my architect.

Baroness Whitaker: Okay. You might put up very good designs, but that is not the national picture uniformly. Can you give any insight into that and what we ought to do about it?

The Chairman: Does this go back to the problem of the shortage of skills or training, or the FEs versus the universities?

Baroness Whitaker: For instance, do builders tend to think about place-making as opposed to making a building?

Chris Carr: We would look at communities. We try to build a community because we want these homes to sell.

Baroness Whitaker: Why does not everyone do that?

Chris Carr: I do not think that any company will go out to build a house that it cannot sell or is not in a good community. Sometimes the national housebuilders have a house design which they will use all over the UK. That is the way they deliver it. It is like Ford building huge amounts of the same car so that people know whatever car they buy, wherever it is in the UK, they are buying the same quality. But in the SME sector we have to differentiate and build something of higher quality, or what I think is a better design.

Baroness Whitaker: Would a chief architect be a good idea to try to get everybody at a government standard?

Chris Carr: As long as they knew what they were doing.

The Chairman: Okay, thank you. Mr Slaughter, what do you think?

John Slaughter: It is partly a skills issue, both in industry and in local authorities and other parties. One of the things that has been fed back to me recently about the lack of resource in local planning authorities is that it has no doubt affected the number of officers who have relevant understanding of good urban design principles. In answering your question, I would focus on urban design where, from the HBF perspective, we have promoted and supported over many years an initiative called Building for Life. It is now Building for Life 12, and sets out 12 principles of good urban design which could be applied in any context. We are still trying to promote that as a common currency that can be used by our members, and by local authorities and communities, to have sensible discussion about achieving good design outcomes.

It is not about not using standard house types but about how you lay the development out—the proper integration of car parking and the public realm and such things to create a good-quality place. We have deliberately tried to restructure Building for Life and make it more accessible, so that it could be used in community consultation as well as in discussion with local planning officers. We have very recently been talking about this internally. If we could see more consistent promotion by us, by local authorities and by national government of a set of principles such as Building for Life, we could demonstrate that they can facilitate the planning process by inspiring buy-in to them.

Baroness Whitaker: In other terms, you see a need for national leadership on this subject.

John Slaughter: Yes.

Q106 Baroness Andrews: On the Building for Life principles, you mentioned demographic factors previously and the fact that you were building residential homes. This is something that the Committee has yet to address: the impact that an ageing population is likely to have on the demand for different, high-quality sorts of homes. Mr Carr referred to the tension between having a good architect and having to conform to a lot of building standards and requirements, which sometimes pulls them away. The Lifetime Homes Standards ought to be able to combine high quality of design and high spec in regulations, while meeting the needs of an aging population and your Building for Life principles. Is this something that you would like to see the Committee develop and recommend because it would meet a national need and your high-quality spec?

John Slaughter: I would certainly recommend it as good practice. I think that companies in the retirement sector are already building to Lifetime Homes standard.

Baroness Andrews: Individual builders such as McCarthy & Stone, yes, but it is not universal, is it?

John Slaughter: No, but then as HBF we would not necessarily support Lifetime Homes being a standard that was applied to every new home that was built because it is not necessarily what all consumers want. A revised version of Lifetime Homes is coming about through the housing standards review, but it still involves some additional construction cost. You also have to think about whether, if that is a cost that you are potentially asking all consumers to bear in the market but not all consumers actually want what you are providing, that is a reasonable thing to do. In purely practical terms, not necessarily everyone envisages sustaining the same home for life. It is a difficult one, but at present our view is that we support the appropriate use of Lifetime Homes through the housing standards process to meet the reasonable requirements for that type of accommodation, but not necessarily for all consumers.

Q107 Lord Freeman: I would like to follow that question on good design quality. What are the implications for good-quality design, bearing in mind the streamlining of zonal planning permissions? The same goes for zoning for brownfield sites.

John Slaughter: These ideas are fairly fresh in government thinking, so I have to say that I do not think we have a massively developed answer on this one. In principle, the way to tackle this would be to include the right encouragement of good design practice in the framework conditions for these new routes to bring them to the market. The Government's objective is clearly to facilitate land supply, so we would not want to put in place anything that reversed that process and slowed things down unnecessarily, but it would not be unreasonable, in the framework conditions that will apply to the new brownfield registers in the new zonal system, to have some general conditions or encouragement for good design. From our point of view, we recommend Building for Life 12 as a possible approach that would enable that because it is quite a pragmatic and flexible way of applying good design principles to a wide range of contexts.

Lord Freeman: Have you impressed upon the Government the need for that?

John Slaughter: Not yet, because we are at a very early stage of the process of developing these ideas. There is not yet a lot of detail generally about how this zonal system is going to work. The fact that you have asked this question as a Committee is quite helpful for us, as we are thinking about how we want to take that forward.

Baroness Whitaker: I have seen criticism of the way that zoning works in America because it induces towards social segregation, sometimes of income, sometimes of race. We do not have the same situation here, but do you see that as a possible risk?

John Slaughter: That is not how we had interpreted the Government's objective. I am not sure that I see it as a risk. As I understand the proposition, it is simply that you would make more land available more easily where it reasonably could be made available for development, but it is in no way judgmental about what that development would be. I do not particularly see that risk.

Baroness Parminter: Do you have concerns about the process of viability assessments in delivering what local authorities need that will meet the social and environmental requirements of local people, and about developers themselves saying that the process is not transparent and that there are question marks over it? I would welcome your reflections on that. As a supplementary, the *FT* yesterday talked about a more transparent model being to go along the German route of a land tax, which captures some of the uplift in the value of a property from when it receives planning permission to when it is actually built. Do you think that the viability assessments are working best, and what would your view be on replacing them with a land tax, which works successfully in Germany, where the level of housebuilding is far higher than it is in the UK?

The Chairman: But that is a cultural thing.

Chris Carr: In our survey this year 68% of FMB members cited viability as a major constraint on supply. That is the first time ever that this has come up as the top answer; for the past four or five years it has been finance. Viability is being seen as the biggest barrier to increasing output. However, landowners still have a high perceived value of land. The landowners that we speak to still have the values of six or seven years ago, and do not realise that the NPPF has released a lot more land on to the market. It is all about supply and demand and, now that a lot more land is available, land prices are tumbling. Probably not in London and the south-east, but in most of the UK, you will see that land prices are not increasing a great deal. They say that house prices are increasing slightly, but the rest of the time it is about the land price. This is a generational issue. If you are a farmer sitting on 2,000 acres, you might as well wait another 30 to 50 years, which restricts the land, especially greenfield land, coming to the market.

On brownfield, though, you need to understand that the planning authorities need to promote all this more. I still think that we need to have joint ventures with local authorities on this surplus land. If we are going to deliver the numbers, why can we not deliver joint ventures with the local authority and work it so that they get an uplift on the sale of the property. Instead of us paying, for example, £50,000 an acre—sorry, £50,000 unit; I wish it was £50,000 an acre—if we developed it and sold it on, we would give an uplift of probably £65,000 a unit, so there is an increase all the time. You can do that with a shared equity scheme where the council owns the land. It can still own it, get a rental income off it and sell it after a 10-year period. The council can still borrow against the land because it owns it. There is an uplift straight away because the council will get a rental income off it, and at the end there will be an uplift in the value of the land because in 10 years' time the land that the house is sat on will increase in value. It is a win-win situation. For me, it seems to be a natural progression to get rid of surplus land at a good value for local authorities, which will help the SME sector to develop brownfield sites that otherwise would not be developed.

The Chairman: But is there not again a tension between councils and private building? Councils are very short-term in their planning, whereas I would have thought that a company like yours was fairly long-term. You can never say who is going to be running the council, what cuts are coming in or how budgeting is going to be.

Chris Carr: I agree, and that was the big stumbling block. If the land was worth £1 million, it will still be worth £1 million in 10 years' time—hopefully, it will be worth £2 million. So they are not losing the asset.

The Chairman: But they could flog it if they were forced by cuts to make economies somewhere else.

Chris Carr: They could but that is just a commercial decision. That is what we all have to do. The biggest issue with us was not selling it at a loss. Our council changes political party nearly every election; we just revolve. The question to me was, "Who's going to get the money in 10 years' time?". It is not about looking for the greater good of the town.

This is the only way forward that I can see for local authorities to deliver some of their surplus land. If they sell the land at the moment, they will be selling in a bad market at a time when the market is so low. It is a crazy situation. No other company—I know that local authorities are not companies—would sell when the market was so low that they were

almost giving it away. You might as well sit on it, retain the ownership to borrow against for government funding, and get a rental income off it, and it will increase in value all the time.

The Chairman: But the point is if there were an incremental income.

Q108 Baroness Young of Old Scone: The LGA is very keen that MoD and NHS sites are brought into some sort of proposition like that. Is that a real opportunity, or are the sites all in the wrong places?

Chris Carr: We have done a great deal of work with the Homes and Communities Agency on this because it is basically in charge of releasing this land to the market. It is very proactive in helping us not only to purchase the land but to finance it. The HCA has a few schemes set up to help the financing of development as well. Hospital sites tend to be in the centre of town so they can be quite a valuable asset if they are in a reasonably good area. The airfields are miles away from anywhere so maybe you would struggle a bit, unless you went into the development of garden towns or the like. To be fair, the agency supports land coming forward and tries to package it in a way that is commercially viable for us, and offers funding to help development. It has done a good job on that.

The Chairman: Thank you. Mr Slaughter, you have the last word.

John Slaughter: On viability assessment, if I understood your question correctly, we broadly say that the current system is probably working as it needs to. The two key elements are what the landowner is looking for commercially as a return and what the housebuilder or developer is looking for as a return. Those two things are never going to be the same from case to case because their market contexts vary, as do landowners' expectations and the alternative uses of sites. Different developers also have different requirements in terms of their investor returns, so there cannot be a standard answer with regard to the numbers. We are in favour of standardising the approach to viability assessment as far as possible, but you always have to recognise that the numbers are going to vary from case to case.

Regarding the German position and a land tax, in many ways we already have land taxes; we have Section 106 and CIL, which are both about extracting land value from the giving of planning permission. There are issues about whether Section 106 and CIL are the most effective way of doing that, and we understand that the Government are looking to have a review of that area in the coming period, which is possibly another important part of the policy picture in the next several months. So there is already a land tax, although it may not be structured in the right way. However, you have to recognise that there will always be a

limit to how much you can take in the way of land value. The reason why we quite often get hung up on viability assessment is probably because councils are continually pushing to try to maximise the amount that they extract.

Lord Inglewood: Do they tend to be greedy?

John Slaughter: Yes, certainly from our point of view. In their defence, I have to say that that is partly because they may not have many other routes to go down. If we are looking at an inquiry that is analysing the global picture, it is only fair to say that councils are effectively focused on, or driven to look at, these opportunities, which probably encourages them overpitch their requirements. That then sometimes leads to quite difficult decisions about the level of contribution that a particular site can make. We have what you might call a more rational approach to this: if we set the general level of tariff, if you would call it a tariff, or a tax at a more sensible level, we could probably avoid a lot of that.

The Chairman: Thank you both very much indeed. I am sure that I speak for all the Committee in saying that it has been a very worthwhile session. I am sorry if we have dragged on a bit; we have probably messed up your timetable for the rest of the day. If there is anything that you think we should have asked and did not but would be helpful in putting your point of view, do you think that you could just drop us a line?

John Slaughter: Yes of course, and I promised to send you some notes on the discussion, which I will do.