HOUSE OF COMMONS

Communities and Local Government Committee

Oral evidence: Interim Chair of the Homes and Communities Agency Board, HC 568

Monday 18 January 2016

Ordered by the House of Commons to be published on 18 January 2016.

Watch the session

Mr Clive Betts (Chair); Bob Blackman; Jo Cox; Helen Hayes; Kevin Hollinrake; Julian Knight; David Mackintosh; Mr Mark Prisk; Mary Robinson; Alison Thewliss.

Evidence from witnesses:

Questions 1 - 32

Witness: **Kevin Parry**, Interim Chair, Homes and Communities Agency Board, gave evidence.

Q1 Chair: Good afternoon and welcome to this evidence session about the Homes and Communities Agency. Thank you very much for coming. For the sake of our records, could you introduce yourself at the beginning and say your position?

Kevin Parry: I am Kevin Parry and I am chairman of the HCA.

Chair: We will just put on the record any interests we may have that ought to be drawn to wider attention. I am a vice president of the Local Government Association.

Helen Hayes: I am a councillor in the London Borough of Southwark and I also employ a councillor in my parliamentary team.

David Mackintosh: I am a Northamptonshire county councillor.

Julian Knight: I employ a councillor in my office.

Q2 Chair: Thank you very much for coming this afternoon to answer our questions. I suppose we probably expected to have somebody else in that seat this afternoon, and you probably did not expect to be there either. Why do you think it has not been possible to appoint someone to chair the HCA? It is an important position, particularly at the current time with lots of new housing policies around. I would have thought people might be attracted to the job, would you not?

Kevin Parry: It is an attractive job, but, to the substance of your question, the chairman, Robert Napier, had been in place for eight years and so he had a natural retirement at the end of December. That was not too distant from the timing of the spending review. The appointment is a matter for the Secretary of State and the Department, not for us, but I think they probably, quite wisely, thought it was better to see where that spending review came out, because then you can be clear as to how you describe that chairman's role to potential candidates. It was sensible to delay it, but now, of course, it is sensible to get on with it too.

Q3 Chair: Do you think it was probably wrong, then, to go for the attempt to appoint and, indeed, to advertise at a time when it was not absolutely clear, before the spending review, what the balance of skills would be to develop the particular programme that was going to be put in place?

Kevin Parry: You are right that a process started. I would be more of the view that it was right to postpone the process on reflection, rather than plough ahead and potentially find yourself in a difficult position. Was there reflection? It is more for the Department to answer, but I would say there probably was. Was it sensible? Yes, it was probably sensible to pause, I would say.

Q4 Chair: Ought we to be concerned, then, about the lack of strategic direction for the HCA at what is now a challenging time? There is increased funding for housing, but funding of a very different kind to what was in the last parliament or previous parliaments.

Kevin Parry: It is a challenging time. There is a lot to be done; there is a lot to get on with. I would hope to say that there is not a lack of direction. The priorities, I think, are clear. I am sure Committee members are aware that I am doing this for an interim period of time, but I certainly see moving things forward as part of my role, and not sitting on my hands and waiting for a successor to be in place. I have been on the board for 18 months, and therefore I think I have a reasonable understanding of what we need to do. As you rightly point out, there is quite a lot more to do post the spending review, but, in my mind, it is more in terms of breadth and depth, as opposed to anything fundamentally different. From my perspective, and I think if the chief executive were here too he would say this, life goes on, for the time being. It is absolutely planning to deliver as it has delivered in the past.

Q5 Chair: Do you have any particular priorities for the next few months, or is it simply a question of letting things roll forward and then waiting for any future changes from the new person?

Kevin Parry: No, there are definitely priorities. The first one would be to your point around governance. We certainly need to get a chairman in place. There are some board retirements to fill, and, as you may be aware, the chief executive resigned recently.

Chair: We will come on to that point in a minute.

Kevin Parry: Governance and management is certainly one priority. It is then around delivery of the Government's priorities, as they have set them out. That includes more in terms of grants, loans and operational issues than in the past. Things like direct commissioning and potentially building off-site to accelerate housing are there. It is also around how the Department interacts with the HCA, and how the HCA interacts with the Department. It has a good culture of "can do", but there is more to do, and it must keep all that going.

Then there is, of course, the need for operational efficiencies, which is another challenge that we have in common with most of Government. That also needs to be progressed. We are not taking it forward now, but there are definitely priorities to progress. I would see myself as hopefully setting those up, teeing those up and getting them moving, so my successor can come in and say, "I am inheriting a ship going in the right direction."

Q6 Kevin Hollinrake: Mr Parry, it always sends alarm bells ringing when you have the chair and the chief exec leaving at the same time. Is that just a coincidence?

Kevin Parry: It is technically a coincidence, but you can rationalise it too. The view of the nominations committee, as we have been talking about for the last year, is that the chief executive had been in post for three years; it was the beginning of a new spending review. Is he likely to want to commit for another whole cycle? Common sense said maybe not, but we did not know, of course. Our view was that it could happen. The fact that they almost coincided, albeit one is a retirement and one a resignation, I can certainly say was not exactly planned, but it was not as though we had not thought it through. Our view was that we have depth in management; the management team is quite coherent and works well together, so it would continue to work. Of course, he has his notice period to work out. Maybe that is a yes and no answer; I am not sure, but the point you make is a good one.

Q7 Kevin Hollinrake: I think his notice period is due to expire in April. If you have not made an appointment by then—and this kind of appointment can take time—you are without a permanent chair and a permanent chief exec. That is a real risk for the agency, I guess.

Kevin Parry: Yes, it is a real risk. It might even be a working assumption that that is the most likely, because finding a person of the right calibre, who will no doubt have a notice period, in itself will take some time. We are also giving thought and talking to the Department as to how best we handle that. A core assumption would be that we should appoint an interim chief executive, because, even though the team is strong, you still have to have co-ordination between team members. I think we should look to do that, but that decision has not quite been taken yet. We will be discussing that at a board meeting next week.

Q8 Kevin Hollinrake: Is the agency doing enough to find successors for both these roles?

Kevin Parry: It is for the Department to find the chairman, because that is the Secretary of State's department, and for the board to find the chief executive, I think I am right in saying, but it obviously needs to be co-ordinated. The natural order here is that we would ideally find a chairman first, because certainly, if I were the chairman, I would want to be part of that selection process for the chief executive, to make sure that we had compatible skills and we could work well together, so there is co-ordination there. My view is that we would kick that off pretty much after our next board meeting. We are already drawing up the job description and thinking about what it entails, because no doubt this Committee will realise how much this has changed from three years ago, when Andy was appointed. It is now a much more complex animal than it was then.

Q9 Mr Prisk: Looking at the role of the organisation as a whole, the spending review you referred to in your opening remarks specifically identifies the establishment of a new body to act as the holding body for all government land. What do you think the impact on the HCA of this new entity would be?

Kevin Parry: The body, I think, exists, but is being strengthened in terms of the breadth of its work. I have given some thought to that, and my view is that it should be complementary. Putting all the government land and buildings in one central envelope is a good thing, because it should make much more obvious any inefficiencies that exist and any surplus land or buildings that can therefore become available. Then you put that in the context of the HCA. We are always looking for surplus land, buildings that could be converted into housing. I am sure everybody is aware of how often office blocks get converted into housing these days. It should, with a bit of luck and careful planning, result in some more opportunities coming that could further accelerate delivery. The aim of the HCA will be to continue to work very closely with them, but we are quite optimistic that there will be some net benefit.

Q10 Mr Prisk: The direction of policy towards, for example, loans and financial instruments, and away from grants, will demand a different set of talents and skills. How do you anticipate making sure that you have the right complement of skills to address that?

Kevin Parry: It is a fundamentally different skill set. If there is one thing I would point to that Andy has done well over the past two years, it is establishing HCA Investments. It has drawn on skills almost entirely from the private sector. It has drawn in particularly those with credit skills from banking. The technicalities of the arrangements are complex and, frankly, getting ever more complex as we do bigger sites that inevitably have multiple sources of financing and often multiple shareholders in the arrangements. It is by far the most complex aspect of the work that the HCA does.

We have a good complement of people. We are still reliant on some secondment from banks, and I am quite keen that we regularise that and they become permanent staff, but it will need to go further, inevitably, as the volume goes up. To date, it has largely been around initiating loans and getting those in place. We also have to manage them after they have been initiated and, ultimately, of course, through to repayment. As time goes on, the complexity and the range of skills will broaden, so it is very much in our thinking. A lot of time is spent on it in both the board and in what we call the programmes and projects committees.

Q11 Mr Prisk: On that point, given the nature of the complexity and therefore the specialist skill required, does the maxim from Government that no one must be paid more than the Prime Minster not impinge on your ability to select, attract and retain the calibre of people you need?

Kevin Parry: It is definitely a very real issue for us. On the one hand, of course, one can see why the Government are looking to control that. On the other hand, we are looking for skills that exist in the private sector and bringing them to the public sector, which also needs those skills. Yes, that is a very real issue. It will be relevant around the recruitment of the chief executive as well. I was somewhat heartened by some recent comments from the Paymaster General that showed there might be a bit more flexibility than in the past, but it is a very real issue for us when we are right at the cusp between private and public sector.

Q12 Mr Prisk: No, it is an important challenge to be competitive in that environment. Looking at the spending review and the other announcements made recently by Departments, Ministers and others, how many affordable homes is the HCA now charged with delivering during this Parliament?

Kevin Parry: It is a surprisingly intricate question. As I am sure Committee members are aware, we are responsible for delivering in England, excluding London. When announcements are initially made, they are generally given for England as a whole—sometimes for the United Kingdom, but generally for England. The split as to what then falls to us as the HCA, which means England ex London, and what falls to the GLA follows on. That work is underway at the moment. It does not stop us starting and getting it all going, but the precise numbers are still being worked through. The total number you will have in your mind is 400,000. As to the exact split underneath that, I would not be at all surprised if the order of magnitude was about 70%, but it is still to be worked through.

Q13 Mr Prisk: Is it also premature to ask about the balance between, for example, starter homes and other forms of lower-cost or lower-rent homes?

Kevin Parry: It probably is, just because there are geographical differences around the country and London has some larger challenges than other parts of the country. That is all work in progress, but Andy and I have said to them, "It does not stop you getting going on this", because it is the last ones that actually make up the difference.

Q14 Mr Prisk: Looking at that divide, as you will be aware, the Housing and Planning Bill included an amendment, now made a Government amendment. I was a cosignatory of the original amendment, just to put that on record, though it was led by my hon. Friend the Member for Richmond Park, which was about this issue in London of having two homes to replace those sold. I appreciate that London is not your geography, but my understanding is that the challenge of being able to identify high-value council houses is not necessarily as geographically tightly drawn, shall we say, by Ministers. Is there a role for HCA in that, or is it one you are studiously making sure you will not have to do?

Kevin Parry: I think there is a role. Taking your London point first, the two for one falls to London to manage, but, if you look at England outside London, while there is not the two to one ratio, there is still the higher-value properties and recycling the money from that. The way we see our role there is effectively twofold. First of all, the housing associations, the registered providers, will be recycling money. The way we will incentivise that to happen is that there will be 70% up front and 30% when it starts to happen, so they have a financial incentive to get on with it, quite apart from their social purpose, of course, which is to have more social housing. We have got that.

Then, on the regulation side, which also falls to us, we will be able to track how they are doing that. That is relevant to their ability to borrow, because the more real estate they have, the more they can borrow. Therefore, there is a governance and viability angle to this too. London is not directly us, but, with the extension of that to the rest of the country, the HCA has got a useful role to play in keeping that impetus up.

Q15 Julian Knight: Mr Parry, as I understand it, the capital budget for the HCA was £3.7 billion in 2014-15, but the eventual outturn was £2.3 billion—a £1.4 billion underspend. What steps are you going to take to improve the financial forecasting of your organisation?

Kevin Parry: It has certainly been a challenge to us. I will give the case for the defence first and then come on to what we are doing. The spending side, you will not be surprised to learn, we can forecast pretty well, just like most Government Departments, no doubt, but we also have receipts and demand-led programmes. Help to buy is driven by demand, so how that happens depends what is going on in the marketplace.

Q16 Julian Knight: Is this entire overspend due to that help to buy?

Kevin Parry: I am not aware of an overspend.

Julian Knight: Underspend, sorry.

Kevin Parry: The numbers you must have there are around the pace at which help to buy has been taken up. I would have to check those numbers, but, to the forecasting point, we are not quite sure when things are going to happen. Very simply, we have probably all involved solicitors in buying and selling houses. Can you pin several weeks in advance when they are going to exchange and complete? That is our challenge in a nutshell.

Q17 Julian Knight: Surely that would only make a difference at the end of the year.

Kevin Parry: There is seasonality to it that makes it further complicated, and you also have planning issues. When planning is approved, that determines when loans can be drawn down. Those are challenges—not to shy away from them, but they are very real challenges for us. It had been on the board agenda, certainly for the last six months, looking at it, and the finance department has been working with us. We are building models to try to build in the seasonality to this. We are trying to correlate what we are told and then what happens.

Q18 Julian Knight: So they were not in place at all.

Kevin Parry: They were taking, I think, at face value what we were told.

Q19 Julian Knight: Even the most casual observer of the property market will tell you there is a seasonal aspect to it. With this level of underspend, which is obviously commendable from a financial viewpoint, it seems to me as if your forecasting is a "pin the tail on the donkey" type exercise.

Kevin Parry: We are now getting the spend side within about 1.5%, which I think is fine. Overall, seven weeks out, we are getting accuracy in the mid-80s, so it is not hugely different. A lot of people would struggle—

Q20 Julian Knight: It is not 60%, as it was last year.

Kevin Parry: No, it is much better, but we still think we can do better as we get better models in place. Our aim is to do better. There is a working group looking at it. I am not complacent, but we are told by the Treasury that what it is really interested in is the very short-term forecast, which we get pretty accurate.

Q21 Julian Knight: You are monitoring it more closely now. The fact is that your organisation is now looking at it almost bimonthly as opposed to: "There is the pot of money and we will see where we are at year-end."

Kevin Parry: Definitely. On the programmes, it has been monitored that way for a long time. In terms of the actual cash flow, which I think is the point you are making, it is now on the board agenda every month and will continue to be monitored either there or in the audit committee until we are comfortable with where it ends up. We would like to do a lot better on that.

Q22 Helen Hayes: How confident are you that the HCA will be able to deliver on the Prime Minister's commitment to directly commission 13,000 new homes?

Kevin Parry: We have been building up to this for some period of time. There has been a lot of talk about it; the Minister has been very keen on this. We have done direct commissioning, in a light way, for some time. We often have land that needs something done to it before it can be used; it could be polluted or whatever. We have also worked with planners for a long period of time. This goes a little further, in that we will probably be looking to get outline planning permission ourselves. That is a natural development of what we do. It is fair to say that it has happened in the past, but there is obviously a lot of impetus for this to happen more now. It will allow us to widen the number of people who are able to develop the housing on the sites.

At the moment, there is a high reliance on major housebuilders, but we can potentially, use other contractors—medium-sized housebuilders, even small builders—all of which will ultimately increase the quantity of building that takes place. The plan is for us to use four sites—five including one that falls to London—as a pilot, which I think is sensible, and see what we can learn through that. Northstowe, which is a site near Cambridge, is the most advanced site in terms of getting ready to go. I would be surprised if it does not work well. I think it is a natural development, but we will undoubtedly tweak it as we learn from each of those experiences. We do not assume that one size fits all either. Sometimes we might take things further, sometimes less far, depending on complexity, size or demand.

Q23 Helen Hayes: Given the complexity of some of those sites and the interrelationship between the delivery of new homes, the significant infrastructure that is necessary, the need to get planning permission and all these other things, why is it the direct commissioning that is going to speed things up?

Kevin Parry: You are absolutely right: many delays are not wholly within our control. Roads and sewers are often pointed to. The HCA is quite good at liaising. Sometimes even schools have to be built before homes can be put in place, and it is good at liaising with those who have to do that. Sometimes we have not managed to get those things going perhaps as fast as we would like. It is very easy to point the finger at others, but, with the focus on this now—and I am sure there will be equal focus in other Departments—that has to be a priority, because it is part of wider Government policy.

Q24 Helen Hayes: I think it is the case that the HCA will take the commissioning of those schemes to the point at which a joint venture partner is in place, and then the final stages of gaining planning consent and so on will hopefully be undertaken by a series of smaller developers. How confident are you that there is capacity within the sector of smaller-scale developers in terms of planning expertise, community consultation, engagement and all the things you need to drive a scheme forward through the planning system?

Kevin Parry: It is a crucial point. Clearly, the bigger builders have large departments that are used to handling this. If you are a small builder, it is probably the managing director doing it himself or whatever. The view we have is that, if we can take the planning that far, it would hopefully be relatively straightforward to take it to final planning.

I do not think we would rule out even helping them do that. If the pilot showed, for example, that the small builders would still find that difficult, I do not think we would rule out helping them take it all the way, because it will increase the speed at which homes are built. That is the type of practical reality that I hope comes out of the pilots: where we judge we can pass it over to the private sector to take forward, and when it is sensible for the public sector to stay in there and work with its colleagues in planning departments around the country.

Q25 David Mackintosh: We heard the Prime Minister talk last week about creating a £140 million fund to jumpstart regeneration projects in estates. I am interested in knowing how the HCA will work with the Estate Regeneration Advisory Panel to ensure the Prime Minister’s commitment to transform 100 housing estates across England happens.

Kevin Parry: It is very early days in terms of where that has got to, but, fundamentally, we welcome the fact that somebody with a bit of a track record in terms of estate regeneration, both in Liverpool and in Docklands here in London, is leading that. We anticipate that we will work very closely with that committee, taking on board the impetus and the findings they have. I cannot see it as being other than really helpful and complementary. It gives that push at a senior level to take this forward. From years ago, I can remember how that pushed forward Liverpool and Docklands, so it is to be welcomed, and the sooner the better, really.

Q26 Bob Blackman: Taking you back to the five target sites we are looking at, we have 10,000 homes potentially identified on one site. We also have Old Oak Common in London, as well as other sites outside of London. When do you expect to have better identification of how many homes will be provided at each location, which can then give this Committee a degree of comfort that the targets we are talking about will be achieved?

Kevin Parry: They are being looked at again. Northstowe was the most advanced. Obviously, priorities have changed a little bit in terms of affordable housing and starter homes, so that has been looked at again. I have not got to hand exactly when I can answer that question. We have people working on it now, as to how much we can put on these sites. We are also looking at the financial implications of that; clearly, changes in the mix of housing change the financial implications. If I may, I will perhaps come back to you on that as to a timescale.

Q27 Bob Blackman: It would be helpful if we had a note on that.

Kevin Parry: I think we could do that.

Q28 Bob Blackman: That would be helpful, and equally the numbers of properties that are likely to be developed, particularly given the change in emphasis.

Kevin Parry: Fine. Let me come back to you on timing relatively soon. We will probably have to wait for that to be finished before coming back to the second half of your question, but it is perfectly sensible for that to be put together.

Q29 Helen Hayes: As the Government's delivery agency, how confident are you in the figures that have been announced for the estate regeneration programme? The figure that we have is £440 million; divided by 100 estates, that is about £4.4 million per estate. Depending on the size of the estate—I have some in my constituency of 500 homes or so—that is about £8,000 per house. How confident are you that this is in any way a realistic funding package?

Kevin Parry: This, of course, is adding and providing grant to take that forward. There will also be loan finance, which I think will be the core of the redevelopments. This is helping the economics of that regeneration. The amounts on each site will vary, depending on the scheme. Some might be in the nature of refurbishment or changing the fascias; others might be building on spare land. Then there will be a regeneration of cash as individual homes are sold, although that in itself is quite a complex subject. I do not think we can precisely answer that at the moment, but it does not seem, on the face of it, to be a number that is not in the right realms of possibility when you take into account the fact that it will be financed as well. This helps us a lot in terms of this type of regeneration.

Q30 Chair: Were there discussions with the HCA in detail before the announcement, or did you have to work the details out after the announcement?

Kevin Parry: Policy is for the Department, of course, yes, so there were not.

Q31 Chair: Finally, have you any interest in coming back here in a few weeks' time as chair designate?

Kevin Parry: I will do my best to help you, Chairman.

Q32 Chair: I just wondered whether you might be applying for the job.

Kevin Parry: No, I will not. It is a totally personal decision. The job is fascinating, as I can tell from the interest here. I have other commitments, I am afraid, so the time this requires is just not possible for me. I am happy to do my bit for now, but I am afraid it is not for me.

Chair: Thank you very much for coming and giving evidence this afternoon. We look forward to the further follow-ups you promised us as well. Thank you very much.