



Communities and Local Government Committee

Oral evidence: Pre-appointment hearing with the Chair-designate of the Homes and Communities Agency Board, HC 41

Tuesday 14 June 2016

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Members present: Mr Clive Betts (Chair); Helen Hayes; Julian Knight; David Mackintosh; Jim McMahon; Mr Mark Prisk; Alison Thewliss.

Watch the session

Evidence from witness:

Questions 1 – 31

Witness: **Sir Edward Lister**, Chair-designate of the Homes and Communities Agency, gave evidence.

Q1 Chair: Welcome to this Committee session, which is a pre-appointment hearing with the Government's preferred candidate for the post of Chair of the Homes and Communities Agency. Sir Edward, you are very welcome this morning, in a slightly different capacity to when you have been to see us previously on a number of occasions. You are no less welcome on this occasion. I will begin by saying that, although you are not quite the third choice, this is the third effort the Government has made to fill the post. Why do you think it has taken so long and could you tell us if you have applied previously or if this is the first time in terms of this round of the process?

Sir Edward Lister: I do not think I am the right one to answer why it has taken three rounds, but I certainly have not applied before. The first time around I was so busy at City Hall; the second time round was in the dying days of City Hall's regime and I was unbelievably busy trying to hold things together as we were a fast diminishing team of

people as the changes were coming through. I only ever looked at it on the third occasion, so I cannot comment on that.

Q2 Chair: You say you looked at it. Was there a little whisper in your ear that it might be worth applying on this occasion?

Sir Edward Lister: I had already looked at it, but I did take some soundings and asked people about it. One does not put an application in without checking whether one is likely to at least be looked at, so I did that obviously.

Q3 Chair: We will come on to look at the abilities you have and what you have previously done, but it is pretty obvious to anyone looking at your CV that involvement in politics is pretty high up that in recent years. You have clearly been at the heart of Conservative administrations. I suppose the obvious question is, as a Conservative with a track record in Conservative politics at local level, both in Wandsworth and serving the Mayor, how robust would you be able to be in challenging Conservative Ministers if you felt that was appropriate in this job?

Sir Edward Lister: Firstly, can I try and reassure the Committee about my politics and everything else? It is worth making the point that as the Mayor's Chief of Staff for the last six years at City Hall I was in a politically-restricted post. I have not been involved in frontline politics in that sense because my job stopped me doing that. If you asked around the Labour councils in London I think you would get reasonably favourable reports back that I always behaved absolutely correctly and did things that were what was expected of me. I do not think I ever really clashed with anybody. If anything, I probably clashed more with former colleagues in the Conservative administrations than the Labour administrations, so I think it is fair to say I did that pretty positively and soundly.

To the nub of the question, the HCA is inevitably the CLG's child. They call the tune and the policies, and they have set the policies certainly for the next few years. There is a whole stream of those policies that you have been putting through here in this House. I am going into this with my eyes wide open. I think there is going to be a need to try and push Ministers where I think there are things that are blocking the delivery of housing, and to report back to them and advise them where I or the HCA thinks that is the case. I think I have shown I am quite capable of doing that in a quite professional and grown-up way. I learnt long ago in government that you do not get things done by shouting from the rooftops or upsetting people. You do things by gradually working at problems, explaining the problems and gradually building up allies and support.

Q4 Chair: You see your approach then as one of saying to Ministers on one side, "This is not working. Have a think about it". Would you ever see the possibility in your role of going public with questions and criticisms of a policy that you felt was getting in the way of delivering your overall objectives, or even coming to a Select Committee and saying to the Committee, "This is not working for this reason".

Sir Edward Lister: If it was something that I felt that strongly about and I was not able to—by the way I do not see that arising because I think Ministers are very open to looking at the problems that are out there and what can be done to speed them up. At the end of the day, to use that old Victorian saying, I took the King's shilling and if I do not like it I should get out. I cannot say I have come into this without understanding and without knowing exactly what the policies are likely to be over the next four or five years in housing.

Q5 David Mackintosh: I am interested in what you will bring to the role of Chair of the Homes and Communities Agency. In particular, what do you think are your key achievements that would make you suitable to the role?

Sir Edward Lister: What I bring to it is that I am quite a practical person. I have shown that I am capable of delivering and making sure things are delivered. In some ways, I can be a bit boring and a bit pedantic, but I think that is going to be needed in this because this is about numbers. It is as simple as that. The Government have set some very high targets, which we all recognise are needed and have to be achieved. It is very much going to be about pushing hard on those numbers, pushing hard to get them through the system and calling people to account where those numbers are not being delivered.

It is also about dealing with the twin problems that are going to be out there, on the one hand the changes to the budget because there is a lot of cash for housing but there is also a budgetary reduction taking place. It is about being able to motivate and lead the team there, being both a counsellor to the senior staff, as I am well used to, and being the person pushing hard on them to deliver. I think I can deliver that and my track record shows I can deliver that.

Q6 David Mackintosh: You talked about delivery. I wondered what experience you have of leading delivery of regulatory functions.

Sir Edward Lister: Only in the sense that most local government is regulatory functions that are being implemented on behalf of Government. I am fully experienced in that. I understand that. I understand the needs of it. Indeed, the regulatory function is a very important and serious one, especially now as we are entering quite a

dangerous phase in the housing market, where there is a lot of churn in the prices. There are a lot of issues out there, and the regulation of RSLs was absolutely right; it has to be managed properly. The trouble is it also has to be lighter touch if they are going to deliver some of the things that the Government want them to deliver.

Q7 David Mackintosh: You have recently resigned from a number of roles, such as the Mayoral Development Corporation, GLA Property and the London Legacy Development Corporation. Do you think there is any risk of conflicts of interests arising between your recent role at City Hall and that as chair of the HCA?

Sir Edward Lister: No, I do not think so. I was very London focused. The HCA, by its very nature, is more outside-London focused, so I do not think those conflicts exist there. I have always been close to the property industry, so conflicts can arise. I know how to handle that. I understand what I should do, how I should do it and to declare everything properly. I have been in this game a long time and I understand that fully, so I do not see that as a problem.

On the contrary, I would see some of the stuff that I did there as being as being very valuable to this role. I was very much involved in the original negotiations as we took over the HCA functions in London. I was the one sitting in the meetings at CLG as we negotiated a lot of those transfers of property, resources and people. I was heavily involved with that. We set up those various organisations, MDCs on the one side to try and drive housing numbers and push things through—and perhaps we will talk about those later if you think it is appropriate—but also, we set up the structures so that we could handle land in the most cost-effective way for the GLA and indeed for the Government to maximise the resource.

Q8 Mr Prisk: The HCA has seven corporate priorities at the moment running through to 2018. For you as an incoming chairman, what do you think are the most important priorities in the next couple of years?

Sir Edward Lister: The number one priority, and I am not minimising some of the others, has to be to push numbers and make sure that the money that you in Parliament have now allocated to the HCA is used as effectively and as quickly as possible to build housing. There is sufficient money there for about 400,000 homes. There is the already declared target for starter homes of 200,000. There are lots of issues around these different things. It is going to be about driving delivery and I see that in the following ways.

First, it is about the use of land and getting that land into production as quickly as possible. That is all going to be about deferred payments and

other mechanisms, including joint ventures, planning agreements and all sorts of things that will be needed to make them happen. It is about pushing the existing RSLs as hard as one can to produce more, but without, if I go back to my earlier point, making silly mistakes on the way because I do think it is quite a dangerous time out there at the moment. It is about pushing home builders to maximise their delivery and it is about bringing new players in. That is the mixture of the small SME developers and getting them onto the small sites. It is about direct commissioning. It is about striking the right kind of deals with the combined authorities because they are the essential partner. How do you get the numbers moving in each of those? That is the number one priority.

After that, I would say it is the making sure the banking function of the HCA is as effective as possible. That is about new skills and new people. I am well aware that there are an awful lot of secondments in that area. That has to be moved to a more stable position of full-time, permanent people who are committed. There is nothing wrong with secondments but we need them in the long-term. There is so much cash involved here that we have to get the right people with the right qualifications. I suppose the other most obvious one is that the situation with regard to the chief executive needs to be settled. We do need a permanent, full-time chief executive.

Q9 Mr Prisk: Given that emphasis on outputs, which is perfectly understandable, do you think there is an inherent conflict within the HCA as being both regulator and deliverer?

Sir Edward Lister: It is going to become increasingly difficult. They have obviously created all sorts of Chinese walls between the two functions. In my words, I think it is terribly important that the RSLs get off the Government's balance sheet as quickly as possible and become independent again. That means that the regulatory function is the key to doing that, and I am sure that is going to lead to some quite difficult conversations. Yes, you can keep on building Chinese walls higher and higher, but there comes a point where there is a difficulty there. I do not think that the two sides of the HCA, the development and funding side and the regulatory side, sit comfortably. There are those Chinese walls and I think that has to be watched.

Q10 Mr Prisk: Do you feel it would be better to have the regulatory function outside?

Sir Edward Lister: With hindsight, yes. That is a personal view, but yes. If it is not outside, then you have to do it with creating mechanisms to separate it.

Q11 Julian Knight: The Department is currently looking at the priorities and the purposes of the HCA. Do you think that the job you have applied for will be the job that you end up doing?

Sir Edward Lister: I hope the job I have applied for is very much about delivery and building homes. That is the job that I am well qualified to do. It is about working with the combined authorities and all the other partners, and there are a lot of partners out there that all have to be corralled and made sure their resources are brought to bear. That is, as I see, very much the role.

Q12 Julian Knight: The role of the HCA has changed significantly and is continuing to change. What experience can you tell the Committee you have in terms of managing organisational change?

Sir Edward Lister: When I first arrived in City Hall there was already a considerable amount of organisational change already being started by my predecessor, but there was still an awful lot to do. I continued all of that. I would like to think that my successor doing the job I do now for a different Mayor would say the place works pretty efficiently. I have never heard anybody say contrary to that. I was very much involved with the organisational change in my previous authority in Wandsworth where, again, the reputation for efficiency and driving through change successfully came through, so I have track record.

The trouble with organisational change is that it is always a mixture. At the end of the day, it is about people, motivating people and changing people. I mean that in the nice way. People need to be in the right slots within the organisation where one uses one's skills to the maximum. The HCA has some great people, but they need to be supplemented, as I said earlier, because the financing side is changing. With recent decisions with the budget, that needs to be strengthened up, and that is the big change that is coming through. The other big change is how do you related to the combined authorities? Those combined authorities are going to inevitably be doing some of the HCA's work for it. Therefore, there is going to have to be a flow of people, expertise and knowledge between the organisations.

Q13 Julian Knight: On that subject of skills and expertise within the organisation, do you think at this present time, standing from the outside and observing the organisation, do you think it has those skills in place in order to fulfil its changing role?

Sir Edward Lister: From the outside looking in, I think it has got some superb people but that it is going to need new and additional skills which are not there at the moment. It is going to be very hard to drive the RSLs and the existing home builders to deliver significantly more

than they are delivering at the moment. You could argue that they are probably close to their maximum. It is about direct commissioning; it is about becoming the developer; it is about different funding models; it is about getting resources from other places; it is about bringing SMEs back in all of those things. All of that would require different skills, so I think there will have to be growth in that area.

Q14 Julian Knight: Does that mean a general growth in overall headcount?

Sir Edward Lister: I cannot comment on that, but I think it will definitely be a change in the types of people that are going to be involved. There are going to be different skills needed to drive that through. I do also say that it is going to be about working with combined authorities. That is going to need quite a bit of change as well. There will be different ways of working.

Q15 Julian Knight: I have one final slightly tangential question. This Committee has been undertaking an in-depth study of homelessness that you may know about. What do you see as the HCA's role in helping alleviate the homelessness situation that we have in this country?

Sir Edward Lister: I am not being flippant on this, but the number one issue is more homes. Everything starts from that. We have not built enough for a long time, so the first thing is to get the numbers up. The second thing is to look at some of the new models that are out there that might help get people into housing, whether that be through home ownership, through simplifying intermediate products that are there, through starter homes, or whether it be through the rental products that are about, particularly the new rental products which are coming in with people that are coming in and doing private-rented now. Some of the great opportunities are coming through from there to provide large scale rental accommodation at affordable prices. Those are the areas, but it is down to numbers. I am sorry; I really think that is the number one issue.

Q16 Chair: Moving on from that issue, if providing more homes is the key objective the HCA has not exactly covered itself in glory over the last couple of years with a £2 billion underspend on its budget? Is that something you would be addressing from day one if you got the job?

Sir Edward Lister: I think it has delivered the numbers that were expected of it. It has been running at 50,000 homes through a year. I accept it is not sufficient and I would hate to see any underspend. You have charged us with that money, to get it out there, get it spent and to get those developments moving. This does come back to a

realignment of some of the skill levels to make sure we can deliver that.

Q17 Chair: Coming back to what I was trying to allude to in the first part of the questions, I met with a number of major housing associations in the Sheffield city region. Obviously housing markets are different in different parts of the country, but that is probably the middle housing market in terms of values. They all said to me, without exception, that they did not think the shared ownership product was one they could deliver on and it would not work in the market to any great degree. If the HCA was insisting on offering them money for that they simply would not take it and would not build the homes. If that message is conveyed to you, how do you deal with it? That is either going to be an underspend or it is going to be money going in to another market while that market does not get any funding. How would you respond to that?

Sir Edward Lister: One needs to understand why that is being said in any particular area. I can quote the London numbers off the top of my head immediately. I know those are not HCA numbers, but of the total number of homes being built in London about 25% are social-rented or affordable-rented in one form or another. About 2% are intermediate and the rest is market. There is a real shortage of intermediate products, and when any intermediate scheme becomes available there are queues around the block for it almost immediately. There is no question about demand and certainly that must be true right across the south east.

As you travel elsewhere I appreciate those demand patterns are going to change, and that is about understanding what the real pressures are in a particular community. What are the demands? What do we need? I think all of us believe quite strongly that the last thing we want is single-tenure housing of any kind. None of us want to rebuild old estates. We want a mixture of intermediate, rental and market. We want all of these things and that should continue to be the aim. Do I think there are great opportunities for starter homes? Yes, I do because there are some parts of the country where the pricing models will work extremely well. In others it is going to be more complex how we do it and that is going to be quite a debate.

Q18 Chair: Coming back to the message that the housing associations were giving me, they are not saying they are against shared ownership, but they just did not think that the numbers that they were likely to be offered as part of the overall funding from the HCA was going to be deliverable. If the HCA wants them to build the number of homes that is going to be required, they were thinking they would have to have that money transferred into grants for rented accommodation, but that is

not Government policy. If that message were conveyed to you, how do you deal with that intricate problem of housing associations saying one thing and not quite fitting with the Government policy on the other?

Sir Edward Lister: The first thing is to understand whether the housing associations are correct in what they say, to be absolutely blunt. You certainly do not start this kind of discussion with Government or with anybody else without some very strong facts behind it. One would start looking for the proof in all that, and that is the first point. The second point is that I find it difficult when for the majority of people their aspiration is home ownership, and that has been proven in endless studies of varying kinds, but there is not a strong demand for it in pretty much all of the country.

I fully appreciate the financial models might not work in all parts of the country. I also appreciate that there is a point sometimes when the market becomes sufficiently viable for people to get that if that is the direction they want to go in. I do accept it is going to be different, but I think one needs to have proof of all this and we need to test those suggestions. Of course, it is perfectly possible for the RSLs to use their own sources for more rental units if that is what they want to do, particularly if we get the regulatory functions sorted out and we get them back off the Government's books. That is a further line.

We have to find out why they are saying that. Is it because it is not the model they want to do? Is it because it is a management issue? What are the reasons behind it? I have not really heard that from RSLs in the south.

Chair: It is a different market.

Sir Edward Lister: Yes. That is all I can say to you. One would have to understand it.

Q19 Chair: That is the answer I was looking for. If you are prepared to at least investigate and listen that is at least a starting point.

Sir Edward Lister: One has to and one has to understand it. What is the issue? Maybe it is hybrids of one kind or another; maybe it is different models. I do not know, but we have to go out there and find out what the obstacles are and deal with them.

Q20 Chair: In terms of Help to Buy, and this is not one of the problems with underspend, it is now 81% of HCA's capital spending. The HCA has had great problems in its financial forecasting, probably not unreasonably because it is a completely different area for them to move into. Do you see this as a problem that you need to grapple with or is it

something that is going to remain a problem because of the unpredictability of house prices?

Sir Edward Lister: I do not think I can get away with saying it is an ongoing problem. It is a problem and I am well aware, and I am well aware of the Committee's investigations into that and their questioning on that. It is difficult. The trouble is we all know that completions on property transactions are notoriously difficult to predict. They go up and down and it is quite difficult to manage it because it is all about completions, solicitors and all sorts of things coming to bear. We have to get better at it and that is all I can say. Certainly, having picked up the fact that your Committee has been investigating this and pushing hard on it, it is something that one needs to pay attention to and try to understand what else we can do. There must be some things we can do to try to smooth it out.

Chair: I will not tempt you down the road of what impact the European referendum might have on Help to Buy and house prices. We will not go there this morning. We will relieve you from that and pass you over to Helen.

Q21 Helen Hayes: Good morning, Sir Edward. I wanted to continue Clive's line of questioning, if I may, and come back to the issue of starter homes. You have worked predominantly in London. In your most recent role you must be acutely aware of the challenges of affordability of housing. In London, there is the very extensive housing need and much of that need is at the lower income end of the market. I wonder, in that context, what you make of the very strong obligations there are on local authorities to deliver starter homes in London in particular as part of the mix of affordable homes. Do you really think that is going to get us best value for money across public and private sectors in the London housing market as you understand it?

Sir Edward Lister: The great thing is probably the hardest bit for this is going to be London, and it is the one bit the HCA has not got responsibility for, which is quite convenient. It is an issue, but it is wrong to assume it is just the rental sector or the people on the very lowest incomes that have a problem. It goes quite a way up the income levels. There is no doubt about it that there are an awful lot of people who could fit into the intermediate category and could go there and aspire to do that. It is very important that we do open up those opportunities for them. One has to be sensible about all of this. It is about a balance between the two things. In London's case 2% intermediate and 25% rental, as I said earlier, I am not sure is the right balance and I think we need more. We do not need less units being built. The key to all this is numbers. It is also about making greater use of outer London. When I say outer London, I am talking

about the home counties as well, where you can move into slightly lower priced areas in property terms where intermediate products work much better and where I think starter homes are going to work much better. That is an area that we can deliver a lot.

In central London I have long had the view that the answer to this—and the answer for local authorities now—is to move more and more down the private-rented type of developments where you can build X hundred units on a large scale and have a percentage of those at market rent discount. There are two great attractions to that. One is financially it makes a lot of sense and, secondly, it is all tenure blind which is very much the American model, which I think is very attractive for everybody because it removes any stigma and if there is a stigma it is invisible. Those are the areas we have to push more, and we have to try and push the PRS side as much as we can. There are some London Boroughs and, indeed, some home counties boroughs, which are currently doing a lot on this piece. Barking and Dagenham is a good example where they are putting up an awful lot, and it is almost let as fast as it is built. It is a very attractive type of model.

Q22 Helen Hayes: Across the country as a whole, there is this very strong obligation to deliver starter homes. What you have talked about, and I think quite rightly so, is a much more mixed economy where different solutions fit in different housing markets. How will you undertake the conversation with the Government about, on the one hand, this very considerable obligation on one type of housing, as against that much more fine-grain approach that is needed across the country.

Sir Edward Lister: I understand what you say. I also do recognise, though, that there is a desperate shortage of home ownership products that are reachable for people. Of course, if people cannot get into those products because they are not there they are going to reappear in the next category along, which is the rental category. We have to hit it from several different directions. If we can get people into home ownership, I think that is the ultimate and we should try and achieve that as much as we can. There are some great opportunities with that. There are great opportunities in the whole intermediate area, but you cannot stop building one particular category. We need all of it. I do believe that.

Q23 Helen Hayes: Thank you. Panning out slightly now, what do you think are the biggest challenges for the HCA for the remainder of this Parliament and how will you ensure that the HCA delivers those against those challenges?

Sir Edward Lister: I largely answered it earlier when I was saying that it is about numbers. I genuinely believe it is about pushing the public

land and getting that land out there. I personally would be very excited if we could get a lot of smaller developers in there. That is all about us taking the risk. I say “us”—it is the HCA taking the risk of planning and getting that sorted out because no small developer will take those costs or take that risk without a degree of certainty. There is a lot of work in that area. That is bringing new people into the market.

These are the challenges to try and encourage pattern-book homes, factory-built homes and all of those things, trying to modernise the industry. We are all well aware that having the developers to do it is one problem, but the other problem is there is a real shortage of skills. We do not have the people there either, so we have to find other ways of building things. These are the challenges, and the trouble is there is not one answer to any of this. It is all of it. We have to be very open to those challenges, but if we can get new players we can maximise what we have at the moment. If we can find new methods to bring this forward, we can really get our hands on some of that public land.

The other thing that is at the back of my mind and is always there—in London we commissioned a Molyneux report on housing and housing numbers. One of the conclusions they talked about in that report was the two types of people. They called them builder builders and non-builder builders. The builder builders were the RSLs and home builders, and all those sorts of people. The others were all the other people who had planning permission for things and never built anything. They usually employ very good architects that accept every type condition the local authority gives them, make the whole thing totally unviable, never build it, then put it on their balance sheet at a price that no one could ever afford and it just languishes there. Regrettably, there were a lot of people in the public sector there as well as the private sector. That finger can be pointed at a lot of people. It is very important that at the HCA we do not get ourselves into that and we get ourselves into the position where we get as much public land as we can out there and into development. That is the key to all this. We do not want anything being land-banked anywhere.

Q24 Helen Hayes: More widely, do you see perceive any particular challenges with the planning system in terms of your main task of delivering new homes?

Sir Edward Lister: Yes, and I think that an awful lot has been done to try and speed that up, but it is still a very slow process and that comes in two parts. There is a lack of resource in local authorities to handle the planning applications speedily. There is sometimes a lack of willingness to get a move on and handle it quickly. I always took the view in London that to turn something down was an act of failure because you had failed to negotiate whatever you needed to negotiate

to make it work, and that is what we should be about. It should be about development. We need to remove the obstacles, but it is still too slow. It is not necessary the pure planning that is the delay; it is all the conditions that get applied to it and the length of time it takes to remove those conditions and get them sorted out. That can take an enormous amount of time.

Not so long ago, on a really big scheme, people used to talk about a year for planning and two years to get the conditions out the way. That used to be a rule of thumb. Now it has got a lot better, but is still far too slow and we cannot afford that. On what I said earlier about getting new players in, particularly smaller ones, onto some of those smaller sites, they are not going to take that risk. Nobody is going to put their money on that. They would be better off doing roof extensions than taking a risk of building a few homes. We have to continue to push to speed the whole process up.

Q25 Helen Hayes: Can I ask about the “communities” bit of the Homes and Communities Agency? What is your vision for what makes for a successful community and what role do you see the HCA playing in that alongside the delivery of numbers?

Sir Edward Lister: Firstly, and perhaps I did not spell this out early enough, and I should have done, any development that is just about house numbers and building houses is doomed to failure, and we all know that. We have seen lessons of that right across the country of communities that do not work because there is not heart and they cannot get to work. There has to be a serious conversation about whether you put the subsidy into the bricks and mortar or you put the subsidy into the railway station, infrastructure or whatever it is that you need to make the place work. It is about making places and I have always firmly believed that. It is about getting the right kind of cultural institutions, the right kind of schools and health facilities, but, above all, the right kind of transport. It is all pointless if you cannot get to work. Those are the challenges and the HCA has to be mindful of that all the time. It is not necessarily going to use its own resources, but it has got to be in position to go and badger Ministers to badger other Ministers to make whatever that infrastructure play is move forward.

Q26 Helen Hayes: Can I just come back to the question of independence? The delivery of 1 million homes by the end of this Parliament is a key priority for the Government and the priority against which the Government will be judged. Your job description calls for a proven track record of delivering for Government. How will you ensure that you maintain both your independence and that of the HCA when

what you are tasked with delivering is so very close to a key political priority for the Government?

Sir Edward Lister: The key targets they have set are the 200,000 starter homes, the 1 million homes and all the rest of it. They are targets that I welcome. They are very tough targets, but it is right to aspire to some really high numbers because we have to aspire to those really high numbers. I just have to concentrate on that and, if there is a problem, draw that to the attention of officials, either in CLG or wherever, or to Ministers, and try to unblock whatever it is that is creating a problem for us. I do believe that Ministers are very open to this. They know these targets are pretty tough and everybody wants to do whatever they can do to make them work. Yes, the HCA is very much in the grain of what Government wants to achieve. One has got to push it as hard as one can to make sure we can deliver it.

Q27 Helen Hayes: Under that pressure how will make sure that the HCA's regulatory role is not overshadowed by the imperative to meet the Government's targets?

Sir Edward Lister: I hope I touched on that earlier because I do recognise that there is a real danger here. It is about making sure that we keep the independence of the regulatory function. It is quite difficult now because we have an awful lot of cash and we are going into this market much more aggressively now. At the same time, we are the regulator. The two bits have a degree of conflict. Both have to be watched and both have to be very careful about it. One has to be very conscious, and I am very conscious that a lot of RSLs are buying a lot of very expensive land at the moment and prices are dipping, certainly in the south east. That is working that problem out for the south east.

I do not want to minimise the importance of that regulatory function. Supporting it, I think the two bits have to run side-by-side. We have to make sure we have the right mechanisms so that people do behave correctly and that the regulatory side has the clout, if they see something going wrong, to be able to jump all over it.

Q28 Julian Knight: You have emphasised the private-rented sector throughout today, and I quite agree with you in that regard, in terms of delivering change. I am wondering what you think the effects on the PRS could be, and on the ambitions of the PRS, of such things such as the buy to let tax changes that we have seen in the past. I am wondering whether or not you think that is really as far as it can go if the PRS is to deliver the numbers that you would like it to.

Sir Edward Lister: I suspect if we are to push PRS further there are going to have to be other changes to make it more viable. There are all sorts of quite interesting debates about this as to whether it should be

a completely separate asset class and everything else, which I think are very valid debates. There is going to be a need for other mechanisms because, in so much of the country, if you put a PRS scheme side-by-side with a market sales scheme the majority of planners will look at it as a market sales scheme and do the viability on that basis. The PRS would never get through the planning system. There are some problems there which a lot of work needs to be done on. CLG are well aware of this and that is one of the big challenges. How do you remove some of those barriers? It is not so much the individuals; it is the corporates now. It is the big funders coming in, the people that have large slugs of money that we want to try to—

Q29 Julian Knight: Your ambitions lie in the area of those large corporates delivering big scale is what you are talking about with the PRS.

Sir Edward Lister: It is about large scale. It is about professional—

Q30 Julian Knight: Could you envisage, therefore, a position in which, for example, an individual that takes part in buy to let has a certain tax treatment, and then these massive companies, which obviously can make quite substantial sums of money, have a more beneficial tax treatment than an individual?

Sir Edward Lister: The trouble is it is like all these things. You need both, don't you? At the moment the buy to let is a key ingredient of the property market and at the moment they have largely dropped out because the tax changes have made it very difficult. You are going to have to change those tax rules to some extent to get them back in, because there is no real financial incentive to continue to invest in this area. There are some challenges there. I am sorry, but you are now into the fiscal policy area about how you handle some of this. There are a number of challenges at the moment. You have that, you have stamp duty, and you have Brexit. Add them all together and it is not easy market.

Q31 Chair: Is there anything else that you would like to say to the Committee that you think that we ought to be aware of or any other points that you might want to put across?

Sir Edward Lister: Only if I could say to you that I am very excited about this role. To help lead an organisation that is going to deliver large numbers of homes is something I find very exciting. I certainly commit myself to work closely with all the partners out there: the new combined authorities, the house builders, the RSLs and the whole lot to try to bring that about. I would welcome the opportunity of doing that.

Chair: Thank you very much for coming in and giving evidence to us today. That is appreciated.

Sir Edward Lister: Thank you.