

Communities and Local Government Committee

Oral evidence: Capacity in the home building industry, HC 46

Monday 21 November 2016

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Members present: Mr Clive Betts (Chair); Rushanara Ali; Bob Blackman; Helen Hayes; Kevin Hollinrake; Julian Knight; David Mackintosh; Melanie Onn; Mr Mark Prisk; Mary Robinson; Alison Thewliss.

Questions 91 - 144

Witnesses

I. Daniel Gath, Managing Director, Daniel Gath Homes, Rt Hon David Heathcoat-Amory, Director, Devonshire Homes, and Adrian Swan, Managing Director, Swan Homes.

II. Chris Brown, Executive Chair & Founder, Igloo Regeneration, Michael Holmes, Chair, National Custom & Self Build Association, Christine Hynes, Chief Executive Officer, 24:7LivingUK, and Marc Vlessing, Chief Executive Officer, Pocket Living.

Examination of Witnesses

Witnesses: Daniel Gath, Rt Hon David Heathcoat-Amory and Adrian Swan.

Chair: Good afternoon and welcome to this session of our inquiry into the capacity of the home building industry. Thank you all for coming to give evidence, and apologies for the delay, which was due to a technical problem that meant we would not have had Hansard properly recording our proceedings if we had started earlier. Just before we go into the session, members of the Committee will want to put on the record any particular interests they have that are relevant to the inquiry. I am a vice-president of the Local Government Association.

David Mackintosh: I am a Northamptonshire County Councillor.

Mr Prisk: I am a strategic advisor to Essential Living.

Bob Blackman: I am a vice-president of the LGA.

Q91 **Chair:** That is our interests on the record. For our record as well, could

you just go down the table and say who you are and the organisation you are representing today?

Adrian Swan: I am Adrian Swan and I represent Swan Homes, based in Nottingham.

David Heathcoat-Amory: I am David Heathcoat-Amory, a director of Devonshire Homes Ltd, which is a family and independent house builder, almost entirely building in the county of Devon.

Daniel Gath: I am Daniel Gath, managing director of Daniel Gath Homes, a small house building company. We build in and around the York area, building about 35 to 40 houses per year.

Q92 **Chair:** Thank you very much for coming this afternoon. It is important that we hear from smaller builders. We have heard from the major developers already. You have probably seen what they had to say to us. They clearly have a particular development model that they operate. As small and medium-sized builders, could you just tell us what your development model is, and perhaps how it may differ from that of the very large developers?

Daniel Gath: We generally build family homes on sites with sizes generally from about five units, ideally, to about 15 units. A lot of the sites that we build are classed as windfall sites. They are not allocated in the local plan, so, as you will understand, it is a very diminishing resource. One of the major problems we have is that local authorities do not generally allocate sites of fewer than 30 units, so the resource we need to carry out our activity and our contemporaries is very limited.

David Heathcoat-Amory: We are perhaps a little bit larger than that. We build about 130 houses per year. We tend to have a multiplicity of small sites, and this is obviously a difference with the house builders. We are mostly new-build for family houses, between about £150,000 up to perhaps £350,000 for a four-bed home in some areas. We also build affordable homes, of course; up to 40% of some of our sites have been allocated for affordable housing.

We like to think we give attention to design quality and respect to the local vernacular, which is perhaps an advantage we have over some of the nationals. The big builders—I don't think they would deny this—tend to have several house types that they use nationally, and we tend to reflect regional variation more faithfully, I hope. Our attention to quality is an important element in the reputation we are trying to build.

Adrian Swan: We are very similar in terms of size. We generally do sites of anything between one and 15. Our geographical area is mainly the east midlands, so Nottinghamshire, Derbyshire and Leicestershire. We do a broad mix of traditional family housing, but also down to first-time buyer properties as well. We are unique in the sense that we are also custom developers, and we will tailor a property to suit a client's needs.

As an ex-director of a major plc developer, we wanted to do things completely differently. We pride ourselves on the quality and attention to detail that we press forward in terms of respecting the local environment and the type of quality we are looking to produce on our developments. That is how we operate locally within the east midlands.

Q93 **Chair:** One of the questions we asked big builders last time was why it took so long to build out a site. Your sites are on a different scale, so how long would it take to build out a site once you get permission and start to build on it? For one to 15 houses, does it take you a year, maybe?

Adrian Swan: From our perspective, yes. It is anything between 12 and 18 months, but that is more by the nature of what we do. Obviously we are tailoring it to meet a specific client's needs; we are not just doing things speculatively.

Daniel Gath: We do a mixture of both. The range in our products is that we may do a two-bed townhouse at £185,000 or we may do a five-bed executive house at £950,000, so we perhaps cater for a broader spectrum. In terms of the top end, there would be much more input from the homeowner, and generally across our sites they will come to us because not everybody necessarily wants to live on a site with 200 houses, and again there is our attention to detail: I suppose it is difficult to have a go at the nationals in terms of quality, but when you are dealing with a smaller company, our attention to detail is definitely superior to the nationals.

Q94 **Chair:** How long would it take you to build out a typical site, or is there such a thing as a typical site?

Daniel Gath: There probably isn't a typical site, but we would probably average about 12 to 18 months, depending on the size of the site.

David Heathcoat-Amory: Our sites are typically 30 units up to perhaps 140 units at the upper range of our size. We build that out at about 40 or 50 houses per year, but of course the time taken from acquisition to selling is all about planning.

Q95 **Chair:** We will come on to the planning issue in a little bit.

David Heathcoat-Amory: I am sure we will get on to that. I would make the point that if it is the aim of any Government to increase housing volumes, it is more sites that we need rather than a few big sites. We do not sell a lot more out of a big site per year, because it would saturate a particular local market. We like to have four, five or six sites that we are building out of at any one time, and that is a better way of increasing volume.

Q96 **Kevin Hollinrake:** Just following up on the Chair's question, in terms of build-out rates, which are key to this discussion, how does that compare with the larger developers? I think you were saying it depends on the size of the site, Mr Heathcoat-Amory. Is that the key? Is it faster to build out on a smaller site?

David Heathcoat-Amory: Yes. We find that the numbers of houses we sell from a large site is not markedly different from a small site, because you saturate the market. Therefore, I do not think that simply allocating a few huge sites in the west country, perhaps on MOD land or whatever it may be, will increase the volume of sales, at least in the short term.

Q97 **Kevin Hollinrake:** Would you be able to quantify that speed of delivery from a small site versus a large one?

Daniel Gath: I did a presentation for a local enterprise board made up of a lot of local authorities in our region. I went with the MD of Barratt David Wilson, and they wholeheartedly said it really doesn't matter how big a site they have; they cannot deliver more than around 35 houses on a particular site per annum. We discussed how, if they had six smaller sites where they could deliver 20 houses per annum, the delivery of homes would increase by one hell of a lot. We will probably come on to this, but I will keep banging the drum: if local authorities persistently allocate big chunks of land, then you will only ever deliver a small number of houses across a district.

Adrian Swan: From my perspective, obviously having sat on the other side of the fence several years ago, if you asked most site managers, "How long will it take you to build this house?" they will all come up with 26 or 28 weeks. The reality always tends to be well beyond 30—34, 36 or 38. It is a very good point in terms of the volume for one large site. In 20 years of working for a national, I have only experienced it where we built more than 75 units of one particular development.

As operators on three fronts, having every resource available to us, generally, on average I think 30 to 40 weeks is about the norm, given the level of resource that they have available to them at any one time. The number of small sites that we could deliver against that is quite relevant, because not everyone wants to live in a big, out-of-town development. With smaller sites, if they are actively encouraged, there are many, many developers out there—having been in the game for a period of time—who could plug that gap if they were encouraged to bring these smaller schemes forward.

Q98 **Kevin Hollinrake:** In terms of encouraging SME developers, which I think we define as developers that build fewer than 500 per annum, 30 years ago they built two thirds of all new homes that were registered. It is now around 25%. Why is that?

Adrian Swan: I do not want to speak out of turn, but you have a twofold issue here. Over the last eight years, one third of that two thirds has fallen out of the marketplace because of the recession and the financial crisis. As an industry, there are a lot of capable developers out there who cannot get back in, either due to lack of access to finance or the constraints of the planning system. Both those things sit hand in glove. From the Federation of Master Builders perspective—the FMB represents 2,000 or 3,000 housing developers—a lot of those guys would be encouraged to come back if those two areas were far easier to access. Finance would be the key one.

Daniel Gath: I also think, and not to be discounted, house building has gone the way of major retail and groceries, with the big players. We are the same in house building, but at the very bottom end of the industry you would have a jobbing builder who would be doing extensions and bits and bobs of work locally, who would maybe build two, three or four houses per year. The complexity of planning, with all the technical hoops you have to get through, the conditions on planning and the restriction on finance, mean that Joe Bloggs, your local general contractor, thinks it is not worth the hassle anymore.

David Heathcoat-Amory: I would add that house building is a good business to be in, in one sense, because we are doing something that people want; there is a shortage. In every other way, however, it is a tough, risky business. In the credit crunch, there was a big cull of smaller builders, and it is a very difficult business to get back into. The delays between site acquisition all the way through planning, assembly, getting utilities and environmental concerns out of the way, and negotiating section 106 agreements, which I am sure we will talk about, all happen before you have sold a single house. The cash flow, if you like, is awful and therefore the entry costs are quite high.

Q99 **Kevin Hollinrake:** In terms of reversing that trend—I think you touched on it, Mr Swan—is it possible to reverse it quickly or within a reasonable timeframe?

Adrian Swan: I believe it can be. Obviously the huge constraints, if we set the planning system to one side for a moment, are finance and skill. Taking the finance part of it, the high street lenders who consider the SME sector to be a huge risk, as it stands now, could be a little bit more flexible in their approach. They are trying; we sat down with them last week. But we are talking about the likes of NatWest, RBS and Lloyds.

Q100 **Kevin Hollinrake:** We will come on to the specifics around that, but you think that people are still out there who would come back into business if the conditions were right?

Adrian Swan: Absolutely. I believe that 100%.

Q101 **Kevin Hollinrake:** That is key to this question, then?

Adrian Swan: I believe it is.

Q102 **Kevin Hollinrake:** What about volatility in the market? How significant an issue is that for SMEs, having just got through the financial crash in 2008?

Daniel Gath: We all remember very well when the banks were being bailed out in early 2008. We were with NatWest at the time, and owed them a not inconsiderable amount of money. The banks generally put the squeeze on. Everybody knows that the house building market goes through peaks and troughs, but a lot of my contemporaries who were not willing to give up balance sheet value to get out and get cash in went to the wall. The banks were particularly hard on quite a lot of our

contemporaries, and time will tell whether they will ever come back into the market.

David Heathcoat-Amory: I would agree with that. The credit crunch put a lot of banks in shock and they became very risk averse to lending on property, even to companies such as mine, which gave them no trouble. We were not highly geared, but even so, property was a kind of red zone to them. That has now improved markedly. Some banks understand the business now and have come to accept the risks. Nevertheless, for a considerable number of years it was very difficult to assemble the right capital. If you are a small company, you are almost by definition short of capital, so lending, or rather borrowing from our point of view, is crucial. When the banks withdrew, it created very severe problems for us.

The only other comment I would make is to pick up your point about it being very lumpy. That is quite true. The nature of the business is not factory-based. We deal with a lot of sites, and when they become available, when you can start building on them, is an uncertain business. It is highly lumpy, and to get a smooth pipeline ahead of you for a number of years, which of course the banks want us to do, is difficult. It is unpredictable.

However, the market is benign and there is continued demand for housing, so it can be done. I am quite optimistic that if some of the barriers are removed and the system becomes more fluid, the small and medium-sized building sector could accelerate.

Q103 **Julian Knight:** You have all mentioned cash flow and finance. I was wondering how you finance your developments. Do you have to effectively sell out one development first before starting another?

Adrian Swan: Our business is born from the recession, so that was how we started out, but also using private equity to help fund our business to start off with. From there, getting the first one in with the bank and starting to build a track record and a better line of credit is how it started for us. Now I think David's point is right: that the situation, if you have a track record, is starting to improve. We have definitely seen that, but it still does not make it easy for a new entrant getting back in, if you do not have that bit to get you started.

David Heathcoat-Amory: We rely very heavily on our bank, with a revolving credit facility that is now improved since the dark days after the credit crunch. However, capital is still short, and therefore we are always looking for new partnerships. A good one we have found recently is the Housing Growth Partnership, which is a joint venture between Lloyds and the Homes and Communities Agency. They will put equity in alongside ours in return for a profit share. That is quite an innovative way forward, and I hope the HCA manages to expand this type of funding.

If we are still short, banks have a habit of making us put our money in before theirs, and taking theirs out before we take ours out. I sometimes say, "I thought you were a bank." I do not want to be rude to them,

because we rely on them, and in fact they have got a lot more sympathetic to the concept of *pari passu* funding: we all get in together and we all come out together. Advances are being made, but we are desperately reliant on sources of capital, and equity is not enough; we have to borrow.

Daniel Gath: We are slightly different. We were particularly under water in the credit crunch. I made a decision, coming out of the recession, that we would either restructure deals where we bought sites on the drip, which is when you pay a little bit more for the site, but you pay for it when you sell the house, or certainly in the last two or three years we just buy the sites outright, using our own cash reserves. What that does is, because we do not trust the banks enough to get into bed with them, it restricts the amount of houses we can deliver.

We could do quite a bit more, but I suppose I am risk-averse and do not want to be at the beck and call of the banks. Of the three banks I have spoken to in the last 18 months—you have mentioned they are getting better, but generally they do not understand the model of the speculative house builder. In the recession they were left with a lot of half-built houses, whereas somebody controlling well their business in spec house building will control their work in progress. You might have one house finished, or a show house; you will have another one at shell and leave the rest at foundations. They want you to build out the site so that they have their security if anything goes wrong. That puts an added pressure on house builders. They do not understand at all the model we work to.

Q104 **Julian Knight:** My impression is that, eight years after the credit crunch, things are still far from ideal when it comes to banks. Normally you would expect, after that sort of time elapsing, that with the natural moves in the market you would see a substantial improvement in terms of lenders. Am I correct in that analysis?

Adrian Swan: You are correct that it is a very narrow proportion of the mainstream lenders who are still in the game. There are plenty out there who, unless it is a £10 million investment or more, are not interested. That immediately wipes a huge amount of businesses, such as ourselves, out of the game. You are talking about a very small proportion. You obviously have the challenger banks, which are looking at trying to change things and alternative ways of funding, but quite clearly, from our perspective, there is a long way to go to ease that pressure on funding.

David Heathcoat-Amory: The Government have tried to address this problem of funding. There was an initiative called the Builders Finance Fund, but it was hopeless from our point of view, because it was very slow. It required us to put our equity in first—a familiar problem—and the conditions they attached were stricter than those of the banks. We had a better experience with the earlier Get Britain Building fund, if anyone remembers that. That was reasonably successful; we did two sites with it.

We are looking forward to what the Government come up with in the Home Building Fund that has been announced. We have not done any

deals with them yet, but I hope the Government can design a system to bring in the banks and themselves. I do hope that it is effective and does not delay, because in one case we were still negotiating with the Builders Finance Fund when we had finished the site. It is back to our mainstream banks. I did mention the Housing Growth Partnership, which I think is an innovative way forward, and we certainly had a happy experience on three sites with them.

Q105 Julian Knight: Mr Gath, you mentioned earlier on the difficulty that SMEs have acquiring public land. I wondered if you would all like to expand on that and let me know why you think that is, and what we can do about it.

Daniel Gath: Probably we do not quite know what the reasons are. We have a couple of recent experiences that I can share with you. We are in the process of buying a site at the moment from the fire authority, and two years down the line we still have not exchanged contracts. The deal was done at the back end of 2014 and we have still not exchanged contracts or got planning permission, although it will happen any day now. That is Government money, or public purse money, sitting there waiting to come in, and it is delayed because of the legal department at the County Council. We just cannot get anything done.

If that was a commercial client in the private sector, we would have had the site exchanged after a couple of months. We would hopefully have planning permission and we would have had it built out six months ago. Another instance where we were looking at the site put forward in a local plan—there was some NHS land adjoining it that was just a bit of garden, which had potential to be a *Stokes v. Cambridge* ransom strip, worth one third of the value of the site. Could I get anyone to talk to me about something potentially worth hundreds of thousands of pounds? No.

Adrian Swan: For us, most of the council-owned land tends to be larger scale development, and all the smaller infill sites that they control do not tend to be brought forward. Again it is a case where you are knocking on the door yourself to find out whether they would be interested in selling it or not. It tends to be the larger scale sites that are promoted locally, so you do not have a chance to go for the smaller stuff.

David Heathcoat-Amory: We can find the sites, but it is all about planning delays; that is what is gumming up the system still. Not with all councils; they vary. There are of course statutory periods for them to determine applications, but they do not all do it. I do not know what the penalties are, but it does not seem to deter them, and I find it puzzling that if a development conforms with an adopted local plan, and is sustainable in accordance with the National Planning Policy Framework, it can still be held up.

When that does happen, I think a local authority should have to explain itself and there should be some special procedure or mechanism to decide that, because what is the point of a local plan if it is not to give at least an amber light to developers to go ahead with an approved scheme in conformity with that plan? It varies, but regarding the actual

performance on the ground by some authorities, let me put it this way: they would not survive in the private sector for very long at that level of performance.

Q106 **Julian Knight:** But who do you think they should have to explain themselves to? You said that you think they should have to explain themselves to someone.

David Heathcoat-Amory: When an application goes before them, in conformity with their plan, and maybe councillors want to reject it, often against the advice of their own officials, there should be a procedure whereby they have to explain themselves publicly and give reasons. Maybe, on occasion, the reasons are valid: something comes up unexpectedly that has not been spotted, or there are very site-specific reasons for not developing a certain area. Do not misunderstand me: I believe in democratic consent and I believe in local government.

There is inevitably a tension. People with houses on the whole do not want other people to have them, at least not where they live. That is the overarching human context in which we operate, and the planning system has to find a way around this. The local plan tries to do this, but on occasion there are bizarre hold-ups, which are extremely damaging to housing volumes and our business plan. I think that when that happens the onus should be on the authority to explain why they are doing this, and there should be a mechanism to resolve it.

Q107 **Mr Prisk:** Perhaps we could quantify this. You rightly expressed frustration—we have heard this from other witnesses as well—but give us a sense of what this means in practice. Could you each say how long it takes to get a typical scheme through the planning process, and the sorts of costs, either as a ballpark figure or just a sense of what it means for your bottom line?

Daniel Gath: I will give you some anecdotal evidence of the last two sites we got planning for. One was just for two executive homes within the development limits in the old local plan, albeit the local authority did not have an adopted local plan. It has taken us, for two plots, in excess of 18 months to get a permission.

Q108 **Mr Prisk:** Is that full permission or with conditions?

Daniel Gath: With a lot of conditions.

Q109 **Mr Prisk:** And a ballpark figure for the cost to you as a business?

Daniel Gath: It is probably about £25,000 in fees. The second one was a site for 12—although it started off as 17, we got permission for 12. That has taken two years. We have an endless list of conditions, one of which is newts, which we cannot deal with until March, so we will not get on site until well into the middle of next year. It is probably, by the time we have finished, £60,000 or £70,000 in terms of fees.

David Heathcoat-Amory: I would say that getting outline planning permission is only one milestone. That has to be turned into detailed

planning permission, and to do that one has to resolve complex matters such as section 106 agreement obligations, which maybe we can discuss at greater length. That is often highly legalistic, and it is not only a question of negotiation; it is also a question of drafting by lawyers, who do not always seem to speak the same language. If we build in these delays, it is at least three years between site acquisition and final planning permission, which gives us a green light to start on site.

If there is a planning appeal, of course, that is at least another year or perhaps two. You can talk about five years between identifying a site and starting onsite building. I should say it is not always the fault of planning authorities; I must mention the utility companies. We have had a number of examples where the utility companies—I am talking about gas, electricity, telecoms, water and so on—will not start to plan what they do on site until you have detailed planning permission. Then, if they find difficulties over, say, the foul water requisitioning—maybe the pipe is not as big as they thought it was—it can put the whole scheme back and increase costs. It can undermine the viability of the site from a developer perspective.

It adds costs that we have to pay for, and of course in a way they are in a wonderful business. We pay for all their infrastructure, and find them new customers, but they can hold up our sites for months. In one case I know it was over a year. They only start, as I emphasise, after detailed planning permission has been obtained. If you build in all these delays, you can see that the pipeline is very uncertain and very long.

Q110 **Mr Prisk:** I will come back to section 106 agreements, but Mr Swan, how long does it take and what does it cost?

Adrian Swan: In terms of the last three schemes we have had locally, we had one for two executive properties that took two and a half years to get consent for, with conditions. Another site in the same borough for 12 starter homes took two years and three bites of the cherry. For both those sites, in terms of costs, it is not just the actual fees, but we have already acquired the site, so we probably have between £20,000 and £30,000 of up-front costs, with interest charged on top of that as well. We are probably out by between £45,000 and £50,000 per site before we have even got going.

We have another scheme that we had acquired. We obtained consent for it in March last year, but it took the authority 29 weeks to clear our conditions, which were not onerous at all and were all pre-commencement.

Q111 **Mr Prisk:** Mr Swan, specifically in your experience, has this burden got better or worse in the last few years?

Adrian Swan: I would say, hand on heart, that it has got worse. There definitely does not seem to be a will locally for smaller schemes to be encouraged through the planning system. Another thing that constrains it is going to committee. That in itself is completely tortuous and very frustrating, particularly when you have the advice of the planning

authority given, warts and all, and it meets all the necessary policies and ticks every single box, and then all of a sudden it is turned down flat. For us, quite rightly, as the two colleagues next to me have said, the pipeline of sites is so disjointed that you cannot progressively forward-plan, because you are constantly at the bane of the planning system being so erratic.

Q112 Mr Prisk: Can I come back to planning gain and 106 agreements? Mr Heathcoat-Amory, if I could start with you on that basis, how can we improve this? Is it a lack of resource? Is it far too many lawyers? Is this a cultural issue? Should a time limit be set so they have three months within which to nail this or it goes to arbitration? What practically would you see as being a good way of pushing this along?

David Heathcoat-Amory: I can see there is a case for capturing planning gain in some way, and getting developers to contribute to local infrastructure. I think we all agree that that is a laudable aim, but the way it operates is highly unsatisfactory, despite attempts to improve it. For instance, bringing in the community infrastructure levy was supposed to be a kind of substitute for this. It was more objective. It paid for infrastructure and other facilities and amenities more generally.

However, it has not led to an offsetting lightening of the load in negotiating section 106 agreements, which are often very lengthy and involve negotiations over, for instance, the allocation of affordable housing and a number of site-specific matters. All of this is a kind of financial burden on developers: it is, in a way, a development tax, but there are two of them now, rather than one. It comes back to the performance on the ground of some local authorities.

I do emphasise that some are markedly better than others, but they start this process after planning permission has been granted, typically, and when one thinks one is making progress it is handed over to lawyers, which we pay for. They then lock horns, and the drafting business and putting things in the right form can take many months. There does not seem to be enough focus, effort, impetus or obligation on local authorities to accelerate that process. One cannot start until this has been concluded and signed.

It is a negotiating process, plus a legal process, which is very mucked up to the vagaries of local government performance, officers and lawyers. Whether this part of it could be better outsourced to specialists dealing with 106 agreement drafting and negotiating is, I think, worth looking at.

Q113 Mr Prisk: Thank you. Mr Gath, is that your view?

Daniel Gath: Yes. As my colleague said, the CIL was supposed to supersede it, and all of a sudden we did not need 106 agreements. They are a lengthy document, but too often they are the same thing: provision of off-site education or healthcare or affordable. You have all these dozens of local authorities up and down the country, all doing the same things but differently. It seems to me, no matter what it is with lawyers,

that whenever there is something to do they start to reinvent the wheel every single time.

Why can we not have a national template that every local authority uses? There is no arguments; everybody has dealt with it a number of times, it has been agreed, we just insert the figures. We had a situation with two local authorities we have dealt with within a few months of each other for the same contribution for public open space. One local authority took four months and charged us £5,250 for the exact same thing that another local authority got through in a month, costing us £1,250. We pay their fees.

Q114 Rushanara Ali: I just want to come in on this point about section 106. Do you think there is a distinction between the smaller house builders and the larger ones? Of course there is a need for more efficiency and learning from and sharing best practice. However, I have certainly seen, in my constituency, major developers coming in, offering very low amounts of social housing as part of section 106, and very little by way of supporting infrastructure—down to about 10%—when they are proposing to build thousands of properties.

Should we not be making a distinction between some of the challenges that smaller organisations face versus the larger ones that ought to give much more back to the local community when they are planning to construct very significant developments, which do require local support to the environment and often run into conflict? That is another dimension of what local authorities and local representatives are having to negotiate and enable, and it is a dilemma of wanting more supply but wanting it to be the right kind of supply that meets local need?

Daniel Gath: SMEs take an unfair proportion of the burden, without a doubt. It goes back to dealing with planning conditions and everything; you have all the same reports to do whether you are building two houses or 200 houses.

Q115 Rushanara Ali: Would you say that there needs to be much more focus on, and specialist support to, SMEs versus the larger ones, and that is where the challenge is?

Daniel Gath: They would probably argue that they had done a viability study and that site, for example, would only accommodate a 10% affordable. It is difficult to say on something like that, but I think we, as smaller house builders, take more disproportionate burden.

David Heathcoat-Amory: I can tell you that if CIL is imposed as well as a section 106 agreement and a set of obligations, it can render a site unviable. If there is a high CIL payment, then it is very difficult for a developer like us to agree to a high proportion of affordable housing. I do not think local government or national Government can expect to have everything all the time, if they still expect us to build houses. They have to decide.

I do not know how the large house builders operate, but I would just make the point that many of these costs that we are talking about, of site

assembly and planning, are the same for small sites as they are for large sites. Therefore, unless a system is particularly sensitive to the needs and aspirations of the sort of sites that we three build on, then we will see a continuation of large company volumes at the expense of companies like us.

Daniel Gath: I do think the new legislation through on 10 units or less is a real welcome step in the right direction. I do not think it goes far enough; if it were up to 20 I think it would be even better, but I would say that. It is a really good step in the right direction.

Q116 **Bob Blackman:** Very briefly, the traditional model for public sector land is that the local authority will identify land they want to sell, and put it in their plans. They will then sell the land, and you as buyers may buy that land, then go through the planning application process, which you may be frustrated in, and eventually they will get to some housing. How much would it help if a local authority had to go through a process of seeking planning permission almost from itself before it sold the land, so taking some of the risk out, as well as some of the work you would have to do? You would then have certainty on getting the site “developable” in the way you would like.

Adrian Swan: That sounds like a nice utopian position, but—

Bob Blackman: It is not necessarily utopian, because we know that one of the biggest obstacles is this planning process. If the local authority takes that risk on, that could take some of the risk out, particularly for smaller builders.

Adrian Swan: It would also be in their interest to do so. There is obviously the permission in principle, which is hopefully working its way through, which will de-risk sites to a certain degree and give us a certain amount of certainty about wanting to take schemes forward. Again, commercially, for a local authority to joint-venture with the SME sector, for them to obtain the consent and then for us to build out and do it on a profit share, is a no-brainer in my book. It is a win-win situation; it will bring more housing, it is commercially putting money back into the local authority, and it is meeting the needs of the developer, so it is creating employment. Those three things all together would make perfect sense.

David Heathcoat-Amory: Your suggestion would work for outline planning permission, but of course detailed planning permission would still need to address these hurdles we have been talking about, which are about site layout and design, which are equally important to local people. My own company tends to deal with private land rather than publicly allocated land. We have built on a hospital site, with considerable success, so we are always open to new approaches such as you suggest.

However, I would hesitate to go down the road of the public sector awarding itself planning permission, and perhaps building itself on land that it, itself, controls, at a lower price. Although that may be tempting in the short term to accelerate housing volumes, if it undermines our efforts in the marketplace, the long-term effect will be to undermine our

own development efforts, and housing volumes in the longer term would suffer.

Q117 **Melanie Onn:** Mr Heathcoat-Amory, we have already heard about how hopeless the Builders Finance Fund scheme under the Homes and Communities Agency was. I wonder if we could hear a little bit more about that experience, and perhaps if you have any specific ideas for improvements. Perhaps for the other panel members, if the HCA could help you more, how could it do so?

David Heathcoat-Amory: Some of these initiatives are good, and what I think is called the Home Building Fund, according to the announcement, has a good sum of money behind. That is very hopeful, but it has to work administratively on the ground. It has to understand our particular requirements. If they are just going to be like another bank but with even more onerous conditions, and it will take even longer, frankly we are not interested.

However, as I say, we think we have found a partnership that is equity funded, with a profit share, which is done in this joint venture between Lloyds and the HCA, which is hopeful. It is a question of the Government learning from previous funds that have not worked, and not being content with a Budget day announcement, but recruiting the right people to talk to us, particularly small house builders, as to what our requirements are. We can then all move ahead.

Adrian Swan: In terms of the Home Building Fund, I was at a meeting with the HCA last week, and here it is in its truest form. This is it here. We have obviously not applied to it previously, purely because of the experiences we have heard from counterparts around the country about how constrained it is, and the timescales involved, etc. However, I got the impression from the meeting we had last week that they had taken all the issues that surrounded the timescales out of it for the initial stages, where they are having to come back to an inquiry within three or four days.

The Home Building Fund is there as a home building fund, and it is not exclusively for the SME sector, but my understanding and the impression I got from the guys down at the HCA was that they are very keen to listen. They are not a bank or an alternative to the bank; they are saying, "The first port of call is the banks, but then come to us." In terms of how they look at things and how they will approach things going forward, I think they are taking a far more pragmatic view.

Only time will tell—it was only launched in the last four or five weeks—but I was actively encouraged by what I was hearing from previous discussions we had 12 or 18 months ago. The proof will be, as they say, in the pudding, when this starts coming more into the mainstream.

Daniel Gath: It can only be a welcome thing for the industry and for SMEs. One word of caution with all these things is that SMEs do not have the overhead for it to be too bureaucratic, so you have to keep it as simple as possible.

David Heathcoat-Amory: Can I make the point? One of the requirements of many of these schemes is that we set up something called a special purpose vehicle, or SPV, which is a legal entity in our company, into which we have to put money, and then they put their money. This itself is an administrative complexity. It would be much better if we could put our money in without doing that and they come in to us on a pari passu basis, without setting up new vehicles as subsidiaries or entities within our corporate structure. This is the sort of thing that they need to address early on, to make it easier for us rather than simply to protect themselves.

Q118 **Melanie Onn:** None of you has mentioned the Government's flagship Starter Homes programme. I wonder if that has had any impact at all on helping you as SMEs.

Daniel Gath: Nothing has come through yet where it has affected us, basically. It is an improvement on its predecessor where we can sell houses at 80% of open market value to first-time buyers, as opposed to selling them to housing associations at really, really low transfer values.

Adrian Swan: We have not been in a position where we have had the experience of using the Starter Homes scheme, but we are very supportive of it. We think it is a great alternative. Again, from my previous life at a PLC, it is nothing new; we have done it before in Derbyshire, but they were kept for perpetuity at 75% owned. It can work and it does work.

David Heathcoat-Amory: Could I mention the Help to Buy scheme, which is different from that but is very important to us? On some of our sites, up to 30% of our units are sold under the Help to Buy system. There are difficulties with that. The HCA are not particularly responsive in giving us an additional allocation if our sales start to improve, so we would like a bit more flexibility on how this is administered. There is also the question of shared equity.

If the Government were ever to end the Help to Buy scheme, it is very important that they replace it with something else, or at least make it easier for us to sell on a shared equality basis. I say "make it easier" because it has become more difficult. We have had to register as a company under the mortgage credit directive because we have a book of shared equity sales dating back some years. The Government have resisted this directive, as I understand it, but it has been imposed on the country. As a small company we should not be caught up in this.

However, if we wanted to again go into the shared equity market, perhaps as a replacement to Help to Buy, or if Starter Homes was not appropriate, I hope the mortgage credit directive, which makes us register with the Financial Conduct Authority, would somehow exempt small companies. In other words, it is another example of where there is a bureaucratic obstacle, which to be fair the Government resisted, but it was imposed on them.

If I can stray into choppy waters, maybe Brexit will enable us to look at this again. There is a serious point here: that the Financial Conduct Authority regime is not appropriate for small builders. Therefore, this needs to be looked at again if we are to do things like sell on a shared equity basis to first-time buyers.

Q119 **Chair:** Thank you very much, all of you, for coming to give evidence this afternoon. That has been very helpful to the Committee. Thank you very much.

Examination of Witnesses

Witnesses: Chris Brown, Michael Holmes, Christine Hynes and Marc Vlessing.

Q120 **Chair:** Good afternoon, and thank you very much for coming to give evidence to the Committee. Could you just say who you are and the organisation you are representing, just going down the table, please?

Marc Vlessing: My name is Marc Vlessing. I am chief executive of Pocket. We are a developer of homes for city makers tied into an income restriction that remain affordable in perpetuity.

Christine Hynes: I am Christine Hynes. I am the CEO of 24:7LivingUK and the founder of the Ecotech modular off-site manufactured build system.

Chris Brown: I am Chris Brown, executive chairman of Igloo Regeneration, and we are delivering custom-build at the moment.

Q121 **Chair:** Michael Holmes will join us, and we will ask him to introduce himself when he comes—he has had a major problem with a train, I understand, but he is now off it and on his way from Paddington. We will just turn our questions around a little bit to start off with modular construction, so Mr Holmes can come in on the custom-build when he arrives.

Before I go over to Alison, I have to declare my interest: I was telling my colleagues earlier on that my first home as a child was a prefab, so I have at least some experience of that, if nothing else.

Q122 **Alison Thewliss:** Thank you very much, Chair. I suppose my experience of prefabricated things, coming from Glasgow, is slightly different and more modern, having seen the Commonwealth Games village being constructed and some houses being able to be put up in 10 days with modular construction. I wanted to ask about that range of experience: do consumers have a particular image of prefab housing that perhaps needs to be challenged, and what can be done to address that?

Christine Hynes: If I may say, we prefer to say “highly engineered homes”, as opposed to “prefabricated homes.” I think it is fair to say that both of my industry colleagues here have great experience of off-site manufacturing. We ourselves have been here now for some 16 years, and we have seen a lot of change and adoption of off-site manufacturing. When we are looking at what the view is on off-site manufacturing or prefab homes, where we come from is that we tried to mitigate risk out over the time we spend before we actually went to market.

We put a lot of energy into looking at principles that have been commonplace in residential building across our sister countries in Europe. We did some six years’ complete study in Sweden, Austria and Germany. We then looked at the UK and we looked at the UK as you would look at futures. With the conversations we have heard just before we came here, there is one thing I wanted to say. You are asking a lot of

questions, but there are so many different pieces to the answers to those questions.

There is a different way to enter a market, so when we are looking at the challenges of how we fast-track growth of housing, there are multiple tenures in those housing requirements. What we have done as an SME is that we believe necessity is the mother of invention. I do not sit back in my office and wait for someone to come along and say, "Here you go, Christine; here is a project. Go and build it." I am banging on doors constantly, so I am going to local authorities and saying, "What are your issues? How can I create a solution to your issue?"

We are looking at how money is coming into the UK, particularly from institutional funding. How can we work with those institutional funders to help us to actually provide a different, more modern solution to the delivery of homes? When we are looking at off-site manufacturing, our Ecotech build system is an advanced panel system, so we do not actually have challenges in market, design or size. Our cost centres are predictable. We can work together with BIM. In fact, we are very keen to support the development of a standard design brochure, for want of another word, with a very detailed cost schedule next to it.

When we are looking at how we can help grow the delivery of number of houses, our part is not on the total end-to-end, as my colleagues are here, but we can join in their journey and we can help to manufacture the houses off-site. We can put in the factory to deliver 300 house units per annum, and it would take us six months to do that. The cost investment to do that is circa £900,000. That grows jobs—we can create circa 100 jobs per 300 house units.

There are many things that change. When you are talking about the house you lived in, it may have come from Sweden initially; I do not know. A lot are still standing. We would manufacture healthy, energy-efficient homes. We look for the building to do the work. We are looking at lifetime cost, not just the cost of the build, but the cost to the resident to live in that house, so we can eradicate things such as fuel poverty, when we are looking at what the requirement is, on the multi-level question of how we fast-track homes.

Q123 **Alison Thewliss:** That is very interesting. It looks at building from a completely different angle, depending where you start from.

Christine Hynes: Yes, totally.

Q124 **Alison Thewliss:** In terms of the pipeline through the factory, what are the challenges there? When you start off with your design or template that you take out on to the site, are there constraints within that system?

Christine Hynes: No, none at all. We could make a replica of this building, although obviously we would change some of the energy-efficiencies of it.

Alison Thewliss: You could make it not leak.

Christine Hynes: One of the challenges is, when you are building small spaces, to make them cost-efficient to build. It depends on the sector you are focusing on. One of ours is providing fit-for-purpose, high-quality residential homes. When we talk about entry to market, we are talking about different tenures. When we talk about working with the local authorities, we place-make: we talk about place-making, not just home provision. We talk about the creation of jobs. How do we take people who are coming out of the MOD into a life where they can be active in the place-making of this new town that is replacing where their children have grown up? It is all about inclusion and communicating. One of the sad things in construction is that no one shares anything. As an SME organisation, we have always tried to be competitive, as much as everybody else, but we also like to share knowledge, and this initiative is very positive for that.

Q125 **Alison Thewliss:** Thank you. That is interesting. You mentioned looking at Sweden and other countries. At the moment, are most of the houses that are being manufactured, and we need to be built in the UK, being manufactured elsewhere or here? Will there be an impact from Brexit on that?

Christine Hynes: When we first came in—

Chair: We should bring the other witnesses in as well.

Marc Vlessing: I have to say, if you ask me to name the least modulisable building in the UK, Portcullis House would be top of the list. I do not think it lends itself at all to modern methods of construction, because it is an entirely bespoke building from every angle.

Christine Hynes: It depends what system you are looking at.

Marc Vlessing: Let us talk systems for a second. There is modular; there is SIP; there is CLT; there are lots of different systems. When I talk about modular, I am talking about either cold steel or hot rolled steel modules that are either prefabricated, to use that word—which I agree with you we should not be using, because it has terrible connotations—or that are put together on site. It is an industry in context. There is £100 billion-worth of construction going on every year in the UK, and it is 2% of the industry.

Something like 80% or 90% of what it delivers is outside of residential, so one of the questions we have to ask ourselves is why so little of modern methods of construction is aimed at the residential market. There are some very cogent answers, which I am very happy to share with you, on that. One of the key problems for the residential market is that modular really starts to work where you have a replicable concept. In our case, a Pocket home is a Pocket home. It is possible to go to a manufacturer off site and say, "At what price point can you create this for me so that I can ship it in on the back of a truck and start erecting it?"

We are now doing the tallest modular building in Europe, apparently, at 26 storeys, which we are doing with a modular factory out in Bedford. For the volume house builder, it is very hard to use modular, as in

volumetric, because they like to change their designs in response to markets until quite close to the release date of homes. It is quite antipathetic to the way they think to be using modular. At the other end, SMEs find it very hard to raise bank finance for modular. The average development deal that you go to your bank with is one where you would be calling for 65% senior debt, and the rest you might be putting in as equity or mezzanine.

If you go to a senior debt provider, one of the commercial banks in the UK, as an SME and say you want to do a modular scheme, that senior debt percentage will drop to around 45%, 50% or 55%. The only place where that can be made up from is the house builder coming up with more equity, so there is genuine market failure in terms of the financing of modular for SMEs. You end up in an odd place, where the volume house builders will not ever use modular on any scale because it is not flexible enough, and the SMEs, who would love more controllable and replicable construction techniques if they have the right development concept, find it difficult to raise finance for it.

There are answers to all of these conundrums, but certainly it is not to over-expect from the modular industry. Where it really starts to work is student housing, certain types of retirement housing, intermediate housing like ours, or starter housing for city makers. You can make that work extremely well, but then the planning system ought to find a way of encouraging it and it doesn't at the moment. It is entirely blind to the way in which you manufacture and the kinds of homes for which you are manufacturing.

That is sometimes our biggest challenge, when you are a concept-driven developer and you can start using industrialisable, modular techniques: the planning system would like you to vary your product again and again and again. You have to be incredibly clear about this and say, "No, I cannot do that." There are modern methods of construction that you can bring to more bespoke buildings, such as panelised systems, whether concrete or wooden, and they have certain efficiencies, but I do not believe that is necessarily the model of construction that you are talking about; I think what you are talking about is boxes being craned in on site and the volumetric end of it.

That end of the industry can be more bespoke, but the cost efficiencies are harder to extract from it. Interestingly, even with our homes, which are entirely replicable, I would say the advantage that modular gives us at Pocket is programmatic. We do not see any financial gain. One of the questions I would like to discuss with you is why it is that modular is no cheaper in the UK. There are, again, some good reasons for it, but it is a real barrier to modular becoming more of an industry-wide solution.

Q126 **Chair:** Chris Brown, do you have anything to add on this?

Chris Brown: I will let my colleagues deal with this, and I will come back in on custom-build.

Christine Hynes: Can I just say that that is very interesting, Marc? I have been in this industry now for some 16 years, and I have never spoken to you before.

Chair: This Committee has its uses, obviously.

Christine Hynes: On everything you are quoting here on cost and on flexibility of system, I would say, "Send me your house plans and I will send you a cost, and we can show you how flexible we can be." We are flexible. The thing is that there are so many different solutions. When we have this opportunity from our industry, when Government are saying, "How can we help you?" everything that everyone has said is that access to finance is really important and we need help with that.

When you are an SME, it is always very difficult. The banks melted, but, hey-ho, where there is a challenge there will be a solution; let us look for different ways to do things. That is what we do. We are working with the local enterprise partnerships, looking at how we can actually join the dots and not replace what is there, but work alongside people. Putting in manufacturing facilities, whether for small builds or infill sites—if you are looking across the 32 London boroughs, you can build 110,000 home units across those 32 boroughs on small sites. That is a lot of housing, is it not, without doing anything for infrastructure? That is a lot of housing.

Marc Vlessing: All I would say is that we are probably the most active end-user of modular volumetric units in London today, and I have yet to find somebody who can supply me a unit at a cost advantage. The reason for it is that the industry is too small and that developers tend to fall back on modular when the conventional market has completely priced itself out of any kind of commercial return. They then do not commit to using modular often enough, again and again. The reason why modular starts to work, modern methods of construction, is if you go back again and again.

They need continuous orders. It is key for an industry like yours, and the industries that we are talking to, to have continuous orders, and they are not getting that, on the whole. When you go out on the market and competitively tender from MMC providers—as I said, we are building hundreds of these homes at the moment: 25% of our supply is modular. The advantage so far is programmatic, not financial. That needs to change.

I think one of the reasons for it is that the modular providers are pricing the market rather than the product, and it is very tempting for them to do so when they can see the conventional market racing ahead. Why would they not want to try and get another 20% margin?

Christine Hynes: I think that is very general, and I would not agree with any of it.

Marc Vlessing: It is evidence-based.

Christine Hynes: Yes, but I can give you evidence-based. We went to what was London Thames Gateway Development Corporation and we

bought a piece of land on a licence for £1. I had to find a new way to do things because we did not have the funding, so I went to Circle Housing Group and London and Quadrant. It was Circle's hot spot, and we built out 51 passive homes, the smallest being 80 square metres. It is still the largest social passive house development in the country. You find a way to do it. You should not be asking everyone else to make your business for you.

We have to come here and say, "Yes, we can. But we need some help on these pieces please." That is what I am saying. When you are talking about cost, there is so much generalisation about off-site manufacturing. We deliver a cost-effective, high-quality, highly engineered product that is sustainable and healthy to give in. I would love to have your floor plans and give you a cost, and see if we do—

Marc Vlessing: We will.

Christine Hynes: —do what you are saying everyone in off-site manufacturing does. That is a general term. The Government, if you can help do anything, can stand behind off-site manufacturing companies such as ours. We have been building houses here since 2008. It is not conceptual; it is a proven discipline. It is about time, in 70 years, that we had some change in the house building industry.

Marc Vlessing: I think we are all agreed on that. The question I am asking, as a company that has a huge self-interest in seeing more modular products, is this: why, when I speak to not one or two, but three, four, five or six modular providers, I tend to find that, on something that is utterly replicable, the cost advantage is not there? That is something we should spend some quality time talking about and thinking about, rather than coming up with rather—dare I say it?—general statements about how good modular is. Modular is fantastic. The snagging on our product is zero. People love them. When I placed a £38 million contract to go 26 storeys up in the air for the tallest tower in London, I knew what I was doing. I know why it works for me, but it is certainly not yet working at a financial level on a scalable basis. The banks have a lot to answer for, as does the planning system, in terms of integrating the thinking around how you get more modular going.

Can I give you an example? We are funded in part by the GLA? I imposed upon my company the obligation to use modern methods of construction. It was not part of my funding agreement; we did it because the product lends itself to it, and because we were so tired of ending up the whole time with conventional tenders that were unviable for us. We had to do it, and also we were under the cosh to deliver unit numbers against the GLA programme, which by the way I think is one of the advantages you can lever into the modular debate when you are starting to use public funding. You want those unit numbers by a certain measurable time, so modular has a real advantage there.

Q127 **Helen Hayes:** I have a straightforward question, I hope. Christine Hynes, you mentioned a little while ago the lifetime costing of the

products that you sell, and I just wondered what that lifetime was over which you are working out the lifetimes costing.

Christine Hynes: We measure our lifetime over a period of 60 years. We have BOPAS certification, which means that our buildings have a quality assurance for a 60-year life period, which is underwritten by Lloyd's Register.

Q128 **Bob Blackman:** One of the things we are looking at as a Committee is how we speed up the whole process of providing housing. One of the issues that has been talked about is potentially publicly owned land or local authority land where they then seek planning permission and speed up the process. Is that the sort of project that lends itself to this type of construction?

Marc Vlessing: I would say absolutely, because, to my mind, if you want to see more modular housing being used, you need to integrate the planning, land and manufacturing approaches and the typology. I keep coming back to this. I think there are certain forms on which this will work much better, at a level of scale. If you want those factories to hum, if you want the sense of continuous ordering to really happen, then this is not about one-offs, however great the factory might be at responding to one-offs. The industrial manufacturing of housing will always be at its most efficient when it is a replicable format.

Integrating public land with planning and particular typologies, and frankly with funding, makes complete sense. I said to Eddie Lister the other day that the HBF has a fantastic role here to start gluing this together. What we are all faced with is a level of market failure in the provision of capital markets. We think we have a sophisticated capital market in the UK in housing. We have an inefficient capital market in the UK when it comes to housing, because we cannot access mezzanine or equity finance on anything like the scale that we need to. Forget about the "S" in SME; even the "M" does not get that. If the HBF could turn itself into a bank, and bring in the 30 or 40 credit analysts that they need to negotiate the deals with the development community—

Chris Brown: Do you mean the HCA?

Marc Vlessing: Sorry, the HCA—then the HBF could be used as a lever to bring about modern methods of construction. There is a real equity gap there.

Q129 **Bob Blackman:** Is there a risk, particularly because you are talking about replicable routes, that we end up with housing estates where every module looks exactly the same, and there is no character, and no real feeling of community? I can tell you that, having been involved in local authority work for some time and ripping down estates that were precisely that, replacing them with houses or properties with real character has been a real challenge in London.

Marc Vlessing: One of the exciting things about the technology now is that it is really not necessary, and they have learned from the past. You can slip on cladding systems to make things fit in extremely well. We

have done four projects so far. Not one looks alike, and they fit into the landscape beautifully. I do not think that is a risk.

Christine Hynes: I would agree with that. You can take the design and you can change streetscapes by changing the facades and the windows. It depends on actually what tenure the project is required to be.

Q130 **Bob Blackman:** Chris, do you have a particular view on this?

Chris Brown: From a custom-build perspective, we are trying to move from where modern methods of construction have recently been in the UK, which is the Model T Ford era—any colour as long as it is black—to the mass-customisation era, and there are some technologies that lend themselves to that and others that do not.

Q131 **Bob Blackman:** If a local authority came to you and said, “We have this”, however big a site, “and we would like to have a mixture of different places”—horror of horrors. You might actually say to people in the social rented sector, “You can go and order your property and we will put it on site.” Just imagine that. Does that lend itself to your type of job?

Chris Brown: I take groups of people over to Holland from time to time—you are all very welcome to come—and we look at large neighbourhoods there, and there is not one single house the same. They are not necessarily all built by modern methods of construction, but the vast majority of them are.

Q132 **Bob Blackman:** One final thing from me, then: in terms of custom-build, self-build and modular-design, what do the Government need to do to encourage your industry and for it to be far more recognised as being a solution to this housing problem?

Christine Hynes: It has to be Government-led. We would die waiting for the large house builders to adopt off-site manufacturing in a high-volume way.

Bob Blackman: Government-led.

Marc Vlessing: The planning system should try to create some advantage of speed for people who have a clear concept in terms of their housing—whether it is retirement housing, student housing or, in our case, intermediate housing—and play to that advantage.

You are very welcome to come and have a look at the 79 modular homes being erected as we speak, round the corner from Parliament in China Walk Estate. Lambeth Council have tried for 20 years to get housing on the bare patches of land where we are building, and failed. One of the advantages that we were going to be able to bring the residents was that this was going to be quiet and quick, and so it has proven to be. There are all kinds of advantages that modular can bring through the planning system, but the planning system does not know how to recognise that advantage and give the developer who is coming to them with a modular solution that advantage in terms of time.

Bob Blackman: There must be a cash flow issue for a start about the planning, on the basis of getting the property on site and getting rental and therefore getting a sale quicker.

Christine Hynes: Yes. That is a positive.

Marc Vlessing: That is a positive. From the planning point of view, if you want to encourage more modular methods of construction then give people an advantage. Say, "We will discharge our conditions. We will get you planning faster if you use modern methods of construction for these kind of sites." Be clearer on the typologies that drive these industries. It is absolutely all about fine-tuning the system. Get the HBF to put in equity where the market failure is.

Christine Hynes: We have actually had that experience with Havering. We went for planning on a site. It took us eight months and we got a "unanimous" the first time round. We used a good old-fashioned thing called communication. We sat and spoke with them many times. We put a lot of effort into that and it worked.

Chris Brown: For me it is education, and it is education of Government first. I think there are a lot of people in Government who do not understand what custom-build is, as distinct from a number of other things, and the only way we can get people from the HCA to see custom-build is if they pay for themselves as individuals. The HCA will not educate them and I do not believe there is any one at board level who knows what custom-build is, so it is about education. We are trying to change an entire system. The first point is that we need people to understand what we are trying to change to.

Chair: Mr Holmes, you have joined us. I know you sent your apologies and we got them so thank you for joining us. Just introduce yourself and say who you are.

Michael Holmes: I am Michael Holmes. I am the chair of the National Custom and Self Build Association, which is the voice of the emerging custom-build sector and the well-established but quite small self-build sector, which currently is about one in 10 new homes, with a high proportion of detached homes.

Chair: We have saved the questions on that to the latter part when you could join us.

Q133 **Mr Prisk:** Can I come to the position post-planning? We have perhaps thrashed that one fairly well but I wanted to look at the position once a site has planning permission. The key part about this inquiry is not only how we can expand the system, but how we can make sure it runs more efficiently. Mr Vlessing has touched on this already, but can you describe to me whether or not you can show that your buildout rates are faster? You may argue they are more sustainable at a slightly faster rate but are they actually faster than what we regard as the traditional bricks and mortar approach?

Marc Vlessing: Certainly we are probably the most active developer of small to medium-sized sites in London today and those are being delivered at least three months faster. The typical small site would take us 12 to 13 months and we are able to do that in more like eight or nine months. When we come to the tower that I was talking about, we are slashing more than three months; we are slashing more like six months off a build programme that was otherwise going to be close to 24 months. These make very big differences.

Can I just make this very simple financial point? When I sign a modular contract, I am signing over my life to a company that, were they not to arrive on Monday with the units, I would not be able to do anything about. With a conventional developer I can sack the bricklayer or the electrician if they are not on site. With modular I have given away all that clout, which, by the way, is why the banks put in a lower senior debt layer. It is a level of trust. Chris is absolutely right. Trust is so important, but you live in fear of signing a £30 million-plus modular contract and then having the planning system not discharge the conditions for 12 weeks, 24 weeks or 36 weeks. I get planning in 12 weeks. I cannot get them to discharge conditions in anything like that period. I have then lost all that programmatic advantage, and that is why the planning system has to be tuned to encouraging modular.

Christine Hynes: I would like to say what we like about off-site manufacturing is that the groundworks can be going ahead while we are actually manufacturing the house units. We take them to site. We can build a house to weather-tight in a day, so four small apartments build to weather-tight in a day. As long as we can get the right size of crane in and with the windows and doors fitted in the factory, conduits are in, back-boxes are in, plasterboards are on—it is just as quick as it goes. We build to a tolerance of 3mm, so it is really precise engineering.

Chris Brown: I will try to answer from a different perspective. You have heard quite a lot of evidence about the market being driven by sales rates of primarily speculatively developed standard house types. For me, the constraining factor is how many people there are in that relatively small geographic market who will buy that standard house type, because people tend not to move very far. Most of the population do not actually want to buy any new house from a big house builder.

We do not have evidence from the UK, but the evidence from overseas—from Holland and Germany—seems to be that when you remove that constraint of standard house types and you allow the customer to have the house they want, the sales rate goes up from 2.6 a month in the UK, or the 30 a year or whatever, by three to five times. The increase is potentially a very significant increase in the speed at which you can sell and, therefore, the speed of supply. That is different from how fast you can build: how fast you can sell.

Q134 **Mr Prisk:** Is there any evidence related to the PRS side of the market? Obviously one of the arguments that the big house builders put to us is that the solution is to build the two tenures next door to each other.

There is a legitimate argument for that, but you are suggesting that actually home ownership could be expanded more quickly, in particular by this means.

Chris Brown: There is. The evidence that I know of best is in east London, where there are a couple of quite large build-to-rent sites, which at the time—this was a couple of years ago—were being let about 10 times faster than similar products nearby were being sold. The constraining factor was how many households you could get in the lifts in a period of time to get their belongings up into their flat. Before you take that too far, I would also go back to the roughly 80% of people who prefer to own their homes rather than rent. However, I think absolutely there is pent-up demand in some parts of the country for rental, which can be both built quicker through these kinds of techniques and absorbed quicker as well.

Q135 **David Mackintosh:** My question is to you, Mr Brown. I am interested in how the construction and purchasing process works at Igloo's Heartlands site. I am specifically interested in the methods of construction used and also how the custom-build developments are financed.

Chris Brown: Wow. First of all, our model as a developer is that we buy land and get outline planning permission, with plot design codes for each plot. We put the infrastructure in to provide service plots and then we provide an infrastructure around that—sorry, poor choice of words—stage payment mortgages, and a number of different home manufacturers. We do not actually build homes. Our exit is then that we sell the plot to the customer.

From the customer's point of view, the journey is a bit like buying a car. They get themselves a stage payment mortgage, they pick their plot and we sell them fixed-price, first come, first served. They then select their home manufacturer. You might be a Skoda person or a Rolls-Royce person; there will be something to fit you in the mix. You choose your size: small, medium or large, because people do not go for the same number of rooms when they are designing their own homes. They then design their home with a home manufacturer and the home manufacturer takes it away, gets the detailed planning, gets the building rates and builds it. Can you remind me of the other bits of the question?

David Mackintosh: The construction method used and also how the developments are financed.

Chris Brown: With regard to construction methods, I think each of our home manufacturers on the Heartlands pilot is different. We have one manufacturer using straw bales in panels. We have others using timber frame. We have others doing modular volumetric. We are agnostic as to construction technique, and if you go to Holland you will find people literally building by hand with very large oversized—what we would call—breezeblocks. There are a whole variety of techniques.

With regard to financing, on that particular site it is a cocktail of finance. Equity is coming from Carillion and the Igloo Regeneration fund, and debt is coming from the Homes and Communities Agency through a revolving

pot. Because we have done the affordable housing in the traditional way with Coastline, the local housing association, they are also putting in some of their own finance to their part of the site, so there is a cocktail of finance.

Q136 **David Mackintosh:** Now to the wider panel, how easy is it to secure land for self or custom-build projects?

Michael Holmes: Not easy at all, or you would find many more of the 1 million people who say they would like to do it in the next 12 months. The building rate across the UK is about 12,500 currently. It has been 17,000 for a number of years, but that ended at the credit crunch, with particular issues related both to planning and finance, primarily the sub-prime mortgage market went in the credit crunch and the market declined about 10,000 units. It has since started to recover.

The Government's Right to Build initiative is beginning to have a real difference in the delivery of land, particularly with those local authorities who are progressive towards custom and self-build. The 11 local authorities that were selected as vanguards in 2014 have brought forward a number of different solutions depending on their local housing needs, whether they are a rural or city authority, and that has been very successful.

A number of other local authorities with a very creative approach towards custom and self-build have introduced very innovative policies that tackle their specific housing issues. Where there is a will, there is tremendous progress. There are also lots of local authorities who have a housing strategy document that says, "There is no discernible demand for custom and self-build in our area" and therefore are doing absolutely nothing about it. This is despite the 1 million people—and, beyond that, 53% of the population—who say at some stage they have an ambition to build their own homes. This is a widely held belief. "Grand Designs" has not managed to put everybody off.

Chris Brown: Can I just add two points on land, and specifically one on private land? There is a group of people you will be familiar with—because I know there is a lot of expertise on the Committee—called land promoters, who work with land owners to take land through the planning system. Almost inevitably the planning permissions they get are designed for the volume house builders rather than for custom-build, so for the custom-build sector we really struggle to be competitive for that type of product because we would have to get another planning permission to be suitable for our product.

There is a barrier there with private land. With public land, despite Government policy, extraordinarily the documentation that HCA uses and GLA uses actually prohibits custom-build, so for the pilot site we are doing in Cornwall, which is with the HCA, we have had to completely rewrite the standard documentation from scratch.

Michael Holmes: That is an issue that does need addressing. The short answer to your question is that if you have money, you can self-build; if

you are in the ordinary housing market and do not have a big deposit, you are probably excluded from the custom and self-build sector, and that is a problem because there are many people who would like to do this. Custom-build and service plots offers to open up the market to a great many more people with smaller deposits because of the involvement of the developer, but bringing forward smaller service plots on larger site through the intermediate developers like Igloo also opens up the market significantly and creates access for a whole sector of people who are currently denied access to the market. Things are changing, but right now you have to be fairly wealthy, and it also depends on where you live.

Marc Vlessing: In part you need to be quite wealthy because of the financial sector—it is worth putting one's finger on again. When it comes to the mortgages out there, it is difficult for the self-build market. When it comes to mortgages, it is still difficult for the modular market as well, for the volumetric.

Christine Hynes: Unless you have BOPAS, which are preapproved by the Council of Mortgage Lenders. I take your point earlier, Mark, when you said that when you are actually signing up £30 million-odd with an off-site manufacturing supplier, perhaps that is an opportunity for Government; you could look at something where, first and foremost, we need the contracting to be changed so that the JCT-type of contract does not fit off-site manufacturing. By the time the ink is dry, the house is up. We need to look at that.

Also, from off-site manufacturing, we have to procure all of our materials. We have to actually pay for the actual factory. We have to pay for the manufacturing line. We have to pay for the materials to go down there. We insert our windows in the factories. We have to pre-order and pre-pay for the windows, and the other side of that is that large house builders get favourable rates. That is a price point that I think will flow through the whole industry. If we can actually get some help from Government to change the type of contract that we can enter into, if there is any type of shelf support that Government can give to give confidence to people like Marc, then we can actually hope to get our product more readily into the marketplace and take away the nervousness.

Michael Holmes: On off-site construction, it is worth adding, just going back to the earlier conversation, that if you are building for private rental and you want to complete the units as quickly as possible, there is an incentive to deliver using off-site. If you are a self-builder or a custom builder looking to deliver a bespoke unit in a short timeframe, so the person can get into their home and get out of rental or stop paying two mortgages, there is a strong incentive.

If you are a big house builder—I have done speculative housebuilding—you pretty much know your buildout rate because you know how many houses you can sell and how long it takes to sell them. I think it is just under 0.8 of a house, on average, that you know you can sell per week,

on your larger sites. You pretty much know your buildout rate, so why pay a premium for a housing solution that delivers units faster when you know that you can build them out of straightforward traditional construction techniques, stretch cash flow, and if the market takes an upturn you can turn the tap on a bit? If the market slows down you can turn the tap off without having a queue of off-site units in a factory or sitting on site unsold, tying up a huge amount of capital.

It is never going to suit big house builders until it gets to the point where it is more cost-effective to build off-site than it is using traditional construction. That will only happen when building standards, particularly on energy efficiency, are increased to the point where it becomes inefficient to deliver traditional masonry construction, or much more expensive to deliver traditional masonry construction to the required building regulations. That will become the tipping point.

Q137 **Chair:** You were not happy that the Government rowed back?

Michael Holmes: I cannot speak on behalf of the off-site construction sector, but I think it would have been to their huge disadvantage. I can understand why it was done: because we want to encourage volume and with any additional costs there is a threat to delivery. However, I strongly believe in the advantages that off-site offers, particularly in terms of energy efficiency, air tightness and control quality, and therefore will only offer cost efficiencies when the balance tips in favour.

Marc Vlessing: I would just underscore that point. That is why the overwhelming majority of off-site manufacture goes into MOD units, goes into McDonald's hamburgers, goes into bars, and goes into Travelodges: because they are replicable formats. It is interesting, is it not? It can be done for the residential market but you have to find your residential development niches that will benefit from that level of vertical integration.

Q138 **Mary Robinson:** Whether it is the Kevin McCloud factor or people just wanting something a bit more bespoke, a lot of people do seem to want a custom-build or self-build home and yet not very many actually do achieve that dream. Is it something to do with the ability or the availability of mortgages? Just how easy is it for a person to buy a home?

Chris Brown: At the moment for the relatively small numbers that Michael has described there is probably an adequate supply of stage payment mortgages out there, mainly from the small building societies. You do need to be wealthier, as Michael said earlier.

However, from a custom-build perspective, the supply that is out there at the moment is nowhere near enough for us to ramp up and we are in this catch-22 situation at the moment: without the big mortgage providers being in the stage payment mortgage market, we cannot ramp up production. They will not get into the market because it is very expensive for them to get the new systems, particularly the IT systems until there is big supply.

We are kind of stuck at the moment and we have all got this sword of Damocles of the Prudential Regulation Authority hanging over us and the threat of increasing the capital weighting of stage payment mortgages, despite the very low default rates, to a much higher level, which penalises the banks and makes them more expensive. We can probably survive where we are at the moment and keep doing what we are doing, but there are some barriers to scaling up.

Michael Holmes: I would concur with that—you have described it very well. The big major high street lenders would love to do it if there was enough volume out there. For them, even new-build is a niche market, so custom-build within new-build is a niche niche market. It is just not big enough for them to be interested. It is really largely catered for by the building society movement, which is very positive about it, very open towards off-site construction and able to individually underwrite loans. It is a very strong and very important market, may I add, for the mutual lenders in this country.

There is a bit of a threat from the PRA. We have been campaigning to try to persuade them that watching “Grand Designs” is not a good indication of the level of risk involved, because we have done an independent risk analysis that shows that in fact the claims rate is half that of conventional lending. That probably is tipped in favour of the fact that it is wealthy people doing it. Perhaps it is a distortion in the short term. It is important that they do control it and regulate it. Clearly we do not want to have any hiccups, but at the moment the claims rate is incredibly low. It is a very safe thing to do.

Marc Vlessing: Can I just add one thing? I do not know about the self-build market, but certainly in the modular market a real issue is in terms of the insurance that you will get on the product at the end of the ride.

Christine Hynes: That is a very important.

Marc Vlessing: There are still real issues. NHBC is still not generous in its provision of insurance. They are our largest new-build insurer. We can get insurance for a finished product from a specialist—BLP, Premier Guarantee—but it is quite a lot more expensive, and it all goes back to fine-tuning the motor that is out there, with these little steps that will make it all a lot easier, and that certainly is one that needs looking at.

Christine Hynes: If you couple that together with some type of realistic and affordable performance bond that could be created for off-site manufacturing supported by Government, that gives people like Marc and Chris confidence and other builders, as well as the change in the JCT contract. The questions I have been asked over the last 16 years are always two and it depends on which order: cost and quality. On those things you can actually drive down cost while maintaining the quality with off-site manufacturing.

Marc Vlessing: What is really fascinating about this whole debate is that so much of it comes down to trust. You are signing over something to

somebody with whom you have never done business before. You are a conventional house-builder. You know how to do things using conventional methodologies and all of a sudden you are being encouraged to use modern methods of construction. You go into a big factory. You have never seen one of those before. You do not get anything like the normal protections that you would get. The banks are being a bit iffy about it. The planning system is not giving you an advantage. It is all about fine-tuning those little steps along the way, to make all of this happen more easily.

By the way, it is not about Government investing in factories. Please do not invest in factories. Most of these are very simple businesses. They are big sheds with lots of people walking around with buckets of water.

Christine Hynes: What are they growing in their factory?

Marc Vlessing: They are growing buildings. One of the fascinating insights that I found—and I went to a lot of modular factories—was that the thing that made one modular factory better than the next was not the levels of automation, robotics and all of that; it was absolutely about the adjusted time management quality, starting at the top, and the happiness in the workplace. It sounds trite but you need a forwardist approach. You need people who are happy to do replicable things and not everybody knows how to do that well.

Q139 **Mary Robinson:** On fine-tuning, I am really interested, and obviously part of this is that there are not enough of these custom-builds getting into the market. We talked about the planning system and how that may be a barrier, as we discussed earlier. Should planning policies and local plans be changed specifically to help custom and self-build?

Chris Brown: Can I try to start on that? In terms of the NPPF level, we are in a pretty good place. You have to make provision in your plan and you have to do development management for people who are looking to build their own home. It falls down massively when you get to planning practice guidance. For example, the guidance says that registers are a good measure of demand when you are doing a strategic housing market assessment. That is complete nonsense. What you are comparing is not even apples and oranges; it is gorillas and bananas or something. It is completely different from the demographic formation of households.

We are also then seeing very few local authorities who are implementing the NPPF policies in their local plans. You do not see sites designated for custom-build on the whole. You occasionally see what I will call the Teignbridge model, although they always get frustrated with me, which is a policy that says 5% of plots on sites bigger than 20 homes should be provided as service plots. When you run the numbers on Teignbridge, that does not even produce as many self-build units as are being built nationally around the country. Furthermore, for custom-build it is completely useless because we really need 100 plots at a time to get home manufacturer economies of scale.

At the moment we have got the threat to the community infrastructure levy exemption, and even how it is working at the moment is incredibly clunky because when you apply for outline permission you have to make every single plot a separate phase to qualify for exemption. All the way down from there, apart from NPPF, there are barriers in the system preventing custom-build

Michael Holmes: Basically it is a lot more work to deliver for custom-builds. It is a lot more work to deliver sites for small to medium-sized house builders. It is a lot easier to zone large strategic sites and wait for them to be brought forward by land owners and major house builders for hundreds if not thousands of houses at one time. Consequently, they are not sophisticated enough for individual self-builders. Small SME house builders generally are not sophisticated enough or interested in bringing forward land into a five-year delivery programme or 10 years or 15 years. They want to think about what they are going to build for their own home immediately, or, if they are a small or medium-sized enterprise, what they are going to be building this year and next.

There is a massive disjuncture between the way land is brought forward for house building at the moment, which suits only large, sophisticated organisations, and the needs of the small and medium-sized enterprise or the custom self-builder. It is a completely flawed planning system, in my opinion, that delivers only large-scale sites with a limited market, and that will always limit the amount of houses that are brought forward.

I do not believe in land banking; I think it is a myth, I am afraid. I think the major house builders do not land bank; they just cannot sell the houses and they never want to build more houses than they can sell. Why should they, when they are only driven by profit?

Marc Vlessing: It would be sad if the discussion polarises to the level where we are talking about self-build, which is quite a specialist, niche activity. I hope it becomes as big as it is in Belgium and Holland one day—

Chris Brown: Marc, that is custom-build, not self-build.

Marc Vlessing: Sorry, custom-build.

Chris Brown: You have to educate your colleagues.

Marc Vlessing: It would be a shame if the decision ends up being between custom-build and self-build, on the one hand, and the volume house builders. There is an awful lot in the herbaceous border that sits between those two extremes. The planning system clearly is not helping my colleagues in those sectors as much as it could and should, despite the NPPF's best efforts. When it comes to industrial, modular forms of delivery, the problem is not that the planning system fights it, but that the planning system does nothing with it. It does not recognise that it has advantages to local authorities and local people. For instance, you never, ever hear estate renewal discussions and modular methods of

construction going hand in glove. They should, because when we build 120 homes on people's estates and we can do it within a fraction of the time, without any noise, dirt or dust, it makes a huge difference to our ability to bring them alongside with us. There is a real issue with planning at the modular end just not giving any benefit back to the people who are using it.

Chris Brown: Can I just add one thing? Marc mentioned Holland. In Holland they are very frustrated because it is taking them three days to give the detailed approval for a custom-build scheme, and they are trying to get it down to one day. Our rules require a minimum of six weeks.

Q140 **Mary Robinson:** You have described a series of potential barriers in place, as you see them, which would differentiate from the larger volume builders. Is this something that is down to a lack of trust and confidence in what you are doing? If it is, how do you think it could be overcome?

Chris Brown: That is a fabulous question, and Michael will know this story. The reason it has appeared is because the large house builders have been either successful in managing the way the system is designed, or have been so untrusted by the system that the system is entirely about preventing the worst that they could do. In Holland they have a completely different attitude to the large builders and the custom builders. The phrase that was used to us in Holland—I apologise if this is unparliamentary language—was, "You can trust the custom builder to make sure the shitter works."

By that they mean that when people are designing their own homes, they want to do absolutely the best they can do—not only for them, but for their neighbours and their community. It is a completely different attitude of mind compared with a large builder, who is in and out and gone on to the next one.

Christine Hynes: Can I just say something adding on to that? What we aspire to do on our side of the market is not to be in and out. What we look to do is place-make, and there is change in the market now in what Marc and Pocket are delivering—small-space living—and what we do and are looking to do for family homes and apartments. For everybody here, this is a time for change, and for you guys too, because it is 70 years. Come on. We need change now. We trialled IT in our homes in 2007 for assisted living: how many iPads and phones do you all have?

Why are we not using these technologies in our homes? Why are we not building energy-efficient smart homes, which we have the capability to do now, at a real cost? That way we can keep people in the community longer and not have to build "God's waiting room" care homes anymore. We can make our lives much better with standard products that are available today. We just need help, with you guys putting some money forward, perhaps, and changing the contracting documents, and maybe creating a bond.

Michael Holmes: I think it is worth having the familiar conversation about the role of the public sector. If you look at the European model,

where a great deal of the new-build is brought forward as owner-commissioned housing—an average of 39%, we have researched very recently and as high as 80% in some countries—the public sector plays a major role in placemaking. They bring forward sites, often through land-pooling and the use of public sector land; they then work in conjunction or partnerships, quite often, or form their own private sector entities, and create service plots and high-quality places.

These are then sold to small and medium-sized local house builders and to custom and self-builders. In doing so, they create opportunities for people to create the individual homes. You described housing that responds to the needs of the individual. I have nothing against volume house builders; I have done some volume house building. However, while you are building the majority of housing, if you have a connection between the person who will live in the house and the design of the house, you can then incorporate all sorts of different types of diversity for older people, young families or empty nesters.

It is interesting that two of the biggest peaks in the custom-build sector are the empty nester market—where they are not really catered for largely by the big volume house builders; you have to design to the lowest common denominator—and also the growing family, who are doing it largely for affordability, because they simply cannot afford the housing that is being offered at the moment.

Chris Brown: It is just worth adding that these other markets tend to build roughly, on average, twice as many homes per head of population, and it is the custom-built sector that is making up that difference.

Q141 **Chair:** Just to finish with a point of clarification, is the performance bond effectively to get the quality mark on a property?

Christine Hynes: No. We have a quality mark already with BOPAS. We are one of 12 companies in the UK that have that through BOPAS. What we are talking about is something that is a performance bond in the sense that Marc says, "There you go, Christine. I want you to manufacture this block of apartments and I need it on site this date." I then can give him a piece of paper saying, "Look, at each stage it is checked and this is what you have." There is a piece of paper guaranteeing that Marc, who is putting his trust in us on the programme, will receive those goods.

Q142 **Chair:** Is that something you negotiate with him?

Christine Hynes: No, it needs to be done by an insurance company supported by Government. We would go to market to obtain a bond that insures us and our business for delivering what we say we are going to deliver.

Marc Vlessing: The reason why that is crucial is that otherwise I cannot get more than 45% or 50% cheap money from a commercial lender.

Q143 **Chair:** That is a helpful clarification. Finally, you have talked about the Netherlands, and the Committee in the last Parliament, of which Bob

Blackman was a member as well as myself, went to Almere. We did not know what to expect. We went there and said, "This is great. This would work." We came back, wrote our report and the picture of Almere was on the front page. The Housing Minister said, "Yes, this is great." Four years later, we have not made much progress, have we? If we look at the next 10 years—

Michael Holmes: We are on the way.

Q144 **Chair:** Could we see custom-building providing a third of the homes in the UK in the next 10 years?

Marc Vlessing: Can I declare an interest here? I am Dutch and I lived in Belgium for 10 years, and I have built a custom-built house with my sister in Almere, and my family built their first family home in Belgium. These things are cultural. That was back in the 1970s. I will not put on my Dutch accent as I try to explain this to you, but we take this stuff very seriously, and it takes decades and decades and decades. Do not be disappointed. Keep on at it.

Michael Holmes: The popular dream exists in this country, whether it is through television or whatever. It exists now, and I think the drive is there to do this. Once people get used to choice, they will demand choice on all housing, including speculative volume-build housing, so you will see a spectrum of choice being offered right the way through.

Chair: So it is getting the obstacles out of the way.

Michael Holmes: It is getting the obstacles out of the way; you are absolutely right. We are on the way to doing that, and in some areas you can see great signs of that. That very visit to Almere was probably the one that was attended by the then leader of Cherwell District Council, who went on with Cherwell to buy an MOD site at Bicester. They are now creating Graven Hill Village, which, with 1,900 plots, is the largest single custom and self-build site in the UK. They proved that it can be done. We just need to get the willingness across other local authorities that this is not too difficult, and that they are not so starved of resources that they do not have the people to deliver on this.

Chris Brown: I share Michael's optimism. I think 30% in 10 years is doable. The Government need to understand the industry a lot better in order to understand how to remove the obstacles. The key thing that will change supply will be the flow of money, and that is not going to happen until people can go and kick the tyres, in this country, of some real product and see how it is sold.

Chair: Thank you all very much indeed. It has been a fascinating discussion, and I think we got some agreement at the end of the day, after our initial start. Thank you very much for coming in; that was very useful to the Committee.