

Communities and Local Government Committee

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

29 November 2016

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[Watch the meeting](#)

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

Questions 145 - 206

Witnesses

[I:](#) Sandra Dinneen, Chief Executive, South Norfolk Council, Councillor Peter John, Leader of the Council, London Borough of Southwark, Tim Hill, Chief Planning Officer, Leeds City Council

[II:](#) Kathleen Kelly, Assistant Director of Policy and Research, National Housing Federation, David Montague, Chief Executive, L&Q, Matthew Harrison, Chief Executive, Great Places

Examination of Witnesses

Sandra Dinneen, Councillor Peter John and Tim Hill.

Q145 **Chair:** Good afternoon and welcome to this session of our inquiry into the capacity in the home building industry. Members of the Committee, to begin with, will put on record any interests they may have. I am a vice-president of the Local Government Association.

Helen Hayes: I employ a councillor in my staff team, and I should also put it on record that until earlier this year I was a councillor in the London Borough of Southwark and a member of Peter's group on the council.

Kevin Hollinrake: I employ a councillor, as well, in my office.

Chair: Thank you for that. Welcome and thank you very much for coming to give evidence to the Committee this afternoon. To begin with, go down the table and say who you are and the organisation you represent.

Tim Hill: My name is Tim Hill. I am the Chief Planning Officer for Leeds City Council.

Sandra Dinneen: I am Sandra Dinneen. I am the Chief Executive of South Norfolk Council.

Cllr John: I am Peter John. I am the leader of Southwark Council.

Q146 **Chair:** I suppose planning often gets blamed for lots of the problems of not building enough homes in this country. Particularly in the spotlight recently have been all these nasty council planners who are demanding more than their fair share of contributions from developers and imposing so many conditions that work can never get started. Is that a fair description of what exists or is it a fair description of what people think exists?

Tim Hill: It is probably a picture that is presented. You would not expect us to say anything other than it is not necessarily an accurate picture. Planners cannot be complacent as a profession. There is always more that we can do to work on making sure that we are helping to deliver planning consents that represent sustainable growth. Leeds certainly has an agenda focused around housing and economic growth, but we would like it to be good growth.

We would like it to be growth that helps a compassionate city, that serves the needs of all and, as far as possible, consumes its own smoke. The question should be one that society always forgets: what do we want the planning system to deliver? It is that good growth. That is what people want. They do not want the numbers at any price. A lot of the assessments that we require as developers are driven by legislation. Take Storm Eva. My phone was quite busy after Storm Eva with people saying: "Are we sure we have these planning consents right? Are they going to be safe? Are we building in the wrong places? Are homes going to be flooded?"

That is the sort of thing that society wants our planning system to deliver. It is important that we, as planning authorities, consider sustainable development as a whole.

Sandra Dinneen: I agree with what has been said. In terms of whether we hold things up, in most cases the answer is probably no, if the right conditions have been met. If you think about it from a local authority perspective, we want the houses to be built sooner rather than later because we get our council tax coming in, we get the CIL coming in, we get different things coming in. There is a benefit to us in getting houses built in terms of supporting our services. Delaying them is not in our best interest.

In terms of permissions that are granted, recent statistics have shown that planning permissions probably are not the issue; it is about how you deliver them afterwards, rather than the number of permissions that are granted. There are a number of factors around that, one of which is delays in agreeing Section 106s and other issues. It is probably not always the planning side that has issues on Section 106s.

One of the things we have been looking at is whether we can try to agree Section 106s up front so it does not delay the process after you get the permission, and trying to work with the developers in a more collaborative way before the permission is granted, rather than having to do all that stuff after the permission is granted, so that you do not delay it in that way.

Cllr John: Our experience in Southwark would suggest that planners are not the problem. I can reference a couple of quick statistics. Since 2010, our planning committees and offices have approved 22,202 new homes and we have seen 9,169 built in the same time. Planning approvals are running in excess of two to one over new homes being built. There are some issues about completion of Section 106s etc. but those minor issues in respect of some applications cannot account for that massive lag between approval and delivery. I do not think it is the planning system's fault.

Developers clearly want certainty, and the Mayor of London's announcement today in terms of affordable housing provision across London will help, because sometimes developers try to play the system and do not want to meet some of their Section 106 obligations. As an answer to your question, Chair, the statistics for Southwark do not bear that out.

Q147 **Chair:** One of the major issues we have taken evidence on and tried to probe is large sites with planning permission given yet many years later the sites still are not built out. Developers will explain why their business model makes that an appropriate way to proceed. But we also looked at whether there are ways to incentivise development: to maybe charge council tax on unbuilt sites, or maybe try to come to an agreement at the very beginning about the rate at which the site will be built out. Are any of these suggestions feasible?

Cllr John: I think so. Could you time limit consents before particular penalties come into force? I do not see why not. Anything that incentivises actual build has to be a good thing. Fundamentally, the issue comes back to the model being broken. I was looking at the Government's own statistics of homes being built since 1969, and there is an obvious gap in terms of who is building over the last 30 years; it is local authorities not building over the last 30 years that accounts, repeatedly, for the failure of Governments to meet housing targets. That is the problem. The model that we have just does not work.

The Government's concentration on homes for sale also means there will always be a limited supply. We have to look at things in different way. I know that some housing associations are looking at slightly different models and other private developers are looking at different PRS models, which means that you remove that need for that market sale solution to be there all the time. Fundamentally, at the moment, our model is broken.

Sandra Dinneen: Planned delivery agreements of some sort would work, as long as the right people were signed up to them. You need to tackle the issue of statutory consultees, utilities and so on to make sure you have everybody in on the act. However, you need some teeth about what happens if people renege on them. You are trying to get houses built, so just fining or penalising is not necessarily going to get you the outcome, because you actually want houses to be built. A really positive way of trying to do that is increased CPO powers that would enable fast take-up of those sites by local authorities, either to build out themselves—a number of authorities are now developing their own housing companies—or to parcel up for small and medium-sized builders so they can parallel-run development of the sites.

For that to work, you need some element of how you enforce it. I know that Central Bedfordshire, because they do not have a five-year land supply, as an authority have started to write into their Section 106 agreements a condition that those permissions that are granted have to be built out within a three-year period. The difficulty is that if the developer does not then do that, they have to seek an injunction and seek to have the injunction enforced, which is probably a very time-consuming and expensive process. We need a quick way of making sure that the things that are promised are delivered and, if they are not, how we overcome that issue.

Tim Hill: I agree with all of that. The mechanisms are probably going to need to be fairly carefully considered, because underlying all this is the fact that if we are granting planning consent on a site, it is because we think that it is suitable and should be developed for housing—if it is the authority that is doing that and allocating the land. With mechanisms that say you cannot do it if you have not built it in three years, what is to stop somebody from going and getting another planning consent and why would we refuse that? I absolutely agree that hopefully we will see some mechanisms starting to come through in the White Paper. It is worth trying an awful lot of things, because at the moment the system is stacked in favour of developers, particularly volume housebuilders, against local planning authorities and communities.

In Leeds, we have 12,000 houses with full detailed planning consent and another 6,000 in outline. Half of those 18,000 are greenfield sites outside the city centre. These should be sites that are attractive to volume housebuilders and yet, in the last four or five years, volume housebuilders have delivered 1,500 units in Leeds. That is a quarter of the new homes built in Leeds. There are a lot of players already doing things in big cities like Leeds that are not volume housebuilders.

The issue about housebuilders chasing the pot of gold at the end of the rainbow in the form of greenfield sites that are not allocated and are not proposed to be allocated is a huge distraction for authorities. Something that provides certainty, through a local plan that draws their attention back to delivering what they have consent for, would be massively useful.

Q148 **Chair:** There are a couple of other areas where ideas have been trialled

that might persist. The Housing Minister gave a very clear indication the other day that he might allow local authorities to charge a realistic price for planning permissions. Presumably, that is something you would welcome and would help you get more staff in, because the complaint we have had is that the telephone goes and it is so-and-so and they have three other jobs to do or, "They only work Mondays and Wednesdays, these days. It is Thursday today and we cannot talk to anybody." We have had that evidence quite clearly. Also, would getting some common methodology on viability assessments be of any benefit to try to take some of the heat and tortuousness out of negotiations?

Sandra Dinneen: On the first point about planning fees, it is definitely the fact that we subsidise the planning service through other elements of revenue. To get it to cover its own costs is really important. I understand the Minister is saying that it would have to have some mechanism to ensure that increased fees were used for that purpose, which would be a good idea.

There is some encumbrance on us to make sure that our planning departments are as efficient as possible and that we make sure we are meeting customer needs and focusing on streamlining, because there has been quite a lot of work in some areas on electronic end-to-end processing and doing things a bit differently. In South Norfolk, we have done some of that work and changed the way we do it; our average time to assess a standard housing application has gone down from 58 days to 35 days through those sorts of mechanisms.

The number of complaints we get has reduced by half, because people are getting the service they want. Some of that stuff is quite simple; it is about changing the thought processes from, "We have six weeks to decide this; therefore we put them in a stacking order," to, "These things are quite straightforward; let's get those through quickly and spend more time focusing on the ones that are trickier." There is some stuff we can do within the sector as well, but you need to be able to resource that effectively for it to work properly.

Tim Hill: As a minimum, it would be good to see planning fees rise nationally by at least what we have seen inflation rise by, because we have not had an increase in planning fees for several years now. That is taking a toll in terms of income. We are not capturing the benefits of the increased activity we are seeing in planning. On top of that, yes. From Leeds' point of view, we are a very high-performing authority. Well over 90% is consistently delivered within the timescales. Those timescales are based on us having sensible conversations with developers about extending beyond 13 weeks, particularly for more complex schemes.

I would particularly like to see us, in Leeds at least, focus on being able to support these more complex applications: city centre applications, big housing sites, new settlements—all the majors we are dealing with that demand a lot of attention. There is a lot of specialist technical evidence that goes into assessing them. Increasing fees and tying that into

efficiency and resources would enable us probably to put more focus and attention on that.

Cllr John: We have gone a long way to ensure that planning is self-sufficient by most developers of large or valuable schemes entering into a planning performance agreement, which they pay for and which recognises the additional work that is needed for planners to achieve what a developer wants in terms of timescales. We also encourage pre-application meetings, which we again charge for. Developers of big and valuable schemes do not have an issue with that, because it means that they are going to get the service they require at the end of the day.

It also means that once the application formally comes in, you have dealt with most of the issues that could be tricky during that statutory period. There are ways in which councils can already ensure that their planning is paying for itself. That is what we do in Southwark.

Q149 **Mary Robinson:** For clarification, you spoke about local authorities, the planning and how the greenfields outside urban areas could be a distraction in terms of planning applications. Is it the case then, or to what extent is it the case, that where these greenfields and greenbelts are opened up, developers will not want to look at other areas but simply choose them first? Is that what you are saying?

Tim Hill: Yes. That is exactly what I am saying. It distracts our resources because we are forever fighting appeals about five-year land supply against sites that are very attractive for a volume housebuilder in terms of their model but are not helping to deliver the Government's targets around brownfield delivery. They are also not helping to achieve what we want to see and what communities want to see in our adopted core strategy, which is a focus on the inner area, brownfield sites and regeneration. They take resources away from other areas of work.

I know that a lot of land banking is talked about. The issue with volume housebuilding may less be about land banking, because they work on systems of options. Really, the issue is that they are forever trying to get options on land that meets their model and then are often contractually committed to take those through appeal processes through the planning system. That distracts them as well as us, frankly. If there is certainty in the planning system that can be provided through a local plan, drawing everybody's attention back to the sites that we have allocated, there is enough to go at.

We are looking at allocating something like 66,000 homes or land for 66,000 houses in our site allocations plan. Half of that is on big sites and half of that is on small sites spread across the city. There is plenty to go at that we are looking to allocate without spending all of our time chasing around pieces of protected open land—less greenbelt, because the Government's protections around greenbelt in relation to housing supply are more strict.

Q150 **Mary Robinson:** Is there enough transparency around those options?

Tim Hill: There is not very much transparency at all, at least in the eyes of the public. You will find some people who know what is going on and what the options position is, but people do not generally see that that is the way the sector operates and that the model is based on that.

Sandra Dinneen: The issue is not just around greenbelts. We have a joint core strategy with two surrounding districts. Within our joint policy area, we have 28,000 extant permissions. We gave another 5,000 last year and 1,100 houses were built. A fair proportion of those were built in five-year land supply sites, not in sites in our local plan.

Though we have an adopted local plan and a joint core strategy that fully lays out the rationale for them, we have lost on appeal sites for example where we have tried to keep a strategic gap between villages and market towns. Those gaps have been filled in, which none of the local people want, but they are exactly the sites that are described by Tim in that they are quite cheap and fit the model of a volume housebuilder.

I understand the need for something around making sure authorities do deliver housing, so the five-year land supply's intention is good, but the way it is calculated and managed at the moment defeats the whole point of what it is there for in a lot of cases. You are finding that the easy-to-build sites will go forward, and the ones that add quality of life and give the contribution to the infrastructure that is needed—which has been planned within a plan—will sit there dormant, not being addressed. There is a real problem there.

Q151 **Helen Hayes:** I wanted to ask about your experience of the change in the rules on permitted development rights and whether you are finding that that change is delivering new homes in your area. What impact is it having on employment space and are there any issues around exemption from Section 106, in terms of loss of affordable housing or loss of funding for social infrastructure and other things that Section 106 typically funds?

Clr John: My primary concern is that you are ending up with very poor quality housing in some instances as a consequence. Offices were built as offices and not intended to be homes. We have even had rather daft genuine examples in Southwark: an arch in a railway viaduct being lawfully converted into a home. In Lambeth a number of new homes are built with no windows. This is not housing that we should be aspiring to deliver for our residents. One can see what motivated the Government in thinking this might speed up housing delivery, but the consequence that we have seen is that it is largely poor-quality housing that comes out the other end.

Sandra Dinneen: It has not been a massive issue in our area in terms of the volumes, but the sorts of office premises that have been taken for housing tend to be the lower quality end of the market, which some people would say is a good thing. However, when you have a lot of start-up businesses, that is exactly the sort of accommodation they need to get their businesses going. The office accommodation that is left is outside their ability to work, so it is starting to restrict that kind of

entrepreneurial start-up end of the market, and the quality is not ideal in terms of two-bedded houses.

Tim Hill: Leeds was very concerned about what might happen, applied for exemptions and did not get them. In practice so far, it is probably not materialising quite the same way that we thought. We have seen about 1,300 units over the time converted under permitted development rights. Again, however, there is a question about converting what was usable but not great office space into not brilliant flats.

On the Section 106 issue, this is perhaps more an issue in London. Just because of the nature of some of these things, it is not great, because Section 106 is pretty much under fire. It is the only way in which we can, within CIL, get infrastructure. One of the things people want and are demanding from the planning system and through local plans is the infrastructure. The certainty that the infrastructure is going to be provided, particularly for schools at the moment, is really difficult, because the local education authority has no role, particularly now.

There are unintended consequences of this, particularly around exemptions for CIL and Section 106. We have a tank factory in east Leeds, which we are going to grant consent for and have already granted outline consent for. It is waiting for a road to be built to progress. I am slightly concerned. That is a very large building; we might end up owing the developers money, given the exemptions that could be applied around affordable housing. If they sought to pursue that—are we going to see affordable housing?—the communities would find that totally unacceptable.

Q152 **Kevin Hollinrake:** Peter John, I think about 12,000 dwellings last year were brought through permitted development. I think you said a second or two ago you thought they were largely poor quality.

Cllr John: Some of them could be poor quality.

Q153 **Kevin Hollinrake:** Is that a better phrase?

Cllr John: I think so.

Q154 **Kevin Hollinrake:** The Chair and I went to see a permitted development this morning in Archway, which was of fantastic quality. "Some" would probably be a better description.

Cllr John: Yes, that is fair. The more important point is that they fall outside the general rules of planning and you do not get your affordable housing as a matter of right and you do not get your Section 106 contributions. That is where even great schemes sitting outside the normal planning process are not serving the community well.

There is also an issue in terms of whether it is good for a planning authority to lose control of how it plans an area. Very deliberately, you might as a council have taken the decision to keep a particular area as an industrial office area, yet this comes along and undermines what you are hoping to achieve. There are examples of very poor quality. I am sure

you will find examples of very good quality: Centre Point is a case in point of a conversion. But the failure to deliver into the normal planning system what you would expect from significant developments is regrettable.

Q155 **Julian Knight:** Is it fair to say that councils are unable to build the homes that their area requires? Is that a fair general statement?

Cllr John: Yes.

Sandra Dinneen: Yes. We have a housing company and we are delivering houses. Some of the more recent announcements about broadening type and tenure type are very welcome. We need to see the detail of that in the Housing Bill, but the recognition that starter homes are not the answer to everything is well received by most local authorities. The point that was being alluded to earlier is that the constraints are sometimes about the infrastructure that needs to go alongside, the affordability of that and something that allows for that infrastructure to be put in.

We have tried a couple of things: we have pooled our CIL and we have borrowed against that to get more money to have a fund to put some infrastructure in. That is starting to show how it can work. That has allowed some developments that would not have happened. There are ways in which you can start to facilitate that. More freedoms around allowing local authorities to borrow, to have reduced restrictions on the housing revenue account—

Q156 **Julian Knight:** I was just about to go on to that point. You all agree with the statement that you cannot build the housing. What part do the financial restrictions, such as the HRA, play in that? How significant is it? Is it the major part of it? Where does it sit in the lexicon of issues that you have?

Cllr John: It is very significant. We can all cite our examples of the little bits that we are doing. We have an ambitious programme to build 1,500 new council homes with social rents in Southwark between 2014 and 2018. We are well on track to do that. That is with a combination of factors: taking in new payments from some sites and some borrowing capacity within the HRA. But as I said much earlier on, the system is broken. Where it is broken is obvious if you look at homes being delivered since 1969. In 1969, councils built 185,000 new homes across our country.

I would not advocate going back to councils building necessarily at the scale and in the way in which they did, because we are tearing down some of those and having to put right the mistakes that were made when that happened. But there is clearly a role for Government and government money to directly deliver homes that are not impacted by the needs of the market, the need for everything to make a profit, the need for everything to wash its face within a given period of time. That is what is missing. Councils being able to borrow is the restriction that

effectively means that we as councils cannot build at the scale that we used to.

Tim Hill: I may have these figures slightly wrong, because they have been provided by my Director of Housing and Environment and I am just a planner. But broadly speaking, I think the orders of magnitude are right: our capital limit through the HRA is about £23 million a year. Our rent roll is something like £260 million a year. If we were a private sector business, we would be massively undergeared. We would be the Apple of local authority housebuilders. We would be storing it all in cash offshore.

My Director of Environment and Housing would want me to say that we feel there is an awful lot more we can do and not necessarily just focused on social rent. We have a build programme of about 1,000 that we think we can fund at the moment. We would like to do a lot more, subject to being able to get hold of the land from the private sector sometimes. There is more we could do. Housing companies have been mentioned, and looking at new models for staircasing from social rent through to equity that are not focused on the traditional equity-sharing models. There is a lot more that we want to have conversations with CLG officials about.

There is some good news. We have seen pay to stay, for example, going. There are still concerns potentially about the unintended consequences of right to buy and housing benefits. You can have two families, one of whom has bought their home from the council and is on housing benefit and the other one who has social affordable rent on housing benefit, and where the Government is paying twice as much for the family who is renting from a private landlord in a former right to buy. Some controls, for example, on what people can do with their right to buy—but they should remain in owner occupation—would be useful as well.

Sandra Dinneen: There is a role for non-stockholding local authorities as well to play their part in delivering housing. That requires other sorts of freedoms and flexibilities. It seems that a lot of policy recently has started to negate your understanding through your housing market assessments in terms of understanding what the need is in the locality and then delivering against it. We need to get some alignment back between understanding what types of tenures are needed and delivering against them, rather than models that take it away from that local knowledge.

Cllr John: You are going to hear from housing associations next. Again, if you look at delivery figures from 1969 onwards, they get to about 30,000 and that is where they stall in terms of delivery, because their model, still, will rely on making a profit to completely fund it, even with a bit of Government money. I am not convinced that housing associations are the answer to that 100,000 gap.

Somebody said something interesting yesterday: as a nation or Government at whatever level, do you see housing as part of the infrastructure of the nation or not? We do have to see it as part of the

infrastructure and invest accordingly. We have not. That is the problem. That is why we are facing a housing crisis, particularly in London.

Q157 **Julian Knight:** Mr John, is the partnership between developers and council-owned development companies the answer, rather than putting all our eggs in housing associations?

Cllr John: It could be. We have good examples of partnership working in Southwark, but there is probably a different model out there, whether it is through Government. As I said earlier on, the model is broken where we are building for sale. There is a big gap in London around the private rented sector. If there is a model by which Government, either local or national, effectively guarantees rental receipts and you have a public private partnership where, because of that guarantee, the private sector can go out and raise money more cheaply, build at scale etc. and keep that momentum of building increasing, that might be an answer. That will not offend anyone on any side in terms of housing policy, but it means we are increasing delivery.

Something very interesting could be done in terms of public private partnership to increase the supply of housing, with Government, local, regional and national, playing a key part.

Q158 **Julian Knight:** What are the barriers to this public private partnership at the moment?

Sandra Dinneen: Overall, the private sector wants to make a profit. That is why they exist. How do you make sure there is that element in there? Increasingly, local authorities want to make a profit; they want to reinvest that in delivering services because increasingly they have to be more self-sufficient in the way they do things. A lot of the sites that meet the requirements of the localities have some upfront infrastructure costs. If we could use funds more around freeing up that bit so that what is left acts as a viable proposition, that would be really useful. Funding for upfront infrastructure would be really important to free things up.

Tim Hill: There are barriers, but the right partners are key. We have just sold brownfield, former public sector estate land in east Leeds that we own. We are packaging that up with a consortium of two regional smaller housebuilders who have planning consent and are going to be delivering those for us. We have a private sector acceleration programme where we try to look at stalled sites and work with particularly small and medium-sized builders on exploring why that is not happening.

Is it because they have been knocked back for planning consent? Can we help them to overcome some of the issues? Is it access to finance? Is it infrastructure and contamination issues? Are there things that we can do as a local authority across the piece that would help them to do that? We have had around 1,000 houses over the last three years delivered through that. We are looking to bring another 50 sites into that programme.

In the right ways, there are things we can already do. I would not say that this is excluding volume housebuilders. We have had some fairly productive workshops where we try to look at efficiency. Going back to the point somebody made about Section 106s, the key thing is that there is a sort of natural lifecycle for getting a scheme through planning and built. You can squeeze it here and there, but that tends to make it pop out somewhere else. If you squeeze the pre-application process, you have more to do later on. If you try to shorten the Section 106 process, it means everybody has to do more work earlier on in the process. There is more to do there. That could take longer.

It is about working constructively in a mature relationship that understands that getting something built involves a set of processes on both sides and is about trying to overcome and work through the barriers in a relationship.

Q159 Julian Knight: Is this relationship an equal one between the developers and the council?

Tim Hill: It is not at the moment. As a planner, you might expect me to say that, but there are two things. First, we are relying on a broken model. The Shelter graph is the classic explanation of that. While we are relying on volume housebuilders to deliver that model, and particularly while that is supported by a focus in Government policy on five-year land supply, the mechanisms that underpin it and viability at the expense of wider sustainability, planning authorities are on the back foot.

Cllr John: Councils are not the pushovers that sometimes we are portrayed as. I would not want anyone to get the impression that we do not negotiate hard and we are not experienced.

Julian Knight: Southwark is not a pushover.

Cllr John: Absolutely. Put that in capital letters.

Chair: That is the headline for the local paper.

Cllr John: Thank you very much indeed, Chair. There is this issue, as Mr Hill recognised, in terms of when, effectively, the state subcontracts all housebuilding to the private sector in one form or another; it is a difficult relationship.

Sandra Dinneen: You can work constructively. It does take time to build the relationships. In terms of making the model work so you can get a mixture of tenure, most housebuilders want to sell and sell at a pace that keeps the prices at the level they want them to be. We want to make sure we have a mix of rented properties, affordable properties and different types of tenures on a site. To make that model affordable, you need to have some flexibility around how it is financed.

Some of that can be achieved through borrowing; for some of it, we need some more flexibilities to allow us to achieve that through borrowing, but some of it does need some upfront stuff to happen to enable those costs

to work. At the end of the day, you have to put a package together that is a win-win. For us, the win is more in terms of meeting the objectives of our communities, whereas the win for the developer is in terms of shareholders. It can take some time to find something that bridges that gap. It is achievable, but we need more of a level playing field. We need more levers to be able to make that work.

For some of the things we were talking about in terms of how you could make planned delivery agreements work, you would need some of those levers in place. Having time limits on things encourages people to work with us because we can help deliver within the timescale, as we would potentially be taking on part of the site, doing things differently or providing resources to do it. There are still more levers that we need to make that relationship more even to get the pace of delivery happening and get the pace of negotiation working.

Q160 **Mary Robinson:** Local authorities might not be pushovers in terms of their relationships with developers and partnerships, but does the public sector have the right skills, knowledge and experience necessary to build more homes or to help others to build them?

Tim Hill: Underpinning this, there needs to be a recognition of the roles that we can play. We have some very good people in our housing services and housing strategy who are working fantastically well with the private sector and registered providers to help them to deliver. We are delivering our own stock as well. Leeds is a big city and we are very well resourced in many respects still.

But we are not delivering houses. The point has been made, generally speaking: it is the private sector that is delivering houses. Do we have the skills and drive? I do not think there is a private sector housebuilder who has it on their mission statement to help Leeds City Council achieve its housing target. I am not sure that is one of their outputs or objectives that their shareholders are particularly bothered about.

In terms of our skills, there is probably a critical point about resourcing from a planning point of view, which is that not many planning authorities that I know of are recruiting from the new graduate pool. Largely now, if you are coming out of a planning school, your career is likely to be taken down the route of working for a private sector consultancy. The mainstay used to be working for a public local planning authority, delivering at the base a regulatory service.

That might have changed the profession for the good in some respects, but it means it is a bit more difficult for planning authorities to get people out of that market. Birmingham have started to make steps, for example, in using apprenticeship routes and taking graduate planners on for two years through an apprenticeship model. Certainly I would like to look at that in terms of graduate placements and how we might start to get a bit ahead of the curve again for some of those skills coming into planning services.

Cllr John: Local government has some brilliant planners and brilliant regeneration officers, but no one can pretend that we have not taken disproportionate savings from those departments over the last six and a half years. That does have an impact. It means they are incredibly stretched. In a borough like Southwark, where regeneration, development and investment into the borough is key for us to deliver our targets and objectives, it does make it difficult.

We have been talking over the last week a lot about social care and the crisis in adult social care funding in local government. Do not forget that other departments have taken far greater financial hits and we are expecting them still to perform, carry on performing and delivering the things that will ease the burden for councils ultimately in terms of increased council tax receipts and business rate receipts. We do not have the experience and the expertise to build at volume. We are ratcheting up our fairly modest—in the grand scheme of things—council housebuilding programme in Southwark to 1,500 homes over this four-year period. But you are starting from a standstill position. That is tough.

Getting people with the right skills is not easy. How do you make it competitive to get people into local government in some of these areas now? How do you make it attractive? That does not mean that local authorities do not have a unique position in terms of the knowledge and vision as to how your area, borough or city should look, which they can bring as an incredibly valuable partner with others to increase the volume of delivery of housing.

Sandra Dinneen: In terms of planning skills, we do compete with the private sector. One of the solutions that we are looking at in the East of England is an agency arrangement so that we have a pool and do not compete with each other on pay levels, so if we need particular expertise, you can move within that. A bigger element of sharing resources across authorities is one way to overcome some of that problem. You can probably also pay slightly more than you would be able to if we were all doing it individually. Looking at models for that could be helpful.

The skills that we really need for the future are different skills; they are the more deal-making, commercial skills, because you are negotiating with developers in a very different way and that is a very different skill set from traditional planning officer skill sets. They are the sorts of people we need to entice into local government. We have found, by having the company and so on, people who have a particular desire—who are very commercial, but have a real passion about place and want to put something back.

If you are lucky enough to get one of them, you are on a winner because they are doing it for all the right reasons and are really hot at what they do as well. You can get that sort of expertise in, but local government really needs to focus on that area so that we are playing on a more level playing field when we are negotiating with people and, when we are going into joint venture arrangements in terms of delivery, we know that

we have people who can compete on the same level and know exactly how to negotiate the deals.

We have learnt quite a lot of lessons that it would be great if someone had told us before we started. But each lesson you learn you take forward and you develop it. We have found the use of non-executive directors really useful in terms of the way we can get that expertise in a way that is cost effective and allows us to do that differently.

Tim Hill: Sharing is important. We have an arrangement across West Yorkshire, for example, for some specialist skills in minerals and waste, where some authorities do not now have that resource in-house. In Greater Manchester, the same approach was taken when I was there about drainage engineers, which is an ageing profession. The other thing to focus on is the extent to which we can and should be looking at training and development, both for members and officers. For example, we have run a workshop this year, which was an interesting session, facilitated by PAS and ATLAS, with housebuilder input, around viability. It was training for panel members as well as officers.

We are looking at doing the same thing, as we are seeing a renewed interest in the city centre, around tall buildings. Everybody wants to build 65 storeys or more. There are both technical and commercial issues as well as what you might call cityscape architectural issues. We are looking to get some support from consultancy to help us run a session where we look at whether we need to review our approach around tall buildings, both for officers and members.

Q161 **Kevin Hollinrake:** Looking at how you allocate land, there was a report in *The Times* that around 5,000 homes a month in draft plans are being allocated to greenbelt land. Should we review the whole greenbelt policy completely?

Tim Hill: In Leeds, Bradford and Birmingham, we have seen issues around that. Greenbelt is a really difficult subject. It is the most popular bit of planning everybody knows about and the least well understood. It is incredibly complex. We are looking to review greenbelt. That has led to around 45,000 representations on our site allocations plan, which is a huge amount. Many of those objected to the release of greenbelt. It is very emotive. To say greenbelt needs to go, full stop, would be very difficult.

In Leeds, we have an interesting situation; the greenbelt stops before you get out to the edge of Leeds. In theory, we have some land that is outside the greenbelt that is easier in policy terms to develop than the greenbelt that sits closer to Leeds. We have some interesting conundrums and we are looking at trying to get that into greenbelt if we can, because we think that is a more sensible way of dealing with the edge case. Greenbelt does need to be reviewed occasionally, and when it does need to be reviewed, a local plan process that is well understood—or better understood—has to be the way to do it.

Sandra Dinneen: It needs to be reviewed. The work that we have done with the District Councils Network has shown that the duty to co-operate works least well in areas where there is greenbelt, because of the issues around where the houses go. It needs to be looked at again to see if it is still fit for purpose in terms of the way it is scoped at this point in time.

Cllr John: We are not inundated with greenbelt in Southwark. Dulwich Park is the closest. But the Mayor of London has very clear views on the greenbelt, having made a very clear manifesto commitment. We all know that there is greenbelt, there is greenbelt, and there is greenbelt that looks browner than some greenbelt. I come back to this issue: we are either serious about solving the housing crisis in London and the South East or we are not. If we are serious about solving it, we have to look at everything in order to boost supply and the delivery of homes that people need.

Q162 **Helen Hayes:** The Committee made a recommendation in our report on the NPPF a few months ago that the Government should issue guidance to local authorities who wish to review their greenbelt boundary, or have need to review their greenbelt boundary because they have aggressive applications in the greenbelt, on the circumstances in which and how they should undertake that review. I cannot imagine any circumstance in which the boundary around Dulwich Park would be reviewed in any way, but do you support that recommendation and would it be helpful to you?

Cllr John: It sounds like a very sensible recommendation.

Sandra Dinneen: It sounds sensible, but sometimes it is the neighbouring authorities who might need to consider where the greenbelt should be reviewed, not just the authority it sits in.

Cllr John: I agree that it would be sensible, although I am always wary of being seen as relying on Government to help us do things that local authorities are doing and have been doing. For that element of consistency we talked about around viability, for example, or objectively assessed housing needs, the devil is in the detail. Some consistency around how it should be done is always useful.

Q163 **Kevin Hollinrake:** Are there any positive practical outcomes of the duty to co-operate? Has it resulted in any more delivery of houses?

Tim Hill: That is a tricky one. It is something that we all do. There are some parts of the country where it is absolutely essential that it is done in a post-regional and city-regional world. In West Yorkshire, where we have bigger authorities that are more self-contained, we still work very closely together, because Calderdale and Kirklees have very close relationships. Wakefield and Barnsley are very close housing market areas.

We do need to do that, but it is something that we have always done and are now forced to do and call it the duty to co-operate. In every examination in public, there will be someone who stands up and says, "The duty to co- -operate has not been fulfilled," and then you have half

a day arguing about it. We could perhaps move beyond that. That would be great.

Cllr John: It is very poorly defined and obviously it does not require us to agree on anything even if we are co-operating. That is odd. As Mr Hill said, it is something that we are doing in practice. We have big plans for the Old Kent Road and New Cross into Lewisham. That is delivering a growth partnership between us, Lewisham Council, the GLA and TfL. That is a scheme that will deliver 25,000 new homes, hopefully two new tube stops and 5,000 new jobs. It happens in practice. Councils do it in practice, but I doubt whether the duty has taken us any further.

Sandra Dinneen: Perhaps a better way forward is more incentives to do joint local plans so you cover travel-to-work areas or housing market areas in one plan, rather than trying to still have individual plans and having to co-operate across them. It seems like a logical way of moving forward.

Q164 **Kevin Hollinrake:** What does sustainable development mean to you? Has supply overtaken sustainable development as being the foremost concern in terms of your planning outlook?

Tim Hill: Communities and our members expect, when we are seeing growth, that it is good growth. Yes, it meets the needs that we have around housing and employment, for example, and therefore it is a much richer set of considerations and it takes a lot longer to come up with a scheme that is good than it does to come up with a scheme that simply delivers numbers and profit. That is the heart of it. At the moment, the focus on five-year land supply, the focus on building on sites that meet a profile for a business model rather than the right sites, and the focus on viability are all probably working against delivery of that richer set of objectives.

Q165 **Kevin Hollinrake:** Supply is slightly ahead of sustainability. Would you agree with that?

Sandra Dinneen: I would agree with the last three points, and matching for communities seeing the benefits of growth: i.e. where you ensure that you get the improved infrastructure, the school in the right place, the leisure centre and the GP surgery. Increasingly, however much work we do with our local GPs to say, "This area is going to grow; you need to be ready," it is quite difficult to get that stuff lined up. For me, sustainable development is about having all of those things lined up and resourced in the right way so people welcome growth rather than resent it.

Cllr John: Sustainable communities are places in which people want to live and where they will thrive. We must not allow the housing supply challenge to run ahead of it, as you described it. They are not mutually exclusive. We can build sustainable communities even while increasing supply, because we must not repeat some of the mistakes that were made in the 1960s and 1970s, when places were built that we have had to demolish and rebuild. Concentrating on the public realm is absolutely

key to all new developments and creating those sustainable communities where people want to live and thrive. As much thought should go into the public realm as into the buildings themselves.

Q166 Kevin Hollinrake: In terms of the allocation of small sites, we heard evidence from SMEs last week, who said that it is easier for local authorities to put one big red line round a big area, rather than lots of small ones, which is working against SMEs in terms of one of their key challenges, which is finding land. Is that a fair challenge to you?

Tim Hill: About half of our sites are small sites, but they deliver 20% of the numbers. Yes, there is a challenge for us. If we are going to be delivering bigger numbers, we have to work out how that is going to be done at scale. Large sites will deliver at scale, though small sites in our city centre will probably deliver more, and more quickly, through things like private rented sector schemes. We are trying to work with institutional investors and developers on those. They will probably deliver more, and more quickly, than a volume housebuilder out in the sticks.

Sandra Dinneen: A good local plan would have a balance between them. In our local plan, we had to go back and start again to ensure that we had a settlement hierarchies process—that we had sites relative to the scale of the settlements that they were linked to, rather than massive things. It was an interesting process. It was not that well supported by the inspectorate, but we got it through in terms of having smaller sites. A number of rural areas in particular do that.

Cllr John: We have a good mix of sites across the borough. The challenge for SMEs in Southwark is that land values make it very difficult for them to compete. A lot those that were SMEs in the past or continue to be small and medium builders are working as subcontractors for the big boys. They are still there, but in a different guise. Land values in central London make it prohibitive for small companies to compete.

Q167 Chair: Mr Hill, you mentioned viability in this problem. Do you have sites in Leeds that you want to see built as a priority? They are probably brownfield sites that are deemed not to be viable and therefore not deliverable under the NPPF. You cannot include them in your local plan, and therefore have to find other greenfield sites that then sit there and are not built on.

Tim Hill: It is not that we cannot include them in our local plan and it is not that we are not working very hard to get them delivered, but there are sites. We have about 138 hectares of land in our South Bank, which at the time of the boom was ripe for development. That was starting to come forward, including some very big schemes, but then it fell off a cliff. We have sites that have been undeveloped since 2007. We are working on a framework to bring those forward. We have some really good developers and landowners who are starting to come forward with some really exciting schemes on some of those.

There is still some legacy where we have granted planning permission three times on one site, for anything from 600 and 800 houses in

different re-plans to a volume housebuilder who accidentally—rather than deliberately—ended up owning it but has not been able to bring it forward. Effectively, when they got it, the land value associated with it was far too high. They are trying hard as well, to be fair to them, but it is still sitting there.

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

Examination of Witnesses

Kathleen Kelly, David Montague and Matthew Harrison.

Q168 **Chair:** Good afternoon and welcome. Thank you for coming to give evidence to the Committee this afternoon. To begin with, could you go down the table and indicate who you are and the organisation you represent?

Matthew Harrison: Good afternoon. I am Matthew Harrison. I am the Chief Executive of Great Places Housing Association.

David Montague: I am David Montague, Chief Executive of L&Q. I also Chair g15, which is the 15 largest housing associations in London, and I am on the board of the National Housing Federation.

Kathleen Kelly: I am Kathleen Kelly. I am Assistant Director of Policy and Research at the National Housing Federation, which is the membership body for housing associations.

Q169 **Chair:** Thank you very much for coming along. Housing associations have an important role to play in building homes that people need, particularly rented homes. You are often the only show in town doing that. We have also discussed with previous witnesses the cyclical nature of the housebuilding industry and the fact that the private sector in particular has cyclical trends; when we get a downturn, we lose capacity out of the industry and probably, in some cases, never get it back.

Can housing associations, therefore, play a role not merely in delivering homes but in giving some long-term sustainability to the housebuilding industry by doing more in the private sector downturns to help stabilise the whole industry?

Kathleen Kelly: That is a very good point. If you look at the last economic downturn, housing associations increased their output by 22%. They act as a catalyst for both the public and private sectors. That is a really important role for them to play, because they keep local supply chains going. They also enable the maximising of local labour input and contracts, so they maximise their contributions. The 40,000 homes that housing associations built in the last financial year contributed over £4 billion gross value added to the economy. The 2.6 million homes that they manage every year contribute another £16 billion. They make a big contribution both locally and nationally, acting as that catalyst that enables both the private and public sector to do more.

David Montague: The housebuilder model is entirely dependent on sale. In an uncertain market they will do less, not more. Housing associations are funded through the bond markets, which means we can take a 30-, 40- or 50-year view of the housing market. We are charities, and so 100% of our profit is invested back into affordable housing. We can take that long-term view of the housing market. We invest across all tenures. In the case of my organisation, we have a large development-for-sale activity. We do private rent, affordable home ownership and the whole range of tenures.

In the case of Barking Riverside, where we are building an 11,000 home new town, we will quadruple annual completions as a result of our arrival. We are in a unique position because part of our business is countercyclical. In the case, again, of my own organisation, we have 90,000 homes, which generate a rental income every year in a very reliable way. Investors like that. It gives us a unique advantage compared with the housebuilders. But the answer is both, not one or the other; we need to work in partnership with the housebuilders.

Matthew Harrison: In Greater Manchester, the housing associations did some research recently that looked back over the last 10 years at our outputs. That clearly evidenced that we peaked during the downturn. Our high watermark in terms of delivery was at the height of the downturn. We were continuing to build right through the crisis. In one year—I think it was 2009—60% of all completions in Greater Manchester were delivered by housing associations.

Q170 **Chair:** Would it be helpful if, as part of that process, as an act of policy the Government saw you having that role as well— providing not merely the homes that are wanted but a way of sustaining capacity in the housebuilding industry at a time of cyclical downturn in the private sector?

Matthew Harrison: We clearly have that ability to keep on going as David described. Our model allows us to do that.

David Montague: Increasingly, Government does recognise the potential that housing associations have to offer. Only last week we saw a shift away from a focus purely on home ownership towards housing supply more generally, a shift away from short-term towards long-term strategy, a shift away from a free-market approach towards more direct intervention. The Government model is becoming much more similar to the housing association model.

Q171 **Melanie Onn:** Is there a minimum size of housing association that you think can weather the storm of an economic downturn?

Kathleen Kelly: There is not a minimum size of an association. If you think across our 1,000 members, the average size of a housing association is somewhere around 4,000 units, but they vary very much across that piece, from those with only a few homes to those with thousands and tens of thousands of homes. There is not a right size, but we know that those associations that are more reliant on the traditional

model—and over 50% of local authorities have transferred their stock to housing associations—are more vulnerable to some of the Government policy changes.

More certainty and more business freedoms around things like rent would enable people to weather the storm more effectively, but housing associations have already weathered more than one economic storm and are still here and are still delivering. That is because the rented stock they provide is a really important shock absorber in the market. That is what enables them to be countercyclical and reduce some of the risk in uncertain times, which is why the Autumn Statement's acceptance of flexibility and ability to deliver more, particularly to deliver rented homes as part of the picture, is so important. That enables associations to balance risk and development more effectively.

David Montague: Diversity is one of our key strengths. We have very small associations delivering great local services and larger organisations shouldering risk that the smaller association might not be able to take. Together, just a few weeks ago in Parliament we launched a new ambition for the whole sector—an ambition to deliver in which we commit to trebling housing output. Currently, we deliver 40,000 homes a year; the sector has committed to treble that figure to 120,000 homes a year.

Q172 **Rushanara Ali:** Is it easier to build in certain parts of the country than others and what are the barriers to building in some regions?

Kathleen Kelly: The main barrier that is often cited is access to land and pressures on land. We have set out a three-pronged approach where we think you could make it much easier to develop across the piece. That is a systemic change to investment, land and planning, new partnerships based around business freedoms and also a housebuilding industry that is fit for the future.

One of the issues with land is that clearly there is pressure on local authorities to get the best price. We would suggest you can use planning permission in principle more effectively and encourage local authorities to designate more sites and be clear about the number of homes that would be on those, including affordable homes. That would make it much easier to compete.

Q173 **Rushanara Ali:** What do you mean by business freedoms?

Kathleen Kelly: There are two main challenges. One is increasing capacity to develop and the other is making sure that, in the ambition to deliver that David mentioned, we can be clear that we can house those who cannot afford other solutions. They are two ways in which we had rent freedom; we could deliver more of that.

Q174 **Rushanara Ali:** Apologies. Could you just explain what you mean by rent freedoms? Do you mean the scope to increase rents?

Kathleen Kelly: I mean the scope to increase and reduce them, depending on people's ability to pay. We have a very chaotic rent-setting system, which is unfair, not transparent and has developed piecemeal

over different points in time. We have also seen the rent reduction that took around 27,000 homes out of the forward plans of housing associations. That means certainty in an uncertain time and limits people's ability to forward plan. If they had more freedom to set their own rents, which would depend on a published rent policy so people knew what was happening, that could deliver around £480 million extra finance.

That could be used both to reduce rents for those who cannot afford any other solution and who need a social rented product, but could also be used to develop more capacity in terms of housebuilding. They are the two things, in the ambition to deliver, that associations are really keen to balance to make sure that they meet their social mission to provide affordable homes for people, but also to stretch their every sinew to deliver more homes, delivering 120,000 a year by 2035.

Matthew Harrison: It is harder to develop in some parts of the country than others. As a northern housing association, we live with the post-industrial legacy of contaminated land across large swathes of urban areas and, in some cases, very low values as well, which makes it significantly more difficult without government assistance sometimes to deliver new developments.

David Montague: As a primarily London and South East-based housing association, we have the great advantage of huge demand. That gives us the confidence to invest, but of course demand has an impact on affordability as well. Everywhere brings its challenges, but as a sector we are determined to build more homes and work with local authorities and Government to do so.

Q175 **Rushanara Ali:** There are concerns that some of the changes could be counterproductive to what you describe in terms of what has been achieved over the last few years regarding the unique capacity of housing associations to do what they do. Could the trend towards deregulation and mergers, in some cases, be counterproductive? There have been some cases and concerns that I have had to deal with myself. You might become over-commercial. There are concerns about that. That flies in the face of the charitable objectives of housing associations. Is government policy pulling you in contradictory directions?

Kathleen Kelly: I am really pleased that you have asked that question, because it is really important to recognise that housing associations have built nearly twice as many social rented homes without government funding and outside government funding programmes than within it. That demonstrates their commitment to their social mission. There is a need to cross-subsidise from profit, but that is there to ensure that they can deliver on the mission to deliver more affordable homes. Every association subscribes to that.

In terms of government policy, it is clear that we can go further and faster together. A government policy that works with the unique qualities of a housing association to enable us to deliver more and more homes of

every tenure would be really beneficial. We have a lot of shared objectives on that point.

Mergers are a question for individual businesses. I am sure my colleagues can say more about that. Often, they are there to help drive capacity and help improve issues that certain associations might be experiencing, but there is no connection, for example, between efficiency and unit cost and supply and delivery. We have looked very carefully at that. It is about associations achieving their mission.

David Montague: My organisation is at the very forefront of the changes that you have outlined—the changes that I can understand give you concerns. We are worth about £22 billion. Last year we made a surplus, as we call it, of £274 million. Half of our turnover comes from either market sale or market rents. I can completely understand why those concerns are raised, but we went into the 2008 recession with a development pipeline of 5,000 homes. Today, we have a development pipeline of 50,000, of which half is genuinely affordable housing.

We are delivering far more affordable housing today, without a government grant, than we ever did with it. We are doing that because we develop for sale and because we develop for market rent. We create mixed communities. We make a profit and we invest 100% of that profit back into our charitable purpose. We are a charity.

We are in the business of merging at the moment with East Thames. As a consequence of that merger, we will commit this week to 100,000 new homes, of which half will be genuinely affordable. We will put £250 million into a new charitable foundation to invest in strong, sustainable and independent communities. We will create a new academy to give our people and our residents the skills they need to develop the homes that we want.

Q176 **Rushanara Ali:** Since you mentioned East Thames, can I just probe this point a little further? This is unique to London in terms of land value and so on. Again, these are obviously marginal in terms of the greater achievements of the housing association sector and housebuilding, but there are some concerns that, as land value goes up sometimes the easy solution is to demolish properties and start again. We have certainly seen some examples of that rather than renovating and improving those estates. Is greater care needed in thinking about that? Again, it can damage the reputation of housing associations if they are seen as becoming over-commercialised.

David Montague: We will always take the local authority's lead. We will only ever develop with the consent of the local authority and the local community. In the case of g15 in London, currently we have 45 major regeneration sites across London and we can demonstrate that we have improved the physical and social fabric of those places. We have preserved social housing, we have increased density and we have given people a pathway to ownership. This is a really fierce debate within London, which is why we have put the whole thing out to independent

assessment and we can demonstrate that we have delivered quality homes.

Q177 **Rushanara Ali:** Do you understand the concern? There have been examples of this.

David Montague: Of course, which is why it is essential that we take local authorities and local communities with us. We invest up front in doing just that.

Q178 **Rushanara Ali:** The progress that has been made stands to be undermined by the skills shortage and the shortage of people who are able to work in the sector. Where are the challenges and what could the Government be doing to enable a rapid acceleration of the kinds of skills needed to address that gap? How does uncertainty about EU migration affect the construction industry?

Kathleen Kelly: There are three things the Government can do in uncertain times. The first is, clearly, continued investment and using that investment flexibly.

We have not yet touched on the other two, the first of which is a home-grown construction sector, which is about using innovation in construction and developing skills. Already, we import £5 billion of building and construction materials. That is very subject to any volatility in sterling. We have two members already at least with modern methods of construction—factories in a box, if you like. By the end of the next two years, Accord, for example, will have delivered around 900 to 1,000 homes on that route. What is really important about that is that, to innovate in that sector, you need a Government that is demonstrating leadership on the importance of that sector. We know that on Accord's numbers it reduces costs. It also reduces costs for residents, who see much reduced heating bills. It needs a full order book. It needs certainty and consistency and a full order book. That is where being able to provide rented homes is really important, because it is easier to innovate in that sector.

Secondly, on skills, we know that there are around half as many apprenticeships and new entrants to the construction sector. We do a lot of work on apprenticeships and we know that there were around 12,000 apprenticeships in the last year. Ocean Housing have a local economic partnership where they are doing skills sharing, particularly construction skills sharing for smaller associations. Those sorts of things can be really important, as can rethinking things like the Work programme and what sorts of skills and sectors they are directed at. If we can promote more innovation and modern methods of construction, we can change the skill sets that we need and hopefully respond more quickly.

David Montague: The greatest thing Government can do is give us long-term certainty. If we can be sure and see a 10-year supply of clean, serviced, consented land—3 million homes' worth of land over 10 years—then we will invest in the apprenticeships and the off-site construction

techniques. We will deliver the economic growth and the homes this country needs, as well. It is all about long-term certainty.

Matthew Harrison: To go back to your earlier point about mergers and the fluff that floats around the merger market, in some cases, like the example David has just provided, huge outputs will come from that merger. In other cases, it is about businesses getting into partnerships of a different type. It does not have to always be about a merger. The sector has signed up to the ambition to deliver. We want to ramp up our outputs. If we can work in partnership, be that through merger or through general arrangements and working better with local authorities—we can all deliver more—that will then create the certainty and skills. Apprenticeships and all that kind of stuff will follow. It is all linked.

Q179 **Rushanara Ali:** Are you concerned about the skills shortage? There is potential for huge growth in employment with, for instance, the apprenticeship levy. Do you have any reflections on the apprenticeship levy and whether that can help you? It is 2.74 million jobs by 2019. It is a huge opportunity, but it is going to affect the industry quite significantly. It looks like it is going to fall off a cliff. Are we meeting the challenge? You mentioned the certainty point; what else can be done to address this immediate challenge?

Matthew Harrison: The average age in the construction sector is 50 years. It is clearly an issue. With an ageing workforce, we need to do more to make construction an interesting and attractive career for young people. That means trying to do away with some of the cyclical changes, which means you are in work and earning good money one minute and on the dole the next. It is hugely important we deliver that consistency.

Kathleen Kelly: It is a challenge, and a challenge that varies in regions. The headline figure that around 7% of the workforce in construction are European Economic Area nationals hides a big regional variation. In some areas it could be as many as 50%. That transition has to be managed quite carefully in terms of making sure you are building up the workforce. That is why you need the twin-pronged approach of making sure that you can develop the workforce and different techniques of construction that are quicker to train and quicker on the ground. That can make a difference. If you also have that really important foundation of the certainty of investment, income streams and being able to balance the risk of different tenures to create mixed communities, you are well on the road to trying to solve the problem, but it will need a close eye on it.

Q180 **Melanie Onn:** To take you back to the beginning of Rushanara's questions—and Mr Harrison referenced it—what challenges exist for housing associations in areas where there is low land value? If the expectation of Government is that housing associations will provide the bulk of future housing need, how do they access the funding? I understand that has been incredibly difficult for those areas that do have low land values.

Matthew Harrison: In any locality there is a mixed bag of land value. We work in Greater Manchester and the Sheffield city region. We are able to deliver homes for outright sale and make a surplus on that in certain locations. In other locations, it is completely impossible. In those locations you will not find the private sector doing very much either. The answer might be public funding. We have a legacy of post-industrial brown land, yet securing gap funding to deal with that is impossible in the current day and age.

The Government has to think—if it wants to see new housebuilding in those sorts of localities—about how on earth it can support the providers, be it housing associations or the private sector, to do that. That might be also through working in partnership with local authorities and taking a sensible long-term view about land values and all that kind of thing—working together to deliver—otherwise we will continue to see significant tracts of land in some localities sitting there derelict for many years.

Kathleen Kelly: It may also help to rationalise funding streams, because with around 35 funding streams, often you are trying to make the site fit a funding stream, whereas if you had a more rationalised funding stream that was more strategic, you would try to make the funding fit the site rather than the other way round. That is particularly important in lower value areas, where you are thinking about regeneration and needing a different sort of long-term approach.

I would support everything that my colleague has said about the need to take a more strategic view of land, having clarity on site and being clear on what those sites are designated for so that everybody can develop in partnership. The catalyst role of a housing association is really important. Those joint ventures that enable local authorities to take a lower price for land on the basis of what it is going to deliver and what that will do for the local economy, and that pull in private developers because of the forward funding their housing association can provide, show how important those partnerships are in those areas.

Matthew Harrison: We have a good example in Sheffield of the Sheffield Housing Company, which is a private-public partnership between the City Council, Keepmoat, from the private sector, and us as a shareholder in that business as well. We have been working together for a number of years on a plan to build 2,000 homes in Sheffield over a 10-year stretch, virtually all on land that has been sitting there vacant for many years because the private sector has been unable to deliver on its own.

Q181 **Mary Robinson:** Housing associations delivered 40,000 homes last year with a commitment to delivering another 120,000. At the same time, they operate as charities, with all the benefits that go along with charitable status, and are able to borrow on the bond market. Is it the case that you are in competition with private homebuilders?

David Montague: I do not think we are. In my case, we have 50/50 joint ventures with Taylor Wimpey, with Countryside, with Barratt, with

Telford and a whole range of housebuilders. What we can offer that housebuilder is that early years certainty that they need in order to get projects off the ground. If you are a housebuilder at the moment, you are going to be concerned about what is going to happen to help to buy over the long term. You are going to be concerned about the effect of stamp duty and tax changes on the buy-to-let investor. You will be concerned about Brexit and about access to development finance.

We can remove many of those concerns by guaranteeing those early year sales. In partnership, we will buy all of the affordable, all of the market rents and all the affordable home ownership. We will take 50% of the sales risk as well. I guess we are in competition; there are times when we will compete for land, but the answer is not one or the other. It has to be both: housebuilders, local authorities and housing associations working together.

Kathleen Kelly: I would describe it as a more symbiotic relationship; 43% of the homes that housing associations have built have been delivered through Section 106, working with developers. It is a really important partnership. It is the catalyst role of housing associations that is really important. Sometimes they can act alone; very often they are acting in partnership in enabling both the public and private sector to do more. It is less about competition and more about supporting each other to deliver more on the ground.

Matthew Harrison: I think you have taken evidence in one of your earlier sessions from SME private sector organisations, who have really suffered over the last 10 to 15 years and were absent from the market compared with where they were a few years ago. There is a big role for housing associations in filling that gap. If the private sector is not going to fill that space, housing associations can. We are financially robust organisations and ambitious to develop. We can do more in that space, where we might compete occasionally for land, but often it is for sites that are too small to attract the larger volume housebuilders.

Q182 **Mary Robinson:** Does that ability to build on those sorts of sites affect the price of land? Are housing associations de facto affecting the land price?

Matthew Harrison: Only as much as anyone operating in the marketplace. I very rarely go into a land purchase situation and find myself in competition with 10 other housing associations. That is pretty rare. It happens occasionally, but inevitably; it is a market for land, isn't it?

David Montague: The answer is not fewer suppliers; it is more suppliers. The issue is the shortage of land, not the number of suppliers. We have to flood the market with land if we want to reduce land price inflation.

Kathleen Kelly: I support what our local authority colleagues were saying about more transparency, viability assessments and bringing

forward the promise in the comprehensive spending review to have a more standardised approach to that. That also helps and makes it easier in terms of negotiations, particularly for affordable housing contributions. A number of things can be done to help the price of land, such as more certainty on designations for it. A fair price for the land that takes into account what it will deliver for the local economy in terms of what is built on it would also be really helpful.

Q183 Mary Robinson: On these relationships with developers, in the scenario whereby you would be able to get funding for a project or a development in a partnership, it sounds as if you may be used as a partner that is able to leverage funds for the development. Is that how you would see yourself?

David Montague: In part, yes. Because we have access to the bond markets, we can guarantee the affordable housing, which gives an early cash receipt to the housebuilder, which gives them the confidence to start the site.

Matthew Harrison: There is also the sharing of risk. If you have a willing partner who is prepared to share some risk with you, why would you not?

Q184 Mary Robinson: Is this the way forward for housing associations—to enter into partnerships with developers?

Matthew Harrison: It is one of the tools in our toolbox. We can operate in a variety of different ways, and working with the private sector is very much something we want to do.

David Montague: In the case of Barking Riverside, Bellway have been there for some years and their model allows them to deliver 150 homes a year. As a result of our arrival, we will quadruple that number. It is good for Bellway, it is good for the Mayor, good for the borough and good for us as well.

Q185 Melanie Onn: We have had evidence in the last week from SME private builders saying that they cannot build homes any faster than they already do because of concern about saturation in local markets. Can homes for affordable rent or housing associations be brought to market any more quickly? Does that impact on concerns around saturation in the market?

David Montague: That is precisely the point. The small, medium and large housebuilders can only build what people are prepared to buy. If there are too many homes for sale on the market at a time when there is uncertainty about Brexit or whatever, you can understand that housebuilders are not going to push ahead. The great advantage that we can offer is that there is a huge waiting list for affordable housing. If people are not buying, they will move into private renting or affordable home ownership. We can offer the full range of tenures. We built through the 1992 recession, we built through the 2008 recession and we will build through the next one as well.

Kathleen Kelly: I would support that. What is important for the smaller sites but also the big strategic sites is that recent research suggests that where there is 40% or more affordable housing, those sites are built 50% more quickly. That contribution can enable it not only to happen more quickly but in more places perhaps, because rented housing does not affect saturation. The different business model of housing associations is what enables such a good partnership to be developed with developers on the ground, because we can help them, not only by building the rented housing more quickly but by helping to promote sites, because then they are lived in. It is a win-win situation.

Q186 **Melanie Onn:** You keep using the term “affordable housing”; can I check your interpretation of affordable housing?

David Montague: In London, we will stand by the Mayor’s interpretation of affordable housing: we will deliver 50%, moving from 35% to 50%.

Q187 **Melanie Onn:** Is that in terms of purchase, not in terms of affordable renting?

Kathleen Kelly: To answer your question, it is a very nebulous term in many ways. It includes rented housing—affordable rented housing. For us, it also definitely includes social rented housing. It also includes shared ownership, which is a tenure in its own right. That is for sale for part rent, part buy. It may sometimes include some other elements of purchase like equity purchase, which is an affordable home ownership option. It is a mixture of options, but it very definitely includes what is right for the local market based on housing needs.

We have always been very clear that development and planning should be based on objectively assessed need for the different types of homes. That is what enables us to deliver. It is about providing those homes for people who cannot afford a market solution. That very much includes rented housing, which is why we welcome last week’s Autumn Statement so much and the inclusion of affordable rented housing and rented housing within that picture.

Matthew Harrison: On the point of saturation, one of the frustrations of the Government’s shared ownership obsession until last week was that we were in that same space of saturation, which probably helped to explain why there was an underbid for the funding that was available: the sector was physically unable to produce the amounts of shared ownership that was funded. The new flexibility, which we worked hard with Government to explain the need for, will hopefully help us to broaden our offer and avoid exactly the situation you were describing.

Kathleen Kelly: Our members told us that they could deliver 60% more homes with that flexibility to deliver rented homes as part of the affordable housing picture. That had particularly strong impacts in the north-east and the north-west, for example, as well as in London. That is really important in terms of the regional picture of housing delivery, too.

Q188 **Melanie Onn:** Do you think that there is any interest among housing associations in moving into modular builds, rather than traditional builds, as a way to speed up building?

David Montague: There is, definitely. We are all looking very carefully at off-site construction. Currently, we are working with Laing O'Rourke, Legal & General and another company in the Midlands. It must form part of our future supply process. The challenge that we have at the moment is choosing the right one. Nobody wants the back the Betamax of off-site construction. We are all moving forward very carefully, which is understandable.

Q189 **Melanie Onn:** Presumably the technology is progressing quite quickly in that sector. Do you have the skills that will keep up with it?

Kathleen Kelly: Accord already have a factory in the Midlands, which can easily be replicated. They are also getting external orders for that. It does require a full order book, and that is where certainty is really important, because part of the reason it has never taken off is that there has never been a full order book. There has never been the investment in it in terms of leadership from Government or tax breaks. It is going to become a much more important business as we negotiate our exit from the European Union. It is really important now to make sure we can encourage the development of those businesses.

Matthew Harrison: It is something we have been trying to crack for a long time. The slightly disparate nature of our delivery model does not help. We are doing fairly small sites and bits and pieces here and there. Being very inconsistent in delivery makes it hard to have a relationship with somebody who wants to produce something off a conveyer belt.

Q190 **Rushanara Ali:** Has the Government's emphasis on shared ownership affected the housing associations' business model? It is a very dramatic shift.

Kathleen Kelly: We would always argue that we need a balance, and that is why we are so pleased to see more flexibility. One of the things associations have had to do is use their own funds. For every £1 of Government subsidy, they spend £6 of their own money on development. That means that you have to have surplus, because you need to forward fund your development. That has affected how they approach it, but housing associations have definitely plugged the gap. One of the reasons we welcome flexibility so much is the ability to innovate, too. The buy-as-you-go product that the National Housing Federation suggested in its autumn statement is a way of trying to make products work in different markets. Shared ownership works in some markets and not others; this was trying to plug the gap to give people an affordable home ownership offer to sit alongside the affordable rented offers in places where you still had a problem with affordability, even though house prices may be lower, because wages are lower too. You still have the same access gaps.

David Montague: In the Cameron-Osborne era, we saw a pivotal shift away from rent towards ownership. All of the incentives pointed at

ownership and all the disincentives pointed at rent. That really challenged the housing association model. More recently, we have seen the shift back towards investment across all tenures, which suits our model much more.

Matthew Harrison: Shared ownership is a great product. We love doing it. There is room for it at a national scale, but flexibility is what we really need to do more.

Q191 **Rushanara Ali:** You are more comfortable about the current state of play. Do you feel that you are being listened to much more?

Matthew Harrison: Definitely.

Q192 **Rushanara Ali:** On the additional funding for rent-to-buy homes, will it increase your development capacity?

David Montague: Yes, as part of a range of products and providing we have the flexibility that we need to adapt between tenures. At the moment, half of our shared owners come from the private rented sector. It must make sense to invest in rent to buy, because we will be drawing the same client group into home ownership.

Matthew Harrison: We do not know. We have no empirical evidence about how that product will appeal to the marketplace. It will be interesting to see.

Kathleen Kelly: It is beneficial that it is now a grant rather than a loan. That helps and makes a difference. It is part of the really important message about being flexible in what you deliver, because there is no one tenure that works for everybody in every place. That is the really important message. With uncertainty in local economies, as well as internationally, it is really important to be able to respond to local market conditions. That is the strength of the housing association model, because you can flex what you are developing as local markets develop.

Q193 **Rushanara Ali:** There is clearly huge opportunity for the housing association sector to plug the gap and to be a force for good. Generally, you are a force for good. It is in that spirit I wanted to ask you about the role of the regulator. There is lots of room for innovation, but we also need some consistency and to make sure the most vulnerable are being protected. There are some tensions in terms of the deregulatory stance that Government is pushing in relation to the role of the housing regulator. Given that that is the direction of travel, what can your sector do to be much more transparent about the way vulnerable tenants are treated, about buildings with maintenance contracts and about the services that are being provided, rather than involving different kinds of provisions, with some people doing great work and others not? How will you self-regulate in a context where things are shifting? There is probably going to be much less accountability. We have certainly seen some examples of that already.

David Montague: The regulator still has a responsibility for oversight of governance and viability. It is still a very important role. They have some

responsibility for the quality of our service, although admittedly they tend to focus on serious detriment. The other side of that deregulatory coin is greater transparency. We recognise the need. The pendulum will swing back towards greater regulation if we do not respond. The vast majority of us are. The vast majority of us are charitable and we take that charitable purpose very seriously.

Q194 **Rushanara Ali:** What kind of peer pressure do you apply to those in your sector that are damaging your reputation?

David Montague: At g15 we have a commitment to quality. I would not underestimate the pressure that you can bring to our members.

Q195 **Rushanara Ali:** You are aware that, particularly in relation to Circle and Affinity, with some emerging in this way, there seems to be a broader problem about quality of provision and maintenance.

David Montague: I am very aware. In an era where as many as half of our customers are buying or market renting, our reputation is absolutely everything. We trade on the confidence of our investors. They want to invest in products that will not contaminate their own brands. We are very much in the public domain and customer service is absolutely at the heart of our brand. We do not always get it right. In the case of Circle and Affinity, Affinity takes great pride in the service it delivers. You will see an improvement as a result of the merger.

Kathleen Kelly: I would support that. The charitable mission of housing associations is really important to them. As a sector, we are leading work on innovation and efficiency to make sure services do deliver what they say. The sector talks very seriously and wants to lead a conversation about what we do around particular social issues like homelessness, how we house people who cannot afford a solution in the open market and what that means.

In terms of mergers, one of the drivers often is to improve a service. While it is not always easy in terms of merging, Affinity Sutton has 90% satisfaction with its repairs and it takes seriously the job of improving Circle's record. Equally, that will enable them to improve capacity to deliver much-needed homes for people who cannot afford an open market solution. The sector is very strong in terms of peer support with each other and helping people to develop. It might not always be obvious publicly, but that does go on and we work quite hard on that. For example, Home Group are leading a piece of work on making sure that our indicators, as a sector, are understood, shared and that we drive efficiency ourselves.

Q196 **Rushanara Ali:** Do you collate evidence on the properties that are being built in the private sector and then transferred through Section 106 to housing association control, and the different experiences of those who either bought as shared ownership or are renting? The different quality of treatment is apparent, and I am not clear whether there is systematic evidence gathering on people's experience of having bought properties and then those properties being managed by housing associations. They

struggle to deal with some of the underlying problems that were created in terms of the construction of those properties. That seems to be an emerging trend. Do you have a more macro picture of that trend?

Kathleen Kelly: This is part of the driver in developing shared indicators on efficiency. There is not a set single dataset across all of those issues. Individual associations routinely collect customer satisfaction data and benchmark against each other. That is a really important piece of work that they do. They do take those issues seriously and there are occasional ad hoc pieces of research to understand what is happening. That is one of the reasons why we want to make sure that there is a shared set of indicators across the sector, so we can make sure the sector is holding itself to account.

Q197 **Rushanara Ali:** Is there a timeframe for that?

Kathleen Kelly: I can check on it and let the Committee know afterwards, because it is currently in progress.

David Montague: We have agreed all of the key indicators and are producing them now.

Matthew Harrison: As a general theme, we are serial benchmarkers. What chief executive would not want his organisation to look good in a benchmarking environment?

Q198 **Kevin Hollinrake:** On deregulation measures that might help, at a Select Committee in the last Parliament we said there was £40 billion sitting on your balance sheets that might be repayable to the Government, for example. Would getting rid of that liability to Government help you build more homes? What would help, generally, in terms of you building new homes?

David Montague: Something that Kathleen has mentioned already—rents. In the last Cameron-Osborne budget, we saw our rents reduced by 1% a year. For my business, that is worth £55 million a year; for g15, it is £500 million a year; for the sector, it is £1.6 billion a year. We could have built a lot of homes with that money. The bigger issue for us is what happens in five years' time. At the moment, we just do not know. So far, the sector has raised £80 billion to invest in new homes. If we gear up, as we suggest we want to, to deliver even more homes, our future and our ability relies on the confidence of our investors. Those investors are quite rightly saying: "What happens to rents in five years' time?"

Q199 **Kevin Hollinrake:** Can you quantify that in terms of how much it has restricted your ability to build?

David Montague: Every time we go out to the bond markets, every investor says, "What is going to happen to rents?" That will affect pricing and availability of debt. The closer that we get to that cliff edge, the more it will affect pricing and availability. What we are asking is that rent setting should be returned to charitable housing associations.

Kathleen Kelly: Given that the Homes and Communities Agency has just published its consultation on fees, we would have a concern about what that takes out of the sectors' capacity. If it was a £5 cost on each unit, that is something like £13 million that comes out of the sector, which would directly come out of the capacity to deliver new homes. The speed of delivery of introducing fees in 2017 seems way too fast, with no time to prepare and consult for a sector that has already had to revise its business plans three times in response to rent reductions and changes in the wider environment. That kind of uncertainty moving forward is not helpful. We would have concerns that it does not increase the capacity of the regulator to do anything; it is just plugging a Government financial hole.

Matthew Harrison: To build on the point about certainty about rents, it is about not just general needs or accommodation—although that is the bulk of our output—but supported housing as well. Right now it is in a real hiatus due to the nature of the rent cycle.

Q200 **Kevin Hollinrake:** I do not want to put words in your mouth, but on the 1% issue, would you say it has not affected development capacity at the moment, but it would do if you did not get certainty beyond 2020? Is that fair?

Kathleen Kelly: We would say that that £4 billion was equivalent to 27,000 homes. It is true that the sector has really tried to address that through efficiencies to make sure they can continue to deliver and increase delivery where possible. But when we commissioned evidence on what that looked like, it was very clear that you never recover that capacity because you can never get back to the same place. That lost capacity is still there and you can never get back to the starting point. But the sector is committed to delivery, and that meant it has looked for other ways to carry on building new homes despite that hole in its finances.

David Montague: You have seen over recent days the down-rating of all of the major developing housing associations post-referendum. As we scale up our ambition in an uncertain market, the rating agencies are getting nervous, and that is affecting investor appetite. At the heart of our business, the investors like our social rented homes and social rented asset base. We need to restore their confidence in our core business if we are serious about gearing up and delivering more.

Q201 **Kevin Hollinrake:** This £40 billion sitting on your balance sheets and potentially repayable to the Government is not an issue. Would you say that is not holding you back?

Kathleen Kelly: That is effectively recycled and is used to be recycled. It is there to forward fund, which is a much more efficient and effective use of that money than trying to do anything else with it, because it enables associations to deliver more, because they recycle that any time a home is sold.

Q202 **Kevin Hollinrake:** Finally, in a nutshell what do you need from

Government to deliver the 120,000 a year ambition that Mr Montague referred to?

David Montague: It is relatively straightforward: land, investment and flexibility.

Q203 **Kevin Hollinrake:** How much money in investment?

David Montague: I cannot remember the numbers.

Kathleen Kelly: The extra £1.4 billion is very welcome. The honest answer is if you give us more, we will endeavour to do more. The things that we do not have yet that we need more of are access to land at a fair price and much more clarity on planning permission. I really welcomed in the Autumn Statement the connection between housing, productivity and infrastructure. We could go much further. The National Infrastructure Commission, for example, considers its impact on housing, but could consider housing as infrastructure. That might help with a much more strategic approach to how we think of infrastructure, land and housing. It is about more partnerships, encouraging more joint ventures and special purpose vehicles so that we can move more land forward.

We have had lots of promises of more land coming forward. We need to see that happen. We need to see the transparency and viability assessments happen. There has been lots of great progress. I would agree with local government colleagues that capacity in planning offices is difficult, but we can help. For example, if you use development consent orders through the National Infrastructure Commission, that can take something like five years off a big site of over 1,500 homes.

Q204 **Kevin Hollinrake:** It is more land than cash. The £1.4 billion is welcome, but it is more land that you are really focused on.

Kathleen Kelly: It is more flexibility, continued investment, more access to land at a fair price, reflecting its end use, using permission in principle more effectively, and giving housing much more central consideration as infrastructure would also help.

Matthew Harrison: Guarantees are always very helpful when we go to the marketplace to raise finance. Do not forget that as a useful tool.

Q205 **Kevin Hollinrake:** Are you still getting that at the moment?

Matthew Harrison: It has just been stopped.

Kathleen Kelly: The programme has ended. Given the no default record of housing associations, it is a very effective way of delivering extra capacity. You could also use it, particularly for some smaller associations, to refinance; you can generate extra capacity, too. That is a very useful programme for housing associations and we would welcome its extension if Government were to reconsider that.

Q206 **Chair:** In our last report on housing associations and the right to buy, we recommended rent freedoms for associations, given the problems you have identified. Finally, do you know precisely what freedoms you have

now under the Autumn Statement? I asked the Secretary of State the other day and he did not give me an answer. I am not sure he was certain about it. Is the whole of the £8 billion programme of starter homes and shared ownership now available for bids, including homes for rent?

Kathleen Kelly: We welcome more clarity from the Homes and Communities Agency in its capital funding guidelines. The Minister did make a statement, which included affordable rented housing, but we are still waiting for more certainty on that. We would ideally love it to include social rented housing as well, because the mix of products is what is really important.

Chair: Thank you very much indeed for coming to give evidence to us this afternoon. That has been really helpful. Thank you.