

Communities and Local Government Committee

Oral evidence: Capacity in the Home Building Industry, HC 46.

Monday 27 February 2017

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

Questions 351-434

Witnesses

Gavin Barwell MP, Minister for Housing and Planning, Department for Communities and Local Government; Isobel Stephen, Director of Housing Supply, Department for Communities and Local Government.

Examination of witnesses

Witnesses: Gavin Barwell MP and Isobel Stephen.

Chair: Good afternoon. Welcome to our final evidence session in our inquiry into capacity in the home-building industry. Thank you very much, Minister, for joining us. Before we go over to you, we will put on record any particular interests that we have in this inquiry. I am a vice-president of the Local Government Association.

David Mackintosh: I am a Northamptonshire county councillor.

Kevin Hollinrake: I employ a councillor in my office.

Mr Prisk: I am the strategic adviser to Essential Living.

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

Helen Hayes: I employ a councillor in my office.

Q351 **Chair:** Those are our particular interests. Minister, you are most welcome, as always. Thank you for coming. Could you introduce your official who is with you today?

Gavin Barwell: This is Isobel Stephen, who is Director of Housing Supply within the Communities and Local Government Department.

Q352 **Chair:** Thank you for coming as well. The key overall questions are: how many, over what time and what quality? You have said that the White Paper is going to make a difference over time but that it will take time. What are the time periods that you have in mind for the White Paper to become effective and for us to see a difference?

Gavin Barwell: There are a range of measures. The White Paper is clearly a key statement in terms of thinking about the Government's overall strategy to tackle this problem, but there are also things that we did in the run-up to the White Paper in terms of our autumn statement and the party conference. If you look at the package as a whole, there are clearly some things that can have an effect reasonably quickly. The additional money that has gone into the affordable housing programme would be a good example of that. There are other measures where, clearly, we will have to legislate and it will take time for that legislation to feed through.

One of the things that I am very passionate about in the White Paper that we may come on to later is the proposals in terms of giving greater transparency over who owns land and who has options on land. If we proceed with that, clearly, first of all we will have to get the detail nailed down and then we will have to legislate, and then it will take time for the Land Registry to collect the information. Some of these reforms are long-term; some of them can have an immediate impact.

Q353 **Chair:** I suppose the next question is: how many? The Government had a target of 1 million homes over this Parliament. It has become a sort of aspiration. Does the 1 million homes in this Parliament have any status at all now?

Gavin Barwell: That is definitely our ambition of what we want to achieve. I have tried throughout this document—as has the Secretary of State—and in everything that has been said since to be honest about the situation. There are some things where, if you give a certain amount of money for the affordable housing programme, you can, with a reasonable degree of confidence, say, "That money will equate to this many homes over this time period".

I hope that all Members of the Select Committee would accept that when it comes to thinking about the total number of homes that will be built in this country, that is not wholly within the Government's control because it depends on not just our own economic position in this country but the wider international economic climate. It is very difficult to project with certainty the numbers in particular years in the future. However, it is absolutely the Government's ambition to deliver 1 million homes by the end of the Parliament.

The measure that we use to look at that is net additions, which is a national statistic that looks not just at the new homes that get built but also homes that we get through conversions and through changes of use,

and then takes off the homes that get demolished; it requires us to replace the homes that get demolished as part of regeneration schemes or whatever. That is the measure that we look at. You will be aware, Mr Betts, that, if you take 2015-16, which is the latest year for which we have that data, we were just under 190,000 new homes in 2015-16. That is below the level that we need to achieve our target but it is not hugely below.

Q354 **Chair:** It is a target now. You said it was an ambition. Is there a difference between an ambition and a target?

Gavin Barwell: I get asked that question all the time. That is semantics. That is what we are trying to do. I cannot put it any clearer than that. I actually hope we can do better than that, because the Secretary of State has been very clear about the need for a step change in supply. That is the existing Government target or ambition; call it what you want. That is what we are trying to achieve: 1 million homes by the end of the Parliament.

Q355 **Chair:** Right. You said that it was easier to make forecasts when there was some degree of government control over the programme, such as on affordable housing. How many new affordable houses to rent will we see in this Parliament?

Gavin Barwell: I have been pushed very, very hard since I became Minister—and I have responded to this—to give housing associations flexibility about the mix of tenures in terms of the homes that they build. We inherited a situation where the Government's affordable housing programme was nearly all shared ownership. There was a little bit of money for supported housing as well but nearly the entire programme was shared ownership. There was no new funding going forward for affordable rent.

I very strongly believe that we need a housing policy that has an offer to everyone. We have changed that position; we have given much more flexibility in terms of the programme. However, the consequence of that flexibility is that I cannot answer that question specifically because I am not pre-judging what the mixture will be between affordable rent, shared ownership and the new rent-to-buy product. I think I am right in saying that, over the course of the programme, which runs until 2021, we are looking to provide an estimated 225,000 homes from the programme as a whole. Clearly that involves a guess as to what the split might be in terms of different forms of tenure, but it is no more than a guess.

Q356 **Chair:** Let's have a guess then.

Gavin Barwell: We have assumed a roughly even split.

Isobel Stephen: You can divide 225,000 by three because of the three programmes but, as the Minister says, this is about not pre-judging what housing associations and others want to build in their local areas.

Gavin Barwell: Obviously there are other ways in which we might get homes for affordable rent.

Chair: I was going to ask whether those figures include—

Gavin Barwell: No, that is the Government-funded programmes.

Q357 **Chair:** It does not include 106 agreements.

Gavin Barwell: No.

Isobel Stephen: No.

Q358 **Chair:** Will we have the same flexibility on 106 agreements?

Gavin Barwell: You will be aware of what the White Paper says. We are not proceeding with the previous Government's intention of having a statutory requirement for 20% of starter homes on all schemes over a certain size. As the White Paper sets this out, we are going to put into the NPPF a policy position that we would like to see 10% of affordable home ownership of different kinds. There are clearly a number of different products that would satisfy that but, yes, there will therefore be a significant amount of flexibility still in terms of what local authorities can do on a case-by-case basis when they look at applications.

Q359 **Chair:** Particularly for authorities, the 10% is actually probably all you can get on many sites.

Gavin Barwell: I do not need to tell you this, Mr Betts, because you are hugely experienced in this but there is a big difference between a statutory requirement and something in the NPPF, which is a material consideration that Sheffield Council will have to take into account when it is negotiating section 106. It is not a statutory requirement.

Q360 **Chair:** Before I pass on to colleagues, I have a question in terms of the quality of development, which is obviously very important. People do not simply want a home stuck in the middle of nowhere: they want good transport links, good hospitals and schools and all the other things that they expect to see as part of a community. There is not much in the White Paper on that so far, is there?

Gavin Barwell: There is quite a bit. I would say that quality comes in three different shapes and sizes, as it were. The first issue is about the build quality of the homes. We are reflecting there on the report from the all-party parliamentary group for excellence in the built environment and the recommendations that they made. There is a lot of potential in terms of modern methods of manufacturing.

Chair: We will come on to that.

Gavin Barwell: That is a way of raising quality in some regards. There is then the issue about design. "Quality" is a broad term and we can mean different things by it. There is quite a big section in the White Paper on design. There is then what I think you were driving at, which is not just looking at homes but actually creating places that people want to live in. You are right to say that infrastructure is absolutely critical to that. In my mind, infrastructure actually performs two key functions in terms of what we are trying to achieve in housing

policy. One is what you were referring to, which is one of the reasons why many people resist new housing development in their community: the perception that, in recent years, new housing has not been accompanied by infrastructure and actually therefore their quality of life has got worse as a result. That is absolutely critical.

Secondly, often one of the reasons you get slow build out of schemes is that there has not been enough investment in infrastructure upfront. Getting the infrastructure picture right also helps to get the schemes built out at a much greater rate. I imagine that that is something that the Committee, like me, is very keen to see.

Q361 **Chair:** Are there any specific measures?

Gavin Barwell: There are three key things on the infrastructure front. First of all, the Chancellor obviously gave us a £2.3 billion housing infrastructure fund in the autumn statement, which is a significant injection of capital, and we will be publishing our thoughts about the bidding criteria for that shortly. We have made it clear that that will be focused on areas of high housing demand because we are trying to unlock supply in the parts of the country where it is desperately required.

The second issue is thinking about how local authorities capture some of the value up-lift when they grant planning permission. At the moment we have a mixed economy across the country of section 106 contributions and of community infrastructure levy, which some local authorities have adopted but not all. Alongside the White Paper—I am not sure if the Committee have had a chance to read it yet—we have published Liz Peace’s review of CIL and how it works, and that has knock-on implications for section 106. The White Paper has said that we will reflect on that and we will announce our decisions on that on an autumn Budget timescale.

There is a lot of potential to do a better job of capturing value uplift and also to deal with some of the things that slow up development in terms of the time that is spent arguing about viability or about section 106 agreements more generally. Reviewing CIL and section 106 is the second pillar.

The third pillar is probably the most difficult one, but arguably the most important, which is about the Government thinking as one united whole when they are thinking about housing. Therefore, when DfT is allocating the Highways England capital programme or the Network Rail capital programme, or when the Department for Education is thinking about the schools capital budget or the Department of Health is thinking about investment in the NHS on the capital front, we need to be thinking about either where the existing housing growth is going or that one of the criteria is the ability to unlock new sites for housing. I would suggest to you, first, the housing infrastructure fund; secondly, the review of CIL and section 106; and, thirdly, better cross-Government thinking about housing when we are allocating mainstream government capital programmes.

Q362 **Kevin Hollinrake:** I just have a quick question of clarification. You mentioned 225,000 affordable homes by 2020 broken down into three different categories: affordable rent, shared ownership and rent-to-buy. What about starter homes?

Gavin Barwell: Starter homes are a different product that is funded from a different stream, so they are not funded out of the shared ownership and affordable homes programme. There are basically a number of different ways in which we are going to seek to get starter homes. First of all, we have a starter home land fund, which is a £1.3 billion programme. We have made the first allocations to about 30 local partnerships, but there will be more to come.

The second mechanism for delivering starter homes is through planning policy. We have previously consulted about this but we now have firmed it up in the White Paper in terms of certain categories of land that would not normally be suitable for residential development but which we will allow starter homes to be built on.

The third issue is the one that I was discussing with Mr Betts a second ago: that the previous proposal was to introduce a statutory requirement for 20% starter homes on all schemes above a certain size. We now want to have in planning policy guidance whereby we would look for 10% of affordable home ownership, and it would be up to individual local authorities to think about the right mix of products for their area.

There are three mechanisms for delivering that but, in terms of money, if that is what you were asking, the Starter Home Land Fund is the key.

Q363 **Kevin Hollinrake:** There would be no planning requirement for a local authority to have a certain number of starter homes.

Gavin Barwell: There is no statutory requirement but there is planning guidance. The NPPF is a material consideration both when local authorities are drawing up their plans and also when they are determining individual planning applications. The Prime Minister, the Chancellor, the Secretary of State and myself felt, when we looked at this, that while starter homes are important and are a good product that will certainly help some people that cannot currently afford home ownership to get onto the ladder, there are a number of other products and the balance between the different products will vary quite a bit around the country.

I have just spent the last week travelling all around the country doing public meetings with housing professionals about the White Paper and, if there is one learning from those events—I already knew this but it has been absolutely reinforced—it is the extent to which housing markets differ around the country. Therefore, I have quite a difficult job in that I have to devise a housing policy that will give us overall nationally what we need but which has sufficient flexibility built into it such that it will cater, for example, to Grimsby and inner London at the same time. That requires some flexibility in policy terms.

Q364 **Rushanara Ali:** I have a quick point related to that. You mentioned the breakdown into thirds. I am sure that there is a lot of thinking behind it but I wanted to clarify. On the one hand, the Minister is talking about joined-up working across Departments, which is very sensible, and successive Governments have struggled with that but it is really important to do so. On the other hand, it is just not clear that the categories are being matched with the needs. In some areas, the need for affordable housing will be much greater than the need for shared ownership and so on.

Isobel Stephen: To be clear, the third, a third and a third is just a planning assumption. When I say "planning", I do not mean as in planning for housing but planning for our spending assumption. The proportions may work out very differently from that because, as you completely rightly say, it depends on what is required by local communities and by local housing associations.

Q365 **Rushanara Ali:** How much is that strategic approach being fed in? It is really linking to your point about the national goals as well as making it responsive to local need.

Gavin Barwell: It will vary from place to place. You obviously represent a London constituency. We essentially do a deal with the GLA where they bid for funds and they say, "We are going to deliver this much of this, this much of this and this much of this". There are other parts of the country that have a similar situation; Peterborough and Cambridgeshire, the new devolved authority, is one that is in that category.

In other areas, you will have individual providers that are bidding to the Government programme, and we will make assessments on value-for-money terms about what the right outcome is.

I am not massively disagreeing with you but I just want to test you out on one point. It is the case that the shared ownership product varies across the country in terms of the level of demand for it. It is something that has been very successful in London for a long time but increasingly is being taken up elsewhere. Actually, I would probably argue that there are parts of the country that have a much higher need for all of the different kinds of affordable housing products because the affordability ratio is far higher than it is in some other parts of the country. There are still some bits of the country where the ratio of median earnings to median house prices is three to one, so someone doing a typical job can buy a typical home on the market.

Q366 **Mr Prisk:** First of all, I will just follow up on the Chairman's question about quality. You rightly cited design as being important. There is a big shift in the housing White Paper towards an American system where perhaps design codes will be incorporated into local plans. Do you see that being extended into neighbourhood plans and garden towns and villages as well? That is quite a big shift in planning terms.

Gavin Barwell: Yes, there is absolutely the potential for that. Ultimately, what I am interested in, and the test that I apply to nearly all

policies, is: is it going to help us get more homes built more quickly? My own experience as a constituency MP is that there are three issues that tend to lead people to oppose housing in their area. We have already touched on the first of those, which is a perception that, in recent years, new supply has not been accompanied by the relevant infrastructure and, as a result, trains are more overcrowded, the roads are more congested, it is more difficult to get an appointment with the GP, etc.

The second issue is a design issue. There is a perception whereby people see new homes in their area and think, "That could have been literally plonked down anywhere in the country. It is neither a really amazing piece of modern design that might be different to our area but actually has a real merit of its own nor does it pay attention to the local character of the area."

The third issue, going off your question, is about people looking around and thinking, "Do my children or grandchildren have a hope of owning or renting one of those homes?" If you can crack those three things, you will see a much higher level of public support for housing.

Q367 Mr Prisk: If existing neighbourhood plans that have not been concluded or voted on incorporated a design code, that would be something that would be eligible?

Gavin Barwell: That is exactly what neighbourhood planning is about. One of the difficulties in framing policy is the classic balance you have in nearly every area that this Committee looks at between centralism and localism. In terms of our planning system, we would like to see—without forcing people down this road—more and more local authorities working together to produce a strategic plan over a wider area on the functional economic geography that is right for their part of the world, and then a lot of that detail being filled in through neighbourhood plans in individual communities.

Q368 Mr Prisk: Thank you for that. Let me turn to speed and the overall size of the market. Will faster build-out rates actually deliver on expansion in the overall supply of housing?

Gavin Barwell: Yes, I believe so. Are you suggesting the risk is that, if developers build out faster on a particular scheme, they will not bring other schemes forward?

Q369 Mr Prisk: If there is a scheme of 5,000 homes and they are built at a faster rate, it is still going to be building 5,000 homes. How does this deliver on expansion of total supply?

Gavin Barwell: I see your point now. On its own, faster build-out would not do that but, if it is part of a wider package where we are diversifying the market and making more land available, it does. My opening remark when doing these meetings around the country—you will probably be familiar with this yourself, Mr Prisk, having done this job in the past—is that, in the first two or three months, I sat in that office in Marsham Street and a whole array of people were brought in to talk to me, and I

asked them all the simple question, "Why do we not build enough homes in this country?" Nearly everybody tried to pitch to me a silver bullet, which is nearly always based around the particular part of the industry or sector that they came from.

The conclusion that I have come to is that there is no silver bullet. It is a complex problem. If it was simple, Governments in the past 30 or 40 years would have cracked it. The only solution to the problem is a series of interventions at every stage. You are quite right that faster build-out on its own does not ultimately bring any more forward but, if it is combined with a better functioning market, a more diverse market and more supply of land in the right places, I believe it will.

Q370 Mr Prisk: This is the issue about speed and the ability to have a sustained expansion of the supply. Perhaps I could turn to the more practical question then. If you accept that premise, how do you actually enable a local council to hold developers to actually delivering the build-out rates that they are committed to? At the moment, the number of levers that they have to pull are limited. It is not clear to me, from the White Paper, that there are new powers that local authorities now have to hold developers to account on this.

Gavin Barwell: This is one of the critical questions of the White Paper, and I would be very interested, in terms of the Committee's report, in the suggestions that the Committee has on this. If I can give you a longer answer to your question, chapter 2 of the White Paper runs through three key stages of the argument. The first is that we have tried to address the things that developers tell us slow up development. That puts me in a position where I am entitled to then say, "Okay, but if having done all these things you have asked me to do, you still do not improve your speed of build-out, I am entitled to give the local authority some powers to take action". That is really your question; I will come back to that in a second.

If you would accept that I have given local authorities sufficient powers, I am then entitled to turn to local authorities and say, "Now having given you the powers, I am going to hold you to account not just for producing a plan but actually delivering a plan". This question about whether the powers are right is absolutely key to the White Paper.

There is a balance to be struck here. If the powers were too draconian, it would actually have a chilling effect on house-building in this country because, if you were running a medium or large developer and you knew you were going to get hit with a big fine if you did not do something within two years and it was a marginal site, you just would not put the application in. We have to get the balance right here where the powers are effective but are not sufficiently draconian as to have that chilling effect.

We have looked at a number of measures. First of all, we have looked at the issue of, as you say, requiring applicants to provide a timeline for the speed of build-out and, if they are given planning permission, to update

that information going forward. Secondly, we have looked at whether the site history should be a material consideration in determining planning applications. Thirdly—and this is probably the most controversial one because it is a big change—is the question of whether the record of the applicant should be a material consideration when giving planning permission. You will be very well aware that the planning system essentially works through looking at the land use rather than the applicant. That would be a major departure. We can perhaps talk about this if you have supplementary questions, but I can think of examples from my seat where I have sat at a planning committee and wanted to make the argument, “This person is not going to build out this scheme”, but I am not able to make that argument because that is not a material consideration at the moment.

We then looked at strengthening the powers that local authorities have in relation to completion notices and we have also looked at changing guidance in terms of the use of CPO powers. Both the HCA and the local authorities have CPO powers and we want to see them used in extreme cases where schemes that are viable are not being built out quickly enough.

There is also a bit of nudge policy there. We want to start publishing, at an aggregate level and at a national level, the performance of different developers in terms of speed of build-out so that you, we, the House and local authorities will be able to see the different performance of the different developers, which will be very interesting information.

Q371 Mr Prisk: What do you think is the most important sanction, as part of that package, that would actually make a difference?

Gavin Barwell: The transparency issue is really important because it will allow greater public debate about this issue, but I also think that the ultimate backstop of the CPO powers is important as well.

This is one of the areas of the White Paper where we have thought hardest on because I am sure that you have had plenty of people come to you and either say that there is a huge problem with land-banking or that there is no problem with land-banking. Having looked into this, there are two related issues here. If any Member of the Committee was appointed tomorrow as the chief executive of a major developer, you would have to have a land-bank because you would have to be able to demonstrate that, after you had finished the scheme that you were working on, you have other schemes in the pipeline to move on to. The main way that we reduce land-banking is actually speeding up the planning system so that firms do not have to have such a queue in the pipeline. At the moment they tell me it takes five to six years from identifying a site to actually getting spades in the ground. If we can slim that down, you do not need such a big pipeline.

My real concern is how long it takes once you start. All of us, as Members, are probably familiar with large schemes of 1,000 homes in our constituency that are being built out at 70, 80, 90 or 100 homes a year.

The Government believe that the market absorption rate, certainly in those parts of the country with high demand, is higher than maybe our developers believe it is. They are understandably risk-averse because of their experience of the economic cycle in housing over the last 30 to 40 years.

Q372 **Mr Prisk:** Will the CPO powers that you have mentioned require any further legislation?

Gavin Barwell: No, the White Paper talks about guidance in the use of those powers.

Q373 **Bob Blackman:** One of the considerations that I have heard recently is that it is not just about the land supply or the build-out rates but actually the services being delivered, such as electricity, gas and water. Have you taken that into consideration?

Gavin Barwell: Yes. There is a section in the White Paper about the performance of our utilities, and there are some suggestions about what we can do and a threat, if you like, that, if we do not see an improved performance, we will want to go further there. As I said earlier, Mr Blackman, the truth about this is that none of it is simple and there are lots of different factors involved in the problems that we see in our housing markets today. We have tried very hard as a Government to come up with a balanced package. I want local authorities, housing associations and developers that read this document to look through and think, "There are several things in there that I have been asking for and that are very good news", but also to think, "Okay, there are a couple of real challenges there as well".

We have tried to get that balance so that each of the key stakeholders has some real wins but also has things that are being asked of them. You will be aware that the Government will not build these homes on their own. We will have to build an alliance across the housing industry. We will have to get local authorities, planners, housing associations, large, small and medium developers, and institutions investing in housing working with us. We have to build a really large coalition to get this job done.

Q374 **Mary Robinson:** You spoke about building the right number of homes for the country, and part of that is building the right number of homes at a local level. That is governed by the objectively assessed needs requirements. It does lead to disputes, because there are so many different methods of defining the needs of a certain area. I notice in the White Paper that the standardised methodology is due to be in place by April 2018. First, are the disputes around objectively assessed needs significant? Secondly, is it realistic to expect this new measure to be in place?

Gavin Barwell: There is definitely a big problem here. I talked earlier about the balance between centralism and localism. In a way, I suppose you could regard the current situation where each local authority can come up with its own methodology as a good localist approach.

However, what has been interesting in all those conversations that I have been having is that lots of local authorities have asked me to look at a standardised approach. Actually, the Local Plans Expert Group—the Committee will be very familiar with their work—gave us a specific recommendation of an approach.

Chair: This was in the last Parliament as well.

Gavin Barwell: Yes. At the moment a lot of time and money is being spent arguing about these different methodologies and, actually, it is not a good use of time or money. The right balance is not to have one approach and say, “Everybody must use this approach”, but we should have a standard approach and we should incentivise people to use it while leaving people with the freedom that, if they can prove that it is not right for their particular circumstances, to try their own approach. That is how we are going forward.

We might come on to talk about the key principles behind that approach but your question was really about timing. I hope to have it in place a little earlier. There are two different things here. You have picked up on April 2018 as the date when we use the new approach for the housing delivery test and we also use the approach in terms of the five-year land supply for those councils that do not have an up-to-date plan. Actually, in terms of having the methodology available for those who are in the process of producing their plans, I hope we can get it available sooner than that. We want to consult on this quickly because, until we have settled this question, we cannot publish the new national planning policy framework, and I want to do that in a timely fashion.

Q375 **Mary Robinson:** What will the key indicators be?

Gavin Barwell: That is really the subject of the consultation, but clearly we have to look at the different ways in which we might measure the likely population growth in terms of demand for housing. We also need to look at the extent to which we need to provide more housing in those areas where unaffordability is higher. We also need to think about our industrial strategy and our ambitions to ensure that our economy grows more evenly across the country and how housing policy plays a part in that. There are some important issues to talk about here in terms of the detailed methodology and how we get it right. It is much easier to secure agreement to the principle of having a standardised methodology than I suspect it will be when you actually publish a methodology.

Q376 **Mary Robinson:** There seem to be a lot of components to something that is going to be standardised. That will be a challenge.

Gavin Barwell: Again, if it was simple, I am sure that it would have been sorted out before. What I am clear on from these meetings that I have been having over the last week, as I have gone around the country, is that there is strong support for the principle of having one. What we have to try to do now is to build an equally strong consensus around a particular methodology.

Q377 **Mary Robinson:** That is great. Sticking with the local level, issues of planning tend to arise when one local authority area is putting in place its plan and the duty to co-operate is perhaps paid lip service to. It is very difficult to know exactly what this duty to co-operate encompasses. Will this statement of common ground proposed in the White Paper differ from what is there?

Gavin Barwell: Yes.

Q378 **Mary Robinson:** How will it differ?

Gavin Barwell: In a number of ways. The consultation that I was referring to on the new methodology for objectively assessed need will touch on the statement of common ground as well, so we will be talking about some of these questions fairly shortly, but I can give you one critical way in which it will differ.

One of the problems with the current system is that the point at which an authority's success or otherwise in fulfilling the duty to co-operate is tested is when the whole plan comes for examination. If the inspector then says, "Actually, you have failed at the first stage because you have not passed the duty to co-operate", you are right back to square one and all that time that you have worked on your plan has been wasted. We want to make the statement of common ground a first step and actually have some way of looking at that then and there, before you go on to do all the detailed work that is based on that.

A general theme that runs throughout the White Paper is, "What can we do to reduce both money that is wasted arguing about things as well as time that is spent on things unnecessarily, and how can we speed up the process of plan-making?" Trying to address this issue in a statement of common ground early on is really important.

In answer to your question, it might be worth just flagging up one problem that is on the horizon, which you may or may not have spotted. We could have had a year-zero approach in the White Paper. We could have said, "We are introducing this new methodology and we are changing the NPPF. Everybody, stop what you are doing and start a new plan right now." That would have been incredibly disruptive and quite bitterly resented by those people that have just done a plan or who are two-thirds of the way through at the moment.

The new approach will be implemented at different points in time by different authorities. That poses a little bit of a challenge: let's say that I want to work with my neighbouring authority but they already have a plan and I am just starting out. How do you make that work? The statement of common ground can help us to try to get around that issue as well by getting an agreed geography over which authorities wish to co-operate, whatever stage they are at in the process.

Q379 **Mary Robinson:** I am just wondering how strong this duty to co-operate under the statement of common ground will be. For instance, one local authority may be building a garden village right on its boundary with the

next authority picking up the pieces of the infrastructure and the impact of it. Is it going to cover those sorts of scenarios?

Gavin Barwell: Obviously, we have reserve powers. We already have some and we are taking further powers in the Neighbourhood Planning Bill to intervene ultimately if we need to. I am reluctant to do that unless I have to. What I actually want is authorities to think about what the right economic geography is to work together on in their locality. To be honest, in most cases, they will have a better understanding of that than me. If you look around the country at the moment and at your own area—I know it is not without its controversies—I think that the Greater Manchester authorities are to be applauded for trying to come together and think strategically across the area about what should be done. If you look at Norfolk, Norwich, Broadland and South Norfolk councils have come together to produce a strategic plan. You will see more of that. There is definitely some merit in looking at some of the functional economic corridors often associated with major pieces of transport infrastructure and thinking about how we can get the right strategic approach there.

I do not want to be too specific about whether it will force X to work with Y. I want authorities themselves to think together about that, but that is an obvious example of where authorities need to be working together on the right solutions to these problems. If you take urban areas that are constrained around the edges by a green belt, like your area, you may well find that there are neighbouring authorities that are keen to grow and can work together to solve some of those housing problems. It is very much about seeing what the right relationships are around the country in terms of dealing with that.

Q380 **Mary Robinson:** That is a lovely segue right on to green belts then. It is an issue on everybody's lips at the moment. You have mentioned my constituency where over 8,100 houses could be built with the GMSF. Whatever happens with the GMSF—its consultation has finished now and it may be revised; we do not know what will happen there—it is clear that the green belt is causing a lot of issues and needs a lot of consideration. The exceptional circumstances at the moment give the protections that we need and we have tended to understand what the exceptional circumstances mean. It is being looked at again in the White Paper. I was pleased to hear the Secretary of State reiterating the protections in place. Would you be able to let me know under what circumstances you envisage local authorities being able to re-designate land?

Gavin Barwell: You are quite right that there is a very high level of public affection for and attachment to the green belt. My constituency is very similar to yours in that it is on the edge of a major urban area and there is a significant amount of green belt in my seat, and I certainly know how my own residents feel about it. We clearly have a manifesto commitment in relation to protecting it but, at the moment, the national planning policy framework covers two issues: the extent to which you should be allowed to build on land that is green belt and the extent to

which you should be able, in making or revising a local plan, to de-designate land as green belt and remove it from the green belt.

The language is very similar in both cases but slightly different. The phrase you used of "exceptional circumstances" is the phrase in relation to de-designation—taking land that was green belt, changing its status, removing it and allowing people to build on it. At the moment, the NPPF does not define what "exceptional circumstances" are. It does define on the other issue, and it gives you some examples of the kinds of very limited development that might be appropriate development in the green belt but it does not define at all what "exceptional circumstances" are in terms of de-designated land as green belt land.

The Secretary of State and I, and the Government as a whole, feel that it would be helpful to provide clarity about that because local councils that are taking these decisions want to understand the tests that an inspector will apply when an inspector examines a plan and, additionally, local people want to understand what the policy actually means in practice. The White Paper says that we would expect authorities to have considered all other reasonable options for meeting housing need, and it goes on to say what those options are, such as looking at brownfield land and what can be done there. The search for sites there is clearly critical and many of the objections that I receive to plans that are in process at the moment are from people saying that there are actually lots of brownfield sites that have not been considered.

We should also be looking at surplus government land, whether that be central government or local government, that is not being used and that could be released for housing. There is also a lot of potential to look at densification. London is obviously the most densely populated city in the country but it is still significantly below typical levels of density of many other major European cities. When you talk about densification, people tend to think of tower blocks but, actually, it does not have to mean that at all. People are surprised to hear that the most densely populated borough is Kensington and Chelsea where there are not that many tower blocks but rather mansion blocks and mews developments.

I saw a really interesting development the other day in Kidbrooke, south-east London, where Berkeley are building three and four-bedroom family homes at double the usual density that they would achieve. Essentially they put them back-to-back and they put the gardens on the roofs. They would not work in every part of country but they were really innovative homes that were selling very well in that environment. Densification is definitely an important part of it but we should not necessarily assume that that means tower blocks.

It is also about talking to your neighbours, going back to your point about the duty to co-operate and a new statement of common ground. If you are heavily constrained in terms of land use in your authority, other neighbouring authorities could help meet some of that need.

Those are the things that we want people to look at. Only if they have looked at all the other reasonable options is the "exceptional circumstances" test passed.

Q381 **Mary Robinson:** Thank you for that answer. The fear is that local authorities will have a lazy approach to this. What sanctions will there be and how can we avoid that simple and lazy approach of, "We cannot find enough land so we have to go straight onto our green belt"?

Gavin Barwell: I hope that local authorities would not do that. We are probably all agreed that our electorates have a very strong attachment to green belt and you would hope, therefore, that local authorities share that attachment. Ultimately the sanction would be that the plan has to be examined in public by an independent inspector, and I would be making it very clear to my inspectors that, if green belt release is proposed, this is what the NPPF says and I want that issue thoroughly examined.

When we come back to the issue that we were talking about earlier in terms of planning simplification and how we can make it easier for authorities to adopt plans or revise their plans, there is a balance here because one of the things that we all attach some pride to in this country when an authority is proposing a plan or updating a plan is that individual members of the public get the opportunity to go to make representations and to challenge the authority's argument. That is an important part of the process. These decisions have a long-term impact on communities. It is very important that people in communities get the chance to examine the authority's arguments and test whether or not the national planning policy is being met.

Q382 **David Mackintosh:** Minister, we have heard quite a lot of evidence about the diversity and quality of planning departments around the country. I wonder how you will ensure that the additional income raised through higher planning fees will actually go to improve services.

Gavin Barwell: That is a question that we have mulled over at some detail. One option would have been to legislate and create some kind of specific grant or whatever. We have looked for a clear assurance from section 151 that every extra penny raised through those fees will be spent on additional spend on planning because we want to make sure that that money goes into extra planning. There is a tension here that is probably worth exploring in front of the Committee because, if you look at this policy from the point of view of a local government leader, they may or may not like it, because what they may say is, "At the moment I am spending X pounds on my planning department and 70% of that is coming from planning fees and 30% is coming from council tax, and what I want to do is take that 30% and spend it somewhere else and have the planning fees cover the whole cost."

If, like me, you look at this policy from the point of view of asking how we get more money spent on planning, the policy works very well, because I am ensuring that every extra penny raised is actually

additional spend on planning. I will be open about the fact that there is that tension there and I am clearly on the side of getting more money spent on planning departments.

There is also the offer of a further 20% increase for those authorities that are delivering. We want some reward for those that are actually delivering on the ground. There is also a capacity fund announced in the White Paper because there is a real challenge for some authorities. Mrs Robinson mentioned authorities championing a new settlement like a garden village or a garden town. If you are a smaller council that is not routinely dealing with large schemes, that might pose a real challenge, and we need to get some extra resource into that planning department for a period of time to drive that key change through. We need a mixture of both enabling local authority planning departments to raise more money from applicants and use that to increase resourcing in their departments, but also some targeted intervention from the Government to support particular local authorities. Design is another area where you could do that. Some authorities may need support in putting those design codes in place.

As a final point to your question, Mr Mackintosh, it is probably worth saying that, in all those conversations I had in the first two or three months in office, there were only two issues that nobody argued about. There were only two issues that most people spoke about and that nobody contradicted, and one of those was that local authority planning departments in this country being under-resourced and desperately needing more money spent on them. We also need to think about the pipelines in terms of what we need to do to encourage more people to go to university and study planning. We need to think about the pipelines into the profession.

Q383 David Mackintosh: You have answered some of this but do you think increasing fees would be enough to speed up the planning process on its own?

Gavin Barwell: No, not on its own. As in all areas of policy, there is an issue of sticks and carrots here. We already have a stick in terms of the designation regime, which, judged narrowly on its own merits, has been very successful. We have actually not had to designate very many local authorities but the threat of designation has led to a significant increase in performance. I have the statistics here somewhere. When the Government set a target and measure one particular thing—in this case the speed with which applications are determined—what happens is that planning departments put more resource into that to make sure they pass the test, but that then means that there is less resource in dealing with pre-apps or discharging planning conditions or negotiating section 106. If you squeeze the sausage in one place, you might get the result you want there but you create other problems elsewhere.

I have found the stats. During the last quarter for which we have data, which is July to September 2016, 85% of major applications were determined on time. That is the highest figure on record and it compares

with 70% in the final quarter of the Labour Government preceding the coalition Government. There has been a significant improvement in performance but I am not just interested in how quickly applications are determined; I am interested in the whole end-to-end process from the point when I first contact you to say, "I am interested in building on this site" and that I want some advice, right through to discharging the planning conditions and the section 106 agreement. We need to get the whole thing working smoothly if we are going to achieve our ambitions in terms of speed of build-up.

Q384 Kevin Hollinrake: Minister, can I take you back to the green belt question very quickly? If a local authority is constrained through the lack of available land and has gone through all those things you mentioned such as brownfield, density, local government land and statement of common ground but still cannot meet its housing need, effectively it will be expected to re-designate some green belt, would you not say?

Gavin Barwell: That will be a decision for them and it will depend on exactly what the costs of that will be. As part of the plan-making process, local authorities also have to set out the constraints that they are under and they have to think about what damage would be caused by release. That may vary from site to site. One of the things that is really interesting about the debate that we have about green belt in this country is that often there is a perception that this is an environmental protection policy; but it is not. Green-belt land can sometimes be beautiful rolling countryside but there is a bit of the green belt in my constituency that is a waste processing plant. Its environmental quality varies a lot. Green belt is an anti-sprawl policy to stop our major cities expanding and expanding until they begin to merge into each other. Measured on that test, it has been very successful. What the right thing to do, if you cannot meet your need without the green belt, is a decision for local areas.

The only other change that the White Paper makes, other than defining "exceptional circumstances", is to say that, if local authorities release land from the green belt and consent to housing development there, they should look to secure some improvements either to the quality of or the public access to remaining green-belt land. There should be some quid pro quo there in that sense.

Q385 Kevin Hollinrake: Yes, but that local authority would still be required to meet its objectively assessed need.

Gavin Barwell: No, there are authorities that will not be able to meet all of their objectively assessed need. What the White Paper does—and I will try to find the relevant page while I am talking to you—is slightly strengthen the assumption about the efforts that you should go to to meet that need. I will try to find the relevant section.

Kevin Hollinrake: I think it is 139 on page 28.

Gavin Barwell: That is the green-belt section but there is a section in the annex somewhere. I will find it while someone is asking questions

and come back to you. We are not saying that under all circumstances every authority in the country must meet all of its objectively assessed need but we are saying two things. Our perception at the moment is that some people are fudging the question. They know it is going to be difficult so they come up with a number that is lower than the actual truth. The first thing we are saying is that all authorities should start with an honest assessment of what the actual level of need is. You then look at the constraints and there will be a tougher test of assuming you should get as far as you can to meeting your need, but there is a recognition that some people will not be able to do that and that is why, coming back to Mrs Robinson's question, it is really important that the duty to co-operate, or its replacement, works better, because at the moment Authority A says, "My need is a thousand homes a year but I can only do 400", and those 600 are just slipping through the floorboards and not getting built. We cannot allow that to happen.

Q386 **Kevin Hollinrake:** I am moving on to another topic: permitted development rights. This a real success—13,800 homes were delivered through permitted development last year. They do not have to make any contributions in terms of CIL, for example. Is that fair?

Gavin Barwell: No, permitted development is not the same as applying through planning application, and you do not make the affordable housing contributions through section 106.

Kevin Hollinrake: Yes. The question is whether that is fair.

Gavin Barwell: We debated this at some length in the committee in the Neighbourhood Planning Bill. Mrs Hayes is one of the members of the committee. There are drawbacks to the permitted development policy. You do not have the same control necessarily over design. You do not get the affordable housing contributions. On the other hand, it is making a significant contribution to the supply of housing in this country and, if you agree with the Government that we are facing a real crisis here and that there is an urgent need to improve supply, the Government's judgment is that that contribution is worth having and that is why we have continued with the policy. We are obviously still discussing the detail of it in the other place in terms of the Neighbourhood Planning Bill.

Q387 **Kevin Hollinrake:** Permitted development rights have been extended to agricultural buildings and there is obviously a great emphasis on that policy. Some local authorities have frustrated that process of allowing the development of agricultural buildings. Is that something you feel will deliver more?

Gavin Barwell: We have tried to make these changes in response to some of the frustrations that people have expressed to us. When we are dealing with this issue, there are a couple of misconceptions that casually get thrown into the debate. Some people think that the housing problem is just a problem in London and the south-east. While it is certainly true that it is most acute in London, it is not just a London and south-east problem. Secondly, some people portray it as an urban problem, as if

the countryside is fine and there is no real housing need there, and that is not true either.

One of the most frustrating meetings that I have had in my six-and-a-bit months in the job was with a neighbourhood planning group whose district council had adopted a policy saying that their village was not allowed to have one single extra house in it. It was forbidden from expanding at all. How you can say that you want a vibrant rural economy and rural community while banning people from expanding at all is beyond me. Yes, it has probably not been picked up as much as some of the other ideas, but there is a package of measures in here that has come out of our rural planning review, which is about trying to respond to those concerns.

Q388 Kevin Hollinrake: Viability is a big issue in terms of frustrating the planning process and the speed of planning. Arguments about viability did not feature heavily in the White Paper. There were some elements of it. Do you not feel that it was of critical importance to speeding up delivery?

Gavin Barwell: Before I answer that question, I have found the reference, Mr Hollinrake. On page 77 in the annex, paragraph A37, The second bullet-point says, "The Government propose to amend the National Planning Policy Framework so that, when preparing plans, local authorities' identified housing requirements should be accommodated unless there are policies elsewhere in the National Planning Policy Framework that provide strong reasons for restricting development". At the moment, the term is "that indicate development should be restricted". The language has been toughened up there a bit.

In terms of viability, I would probably refer you back to the question about infrastructure. I cannot remember who asked it. I think it was Mr Prisk. I talked about the Liz Peace review of CIL and section 106. That is critical to addressing that issue. The reason that we did not go into it in great depth in the White Paper is because we will consider that on an autumn Budget timescale. It is reforming the way that CIL and section 106 work. I do not know if you have had a chance to study the review.

Kevin Hollinrake: No, I have not.

Gavin Barwell: This is not in any way pre-judging what the Government may or may not do, but the review looks at having a system whereby you basically have a levy that is nationally set but locally collected and locally spent, and is related in some way to market value; so you try to do away with the whole process that you have at the moment of arguments about what a developer can or cannot afford. They can look at it and say, "I know that is what the levy will be if I build this in this area". If you are saying that the Committee's concern is that a lot of money and time is spent at the moment arguing about viability, my own perception is that what you often have is different developers bidding against each other to get the land and therefore essentially minimising their ability to come

back and say, "I had to pay this much to get the land so I cannot make that kind of contribution in terms of affordable housing". That is absolutely an issue and it is really about looking at this issue of CIL and section 106 on an autumn Budget timescale that we would seek to deal with that.

Q389 **Kevin Hollinrake:** The timescale for an NPPF change is over the summer, so there seems to be a timing difference there.

Gavin Barwell: There is a slight difference. We have not specifically set the NPPF but your guess is not far off; that is roughly the sort of timescale that we would want to publish a revised NPPF. Clearly, in terms of CIL, that is essentially a financial proposal—a levy or a tax or whatever word you want to put on it—and so that needs to be considered to a Budget timescale. We absolutely share your concern about this issue and it is something that we want to address.

Q390 **Kevin Hollinrake:** There are quite a lot of amendments to the NPPF. There are potentially 20 to 30 amendments. Will that muddy the waters and create more uncertainty?

Gavin Barwell: I hope not. You lead me neatly into the point that I was going to make right at the end. I said to you earlier that there are only two things that nobody disagreed about. The second thing that nobody disagreed about is that Government constantly chopping and changing housing and planning policy does not help to build more homes. The whole rationale for having a White Paper is to try to set out a coherent strategy about what we are going to try to do to boost housing supply and then have a period of implementation where we are not constantly chopping and changing. We want to publish a revised NPPF that both reflects the proposed changes in the White Paper, subject to hearing people's views on them, but you will also be aware that there have been a number of ministerial statements since the NPPF was originally published, and we now want to wrap them into the document so that we have a coherent whole that we can publish and that provides clarity and simplicity and going forward.

Q391 **Mary Robinson:** I just want to follow up on CIL. I am a great supporter of localism and anything that can be done locally is best informed by people who live in an area. I am interested in the changes that may take place regarding CIL as being a nationally set levy. How will that fit in with the localism agenda in terms of local areas benefiting from CIL and from the levy, which they are able to do currently, and also then with them having input on how it is set?

Gavin Barwell: I want to be careful in answering this question because we have not made a decision on that yet. I am just telling you what the review said. The Government will want to listen to people's views on that review before we make decisions about what we do or do not want to do. The problems at the moment are, firstly, that not all authorities have adopted CIL. You could argue that there are parts of the country where we are missing on capturing some of the value up-lift. Secondly, because you have these two different mechanisms in CIL and section 106, we are

capturing different values in different places and, with the section 106 side, there is this huge problem with arguments about what is or is not viable in a particular application. My sense from the conversations that I have had—and if the Committee has a different view, I would be keen to hear it—is that there is a lot of dissatisfaction with the current system.

We want localism in terms of local communities deciding how the money is spent, what the priorities are and what the key infrastructure projects are. I am quite strongly attached to the fact that those areas that have neighbourhood plans get to keep a bigger share of the contributions in their area. That is important. It is not just what we want on a macro level across an authority in terms of infrastructure; there should be a strong sense that, if a particular community takes new housing, it seeks some direct return for that decision that it took.

My sense would be that there are some real problems with how the current systems are working and we should be looking to review it much along the lines that Mr Hollinrake was suggesting. What we do not want to lose is that localism in terms of the decisions about how the money is spent and what the local infrastructure priorities are. That is very important.

Q392 Chair: I have a brief question before we move on. In terms of the NPPF, the Committee made a recommendation in a previous inquiry that, instead of constantly changing bits of the NPPF as we go along, there ought to be a comprehensive review of how the NPPF is working during the course of this Parliament.

Gavin Barwell: I would regard the White Paper as a review of how the NPPF is working, and there are lots of proposals in there to change it. I am not sure—I do not want to make a decision off the top of my head now—that I am attracted to publishing a revised version and then having another review later in this Parliament, for the reasons I gave a second ago. I know I am going to find this very hard to deliver but what I want is a period of policy stability where we actually focus on implementing the plan that we have agreed, because everybody says to me—and we probably all accept that this constant chopping and changing is probably one of the imperfections of politics—that what people want is some long-term stability and to get on and deliver the plan.

Obviously the Committee, in its response to the White Paper, can suggest any further changes it thinks are needed for the NPPF, but I hope that once we have reflected on the consultation responses and published a revised document, we are not then going to be constantly chopping and changing.

Q393 Chair: If this is effectively a review of the NPPF, pulling together the 30-odd different changes that may be in the pipeline, is it open then for anyone else—any other organisations as well as this Committee—to come forward with any other changes they would like to see for consideration as part of this process?

Gavin Barwell: I would say, Chair, this is focused obviously on the housing bits. There are other bits of the NPPF, in terms of planning and those issues, but on the housing stuff I do not claim any kind of monopoly of wisdom and I am very happy to listen to any other ideas people have about how we get more housing built in this country.

Q394 **Bob Blackman:** Moving on to land use, you have already mentioned the fact that there have been challenges on building-out rates on larger sites. The White Paper is quite supportive of having ranges of sites within particular areas, so what is the Government going to do to encourage local authorities to develop a range of sites, particularly at a time when resources are quite challenged?

Gavin Barwell: Do you mean a range of sites in terms of different sizes of sites?

Bob Blackman: Different sizes of sites locally.

Gavin Barwell: So is it having in your local plan a mixture of different sites?

Bob Blackman: Yes.

Gavin Barwell: There are some specific proposals to amend the NPPF to help that. It is a really good question, Mr Blackman, because one of the things that has been quite interesting in these meetings I have had over the last week is that I give a very short spiel at the start for two or three minutes and then spend an hour and a half answering questions. One of the things I say in my spiel is that we are far too dependent in this country on a small number of large developers. When I say that, everybody around the room nods their heads, but when I then say later on in the meeting to local authorities, "How many of you are allocating small sites in your local plans?" there are far fewer.

The blunt truth about this is if authorities are not giving small builders sites that they can build on, we should not be surprised that we have a market dominated by large builders. This is a critical issue. There are some specific proposals in the document requiring a certain percentage of sites.

Q395 **Bob Blackman:** If I can just cut across there, another alternative is that a large site can be split up.

Gavin Barwell: Correct. I was just about to say that. There are two options. There is a requirement that a specific percentage of sites be small sites, but we also want to look at local authorities breaking up larger sites and having a mixture of different developers working on them. I saw a great example of this in—it is very hard to remember where you have been—Doncaster, I think it was. There was a scheme there that had a major developer, a sort of medium-sized regional developer, and a specialist custom-build developer and they basically parcelled up the site between them. You got a much faster build-out rate because the regional developer was building at a higher value than the national developer, so there were different market points they were

pitched at. The custom build was pitched at a different market again, obviously.

You were able to get a much higher build-out rate than you would have got if you had had just one person doing it, and actually the custom builder probably would not have been able to take on the whole site on their own. The fact you had a major developer there who was putting in the roads and all of that allowed them to do the particular thing that they were doing. You are quite right: a mixture of making sure that in local plans we have small sites but also looking at the subdivision of large sites is important.

There are two other very quick things I would mention; you may want to come back on either of these. Permission in principle is very interesting here. We have regulations coming forward shortly and they are obviously going to be focused primarily on smaller sites, at least initially. If you are an SME, knowing that the principle of being able to build housing on a site is agreed before you have to spend money working up the detailed planning application is a really attractive proposition.

I would also just give a short plug for the Government's accelerated construction programme, which is something the Secretary of State is really passionate about. Members will be aware that, historically, when Governments of all colours have had surplus public sector land, they have tended to flog it off. Because they tend to be larger sites, that basically means flogging it off to a major developer. What we want to do is subdivide those sites and then go into joint ventures with small and medium-sized builders.

We believe there are three wins from this policy. First, it is going to help us to diversify the market, which is what your question is about. Secondly, we believe we can prove that the market absorption rate is higher than developers tell us it is, because the initial evidence we have is that we are going to be able to significantly increase the build-out rate. Third, although the Treasury will not get the money upfront, as it would if you just flogged it off, actually, by sharing in some of the development uplift, we could get a better return for the taxpayer. We are going to be doing this on our own land, but we are also asking local authorities to express interest. We have had a pretty good response so far, which is great.

Isobel Stephen: A very good response.

Q396 **Bob Blackman:** There is quite an interesting site that I referred on to you in the London Borough of Ealing, where they have leased out the land and then are leasing back the properties that are built on it for a temporary period. I think this is useful. However, one of the other problems about smaller plots of land is that you can raise lots of objections to those developments, which of course then imposes particular problems on planning departments. Have you taken that into consideration in the need to accelerate these types of developments?

Gavin Barwell: That is a fair point. That is probably something we need to reflect on. Obviously, the permission in principle route is one way potentially of trying to come round that, and the new brownfield registers, but let me go away and have a reflection on that. It is a fair point.

Q397 **Bob Blackman:** The other consideration is that you mentioned the accelerated programme but the current position, according to the NRA, is that the plan was of 160,000 properties, of which only 8,580 have been built and disposed of. That sounds like a very low build-out rate, and when we took evidence from the HCA it was quite clear that those five pilot programmes have not really progressed in the way that everyone would have hoped. What are you going to do to accelerate those rates?

Gavin Barwell: I will ask Isobel to come in here in a second but there are a couple of things I would just say at the outset. Essentially, there are three issues on public sector land progress. We have this ambition of 160,000 homes. We might come on to this but we have a similar ambition in terms of local authority land. I think you were asking about central work.

Bob Blackman: At the moment, yes; that is the key.

Gavin Barwell: There are three ways, I guess, of measuring this. The first method is, "How much land have you actually sold off so far?" and on that measure we have not sold off that much. Isobel will give you the figures in a second. These programmes are always back-loaded. This is one of the things I want to get into if I am doing this job for a period of time. Exactly the same is true of the affordable housing programme. The Government start a scheme; it is slow to get started. You get a heavy delivery right before the end of the programme, at the end of a Parliament. You then stop, and then start again. You always have that problem.

The second issue is how much of the land we actually identified and, actually, we are about 90%, but Isobel can give you the exact figures. There is then the risk level of that land: how confident are we that it is going to work? There is still a significant amount of risk there. The PAC, when it last looked at this, said we had made progress since the last time we reported in September 2015, but I will be absolutely honest with the Committee that there are still real challenges here. We are committed to doing it. We are making progress, but there are still challenges. I do not know if Isobel has the latest figures here.

Isobel Stephen: I have got the numbers, yes. The report was published last Monday: the annual report on the public sector land programme. As the Minister quite rightly said, the ambition is to release land for 160,000 homes. Because of the nature of the land that is being released, 55,000 homes will be on MOD land, for example. Operational decisions need to be made and implemented in order for that land to be released, so it is not something that you would expect to happen in the first year of the programme. It takes time.

The Ministry of Justice land, for example, is prisons and courts. Again, a series of operational decisions need to happen. In some ways you would expect a lot of the land to be released towards the end of programme; that is certainly what we saw at the end of the last public sector land programme.

At the end of Q2 of the second year of the programme, we have scored land for 13,817 homes and have forecast land for 131,675 homes, so that gives you a total, as the Minister said, of around 90% identified land for 145,492 homes, of which 42% we have classified as high-risk, as in there are things that could get in the way of that land being released.

We have gone through, over the last three months, a really intensive process of talking to each of the individual Departments about the specificities of each of their pieces of land they have identified for this programme. I am very confident that that is a realistic assessment at this point in the programme, but I am also confident that, as we go through and more decisions are made and we get a bit more certainty over some of those sites, the risk rating will come down, and that profile will start to look a little bit more positive because, clearly, 13,000 out of 160,000 is a very small percentage.

Gavin Barwell: Just to add two very quick points, there is a ministerial group that monitors this regularly. One thing we have changed that is really important is if you look at the last programme in the last Parliament, which actually over-achieved in terms of total amount of land released, we were not monitoring whether the homes were actually then being built. That is one of the things that we are now doing. We are going to do the best we can in doing it in relation to the previous programme, but we are absolutely doing it in relation to this programme, because the purpose of this programme is not just flogging off public sector land; it is getting homes built.

Q398 **Bob Blackman:** That is key. So the direct commissioning of building properties is still very much part of the programme.

Gavin Barwell: Yes.

Isobel Stephen: It would only be a proportion of that land. It would not be all of that land. We have talked about the accelerated construction programme delivering 15,000 starts during the course of this Parliament, but that is of the total of land for 160,000 homes, so it is a relatively small proportion, because we recognise that, although the land might get released, it will take time for those houses to be built.

Gavin Barwell: Some of that might be on local authority land.

Isobel Stephen: Some of it might be on local authority land, yes.

Q399 **Bob Blackman:** Sorry; you raised the issue then of also going to local authority land, where you have a similar type of programme. What is the stage of that?

Gavin Barwell: When I started the job and I was given the list of existing targets that I was meant to do, that was the one that really made me smile because, obviously, we do not run local authorities. We have a target for releasing local authority land. That is really about building relationships with them and putting in place proper arrangements to monitor what is happening, because at the start of the Parliament there may well have been some local authority land released that would count towards this but we just would not necessarily be aware of it. We are partly putting in place the arrangements to monitor what is going on, but the accelerated construction programme is a key vehicle for building relationships about that.

What has been really encouraging is that there is a lot of enthusiasm in local government about this. What the Secretary of State and I want to do, as much as we can, is build a political consensus around this strategy to get this country building homes, and we want to work with councils of all parties to do that. They absolutely also see their ability to build out homes quicker on the land that they own but do not need to use as a key vehicle for housing delivery. There is a lot of enthusiasm. The HCA are holding events across the country at the moment, are they not?

Isobel Stephen: They are. We have had a really good response, as the Minister said.

Q400 **Bob Blackman:** One final issue I will just raise, which SME builders in particular complain about, and that is that going through the planning permissions phases is one thing but it is the discharge planning conditions that actually prevents them building out. Have you any plans to speed up that process, because that really is the bit at the end that prevents development taking place?

Gavin Barwell: Yes. There are two main areas there. Partly, that is not the local authorities' fault because it is a resourcing issue. It comes back to the previous discussion we were having about making sure the local authority planning departments are properly resourced, so they can attach resource to this, but you will also be aware of the measures in the Neighbourhood Planning Bill, where what we are trying to do is to prevent the misuse of planning conditions and in particular pre-commencement conditions to slow things up.

Now I realise this is a controversial area. Not everyone agrees with that but there are absolutely circumstances in which pre-commencement conditions are the right thing to do and make sense, but there is definitely, I believe, also evidence that in some cases they are being used when they do not need to be used, and that is slowing things up. It is a mixture again of carrots and sticks: some extra money to give local authorities the resource to do a better job in this area but also trying to get best practice and stop things that are unnecessary that are slowing things down.

Chair: I am conscious of the time. I have three other Members who want to bring added points on this issue, so we should be brief if we

could.

- Q401 **Alison Thewliss:** Just briefly, I realise you might not have this to hand, so I am happy for you to write to me on this, but I am just curious about what the arrangement is for surplus land that happens to be in Scotland and how you divest of that, because there might be needs for housing in Scotland as well but there might not necessarily be the same processes that you have here.

Gavin Barwell: That is probably something on which I will have to write to you, because my responsibilities relate solely to housing in England, but if you look at the Departments that we are dealing with, MoD clearly would have UK-wide responsibilities. I would guess that MoJ and DfT and DoH are mainly England-only.

Alison Thewliss: I have surplus Department for Transport land in my constituency.

Gavin Barwell: That is interesting.

Alison Thewliss: I am curious about that and how that gets divested.

Isobel Stephen: The 160,000 number definitely refers to England only, so I will have to write to you.

Gavin Barwell: What I am certainly happy to do is look at what the position is where the UK Government have surplus assets in Scotland and what the relationship is with the Scottish Government in terms of how that land is released. We can drop you a letter on that.

- Q402 **Mary Robinson:** In terms of the “1 million houses” aspiration, 160,000 on public sector land and potentially more on local authority land is clearly very substantial. I am just interested in the status of it. Local authorities are busy drawing up their plans. Are these likely just to be coming along as windfall sites and opportunity sites? Are they over and above, or is there going to be a potential for local authorities to include these potentially in their plans—in other words, an indication that they may be becoming available?

Gavin Barwell: I do not know but I suspect it is probably a mixed economy. I suspect local authorities are very well aware of some of these sites and they are thinking about them in their plans already. Clearly, in order for us to be able to score them, we would have to have some confidence in the planning position of those sites.

Isobel Stephen: Just to be clear about the timescale, the 160,000 figure refers to land released for housing; it does not refer to houses built. They will be factored into plans, and a lot of work is going on at a local level with the HCA and others, but it would not necessarily have an impact on the 1 million homes within this Parliament.

Gavin Barwell: That leads me into the one thing I really wanted to say this afternoon. Where are we now? Is it three weeks on now from the White Paper?

Isobel Stephen: Yes.

Gavin Barwell: If there is one thing in there I would want to draw out a bit more than maybe was drawn out in the introduction, it is what we want to do once we settle the policy. What we want to do once we settle the policy is to have a place-based approach. I want to spend my time going out, sitting down with the political leaders and major developers in particular communities and saying, "What is the block here to getting more homes built?" The reason that is relevant to your question is while I would hope they know all about the sites currently in our programme, one of the things—because CLG does not just contribute to the programme through the HCA; actually, we have collective Government responsibility for it—is we still have to find some extra sites; we are at 90%.

What might be useful to me is sometimes to have an authority say, "Look, there is this site over here that is owned by this Government Department, which they are not using at the moment. Why is that not in the disposal programme?" That gives me some useful ammunition to go back and say, "What about that? Why can we not have that?"

It covers nearly all of the issues that you have raised with me this afternoon, but it is that kind of place-based engagement where we can say, "Why is this site not being built out? Is the problem that we have not delivered a critical piece of infrastructure that the developer needs to get it done?" Also, quite often you will hear local authorities say, "Look, we need Network Rail just to do this to unlock this site but we cannot get to anyone senior enough in Network Rail to unblock it." Clearly that is something, potentially, I can help with. That place-based implementation is going to be critically important once we settle the policy.

Q403 **Kevin Hollinrake:** There are some very welcome changes in terms of helping SMEs get land: 10% of sites for small developers, less than half a hectare, I think. The one about sub-dividing larger sites says, "Local planning authorities to work with developers to encourage the sub-division of large sites"; it sounds a bit woolly and non-specific. Is there going to be some real teeth to that proposal?

Gavin Barwell: We can reflect on what people say in response to the White Paper. There is always a balance here about how much you want to do in guidance, and pointing people where you want them to go and how much you think needs to be absolutely nailed down so that everybody does it. In every area of policy that your Committee looks at, you must see this tension between the right degree of centralism and localism.

What I would say is that we have talked today about the "S" bit of SMEs, but, actually, I am particularly interested in the "M" bit, because if you look at where there is real capacity to develop significant volumes of extra supply, many medium-sized developers have real ambitions to increase their output. Actually, that would give me quite big numbers. If I get some new people coming in building five homes a year, that is

important. Over time who knows? Those businesses that we have set up may go on and grow to become bigger things. However, in the first few years, the total number of that is not a huge aggregate, but if you can get someone who is currently doing 1,000 a year to do 1,500, those begin to be significant contributions. One of the things I say to councils is it is not just small-sized; it is medium-sized. It is actually thinking about people at every size of the industry and making sure you have an offer to everybody.

Chair: I am conscious of the time. We do not want to go on too far beyond 6.00, I am sure, for all of our benefits. We have about 10 questions and about 40 minutes. That gives an idea of how much time we will be trying to focus on.

Q404 **Helen Hayes:** I have a few quick questions on the role of councils and housing associations now. When will you give social landlords more certainty over their future income levels by confirming post-2020 rent levels?

Gavin Barwell: I do not have a timescale for that. If I did, I would have put it in the White Paper but I hope we can do it as soon as possible. There is clearly a tension in policy here whereby what the Government have done in terms of the rent reductions clearly helps in terms of deficit reduction, and it clearly helps in terms of the cost of living of people in terms of local authority and housing association rents, but there is a price you pay in terms of new homes being built. Everybody I have spoken in the local authority housing association world is very clear that certainty on this front as soon as possible will help them. I want to provide that certainty as quick as I can.

Q405 **Helen Hayes:** Partly of course it is about new homes being built, but it is also about the extent to which those organisations are able to provide high-quality services to their tenants and residents as well. Are you engaging with the sector on that and are you monitoring the extent to which services are suffering as a consequence of the reductions?

Gavin Barwell: Yes, I think there is a specific commitment in the White Paper; I am trying to find the page now. I think there is a specific commitment to engage: "The Government will set, in due course, rent policy for social housing landlords ... for the period beyond 2020 to help them borrow against future income, and will undertake further discussions with the sector before doing so". You are absolutely right in terms of councils' decent home standards. All of these issues are wrapped up there. I am sure you will understand why it is difficult, because it is never easy for Governments to be making commitments beyond the natural CSR timescale, but both in relation to this issue and in relation to the future Help to Buy post 2021, there is a very strong lobbying that certainty would be helpful.

Q406 **Helen Hayes:** It is difficult, maybe, but it is what we had before the reduction in the rent levels; there was a commitment that went beyond the CSR.

Gavin Barwell: Yes. What has happened rather illustrates the difficulty, does it not?

Q407 **Helen Hayes:** Do you have plans, as part of that process, to relax the restrictions on local authorities' housing revenue accounts in recognition of the role that they can, and many are very willing to, play in delivering new affordable homes?

Gavin Barwell: We are not in a fiscal position at the moment to do that for everybody, but there are a couple of points I would make in that regard. First of all, local authorities have a lot more freedom on their general fund, which is why the Housing White Paper talks very positively about local housing companies and the potential there for local councils to get involved in building more homes. On the borrowing caps issue, the Government did, back in their autumn statement 2013, make £300 million additional borrowing headroom available and, actually, less than half of that was taken up. That surprised me when I heard that, but I have checked and that is the figure.

The other thing that may be relevant, particularly to constituencies like your own, is that there is an offer in the White Paper for individual authorities to approach us over bespoke deals, particularly those that are in areas of really high housing demand.

The other issue that is relevant to this piece is I want to look at the rules in relation to right to buy receipts. You may have different views on the principle of right to buy, but my own view is that right to buy is a good thing but is only politically justifiable if I deliver a replacement. At the moment, you will be aware that the policy is that, in terms of the additional sales as a result of the reinvigoration, we have three years to do replacement. At the moment, we are delivering on that but the projection suggests that, in the future at some point, we will not be. Therefore we need to look at what we can do to make sure that we get those replacement homes.

Q408 **Helen Hayes:** Just on that, given that there is clearly some flex on the policy around the borrowing requirement, would not creating a coherent framework for local authorities to be able to borrow more against their existing stock and their existing income send out the right message to local authorities that the Government are supporting them, wherever possible, to deliver as much new council housing as possible?

Gavin Barwell: I would obviously like to be as helpful as I can. The Government remain in a difficult fiscal position, and I would gently say to the Committee that if you look at the autumn statement, on housing we saw £2.3 billion on the infrastructure fund; we saw another £1.4 billion for the affordable housing budget; we saw £1.7 billion on the accelerated construction programme. The overall housing capital budget is going to double over the course of this Parliament. I do not think there are many Government capital programmes that could say that. While I am never averse to going back to the Chancellor and saying, "Please, sir, can I have some more?" I think we should put on record that this Chancellor has put significant additional resources into housing supply.

Q409 **Helen Hayes:** On the subject of local authority housing companies, the Chairman of the HCA told the committee that the HCA has identified 160 different housing companies, and the main motivation for councils to set up housing companies is to deal with the rules on borrowing and with the rules on funding. Is it really your view that this is the most efficient and effective way to deliver, essentially, new council housing?

Gavin Barwell: I am not sure if I agree with you on that point. I do not think that is the main motivation. It is one of the motivations, certainly, but, actually, what I detect is that many local authorities want to get back into the building business. They do not just want to deliver the large mono-tenure estates of the 1950s and 1960s. They are interested in building housing of lots of different kinds, and in particular doing market for-sale and market rent as a way of potentially funding additional affordable provision as well. I think often they are also interested in providing some accommodation that they can use to help them discharge their duty in terms of homeless families. We both represent constituencies where there are real pressures in that regard. I am not sure that I would accept your premise that the sole reason councils are doing this is to get funding.

Q410 **Helen Hayes:** They cannot get funding from the HCA if they do not do it in that way. There is one approach, which is funding from the HCA and then working in partnership with a range of other organisations to deliver the balance of other types of housing. There is another approach that says, "Unless you do this we will not give you funding from the HCA." That makes it very, very difficult for them, does it not?

Gavin Barwell: My contention is that, actually, it is not just driven out of necessity. I think there is a positive enthusiasm to deliver mixed communities and for councils to build homes of all different types of tenures. If they were doing it out of their HRA, they would just be building traditional council homes there, so they get more flexibility doing it, not just in terms of borrowing capacity but in terms of the mixture of tenure they can build when they do it through local housing.

Q411 **Helen Hayes:** Are you monitoring the quality of those companies and the extent to which they are able to access the skills, the expertise and the capacity that they need to deliver? Is there a risk that some of them, just simply on a function of scale, will not be able to access the quality of support that they need?

Gavin Barwell: That is something I may be looking at. I actually had a meeting earlier today with some officials, talking about that, and have asked for a report on what we think are the best practices out there around the country and how we can spread that best practice more widely. From an ideological point of view, the Government want to see as many different organisations as possible in this country get involved in building homes. I have no problem at all with councils building homes. The job required to be done is huge and the more people who get involved in helping out to do it, the happier I am.

Q412 **Kevin Hollinrake:** I want to ask about SMEs, in terms of finance this

time. The home building fund is £3 billion; about £1 billion, I think, is to help SMEs.

Gavin Barwell: That is right.

- Q413 **Kevin Hollinrake:** Will that work in practice? We have had some contradictory evidence that it is very bureaucratic, some of that, in terms of the strings attached to that money in the past.

Gavin Barwell: I am sorry to hear that. That is not the general feedback I have had. In the past, yes, because in the past—and Isobel may be able to fill in some detail—the HCA had a whole load of different schemes that were targeted at different kinds of projects of different size of organisation, but the whole idea behind the building fund is to wrap that into one programme. As you say, it is a £3 billion fund, and it is basically separated into two programmes. One is to deal with larger, brown field sites and help bring them into use, which helps a little bit with the green-belt debate we were having earlier, but the other £1 billion is both for SMEs and for innovators—for the people who are using modern methods of construction, essentially. Certainly from the meetings I have done around the country over the last week, I have had some really positive feedback about the HCA and this new programme, and that it is a lot more simple and flexible.

Isobel Stephen: I certainly accept your characterisation of the predecessor funds that fed into the home building fund, and that is why we changed some of the rules around it. Whereas previously there were a series of different funds, all of which had slightly different sets of criteria attached to them, and different points at which they opened and closed, and different points at which they were available, now we have amalgamated those into a single fund, and we have it on a continuous rolling basis, in order to make it more flexible. As the Minister says, the feedback has been really excellent. It was launched in October and we have had over 1,200 enquiries over that period since October, more than 90% of which have been from small and medium-sized enterprises. It feels like we are targeting the right set of people.

- Q414 **Kevin Hollinrake:** I think it was Devonshire Homes that said in evidence, about a previous iteration, “Your money came in last and it came out first”; that was one of the expressions I think they used, so it was quite difficult to work alongside a normal development timeline.

Isobel Stephen: Evidence such as that you have just cited has led us to change the way we put the programme put together, but we obviously want to make sure that it is responsive and it does help people to come into the market and to build more homes. If more evidence comes to light, we would really like to know what the feedback is.

- Q415 **Kevin Hollinrake:** A lot of SMEs do not want to go to the HCA or the fund you set up. They want to use their own commercial lender, a high street bank, and still that is proving very difficult for some lenders with some developers. Is there anything more we can do to encourage commercial lenders?

Gavin Barwell: We have a regular dialogue with the lenders over a number of issues. We have particular products like custom-builds or shared ownership or starter homes. We want to make sure that they are lending on those products, but we are obviously also interested to make sure they are lending to viable propositions from SMEs in terms of building new homes. It is a good illustration of this point I made at the start about having to build a very broad coalition of people. If we are going to get this job done, the lenders are part of that, so we have a regular dialogue with them.

We actually had a meeting today with a medium-size developer who was expressing frustration with a particular bank that their business banked with, who had refused to loan. They had gone to various other banks and been offered propositions, and they wanted to understand why this particular bank, in which the Government still has an interest, was not being sympathetic. I will take that up with them. There is an ongoing dialogue we have there and we want to make sure that the lenders are playing their part in the overall strategy that we have.

Q416 **Kevin Hollinrake:** On accelerated construction, again talking about SMEs, what is the difference between that and direct commissioning? Are there any principal differences between them?

Isobel Stephen: Direct commissioning was the predecessor to accelerated construction. Accelerated construction builds on the ideas we had in direct commissioning and takes them a bit further. The first pilot of direct commissioning is also an accelerated construction site, which is in Graylingwell, near Chichester. We are at the point of signing an agreement with a developer for that site. It is not public yet but we are hoping to be able to talk about that soon.

Gavin Barwell: We inherited a situation, when the Secretary of State and I were appointed, where there were a number of pilot projects. We have run that up into a scheme.

Isobel Stephen: A larger programme.

Q417 **Kevin Hollinrake:** Did any learning come from the pilots? Was there anything you could tell was a mistake or we should do it this way? Were there some specific outcomes from those pilots?

Isobel Stephen: I do not think we got far enough with any of the pilots to be able to work that evidence in but we are definitely looking to learn from the programme as we go forward.

Gavin Barwell: We could have sat and waited for a year and a half or two years, but we felt there was enough merit in this idea that we wanted to get on with it. There is a tension here about how long you spend assessing things. There is an urgency, in my opinion, to get on and build more homes, so we listened. We were briefed, when we came into office, on, "This is the pilot project", and we thought, actually, that sounds like a pretty compelling proposition. We do not want to wait for two years; we just want to get on with it.

Q418 **Rushanara Ali:** What, Minister, are you doing to overcome the shortage of skilled workers in the building industry, given the report that some 400,000 workers can be expected to retire over the next five to 10 years, and also some of the regional disparities? Today, there has been a piece in the *Standard* about London and the effects of migration. A quarter of workers in London are EU migrants and the uncertainty over their status is potentially going to undermine the plans for house-building in London. Could you set out your strategy in general and then specifically in relation to this issue to do with London?

Gavin Barwell: Did you say a quarter?

Rushanara Ali: Yes.

Gavin Barwell: My perception would be that on most building sites in London the figure is significantly higher than that.

Rushanara Ali: So an even greater problem than the Mayor of London is suggesting.

Gavin Barwell: It is a very good example of how the situation is so different, because one of the meetings I did earlier this week was up in Gateshead. I visited a building site there and asked about it and they looked at me blankly and said, "No, we do not have any eastern European labour." It is one of those situations that is variable around the country. I will try to be quick, but this is quite a big issue and there are a number of different strands at work. First of all, we need to get the industry to do more. It is an industry where there is a lot of sub-contracting and we need them to take more of the share here. The apprenticeship levy is clearly highly relevant.

Secondly, we need to think about the Government's own support work. We are reviewing the construction industry training board. We need to think about the route into this profession. From September 2019, DfE is going to introduce a new pathway into construction. I would be very interested in your Committee's thoughts. I do not know whether you have talked to the Education Select Committee about this, but a lot of the feedback I get is, if you look at our FE sector, quite often there is not a great correlation between the courses it is offering and the needs of the local economy in that area. So how do we get more of our FE sector promoting construction as a career going forward?

Modern methods of construction is very interesting, because that is a way of building homes with a different skillset, so that is part of the answer here. Clearly, the status of existing EU migrants in the country is highly relevant, given the statistics you were quoting, and then in terms of the new immigration policy that we set, as we negotiate our new relationship with Europe, we need to make sure that, despite all the efforts that we are making to encourage more people in our own country to go into the industry, if there are shortfalls we need to be able to make sure we can access the skills we require. It is a very good question; there is a big issue there.

Q419 **Rushanara Ali:** Minister, you very effectively address some of the issues but you have not answered my question, especially on the current state. Are you making representations to the relevant Ministers about this issue, about the current situation?

Gavin Barwell: Yes, absolutely. David Jones and I had a joint meeting with the sector about this. It was not just to look at this particular issue, which is definitely an urgent and important one, but to look more generally at both the difficulties and the opportunities from Brexit in terms of the house-building industry. We had a fantastic two hours, spent with people from all different parts of the house-building industry, to properly understand this issue and how we address it. Absolutely, we talk to our colleagues in DExEU about this regularly.

Q420 **Rushanara Ali:** If there is a mass exodus, if you like, what will be the effects?

Gavin Barwell: I do not really want to speculate on that, because I do not think that is what is going to happen. The Government are very, very clear that our objective, as soon as we get the negotiations under way, is to secure the status both of British citizens in the EU and EU citizens here. They make a huge contribution to our country, to this particular industry, and to the objective that I am trying to meet, but more generally to our society, and we are very keen for people who are living here and working here to stay here.

Rushanara Ali: I am sure they will be relieved and reassured to hear that.

Gavin Barwell: It is an incredibly disruptive period for people, and that cannot be said loudly or often enough.

Q421 **Rushanara Ali:** On your point about FE, as you know, the FE sector has taken a massive hit in terms of funding cuts and also the cap on funding post-18. If you slip a year you do not, for all sorts of reasons, get the same opportunities that you used to. A lot of change in FE is working at odds with what you are describing. Again, certain sectors and certain parts of the country are suffering very dramatic cuts in adult education.

On the one hand, you are right to point out that this is the area where there are opportunities but other parts of Government have already made significant cuts. It does feel like, although you started out at the beginning of the session on joined-up working, it is in fact quite the opposite. You are now going to have to reintroduce courses and reintroduce funding streams to be able to invent a new pathway, which, frankly, should have remained. Is that a source of frustration for you?

Gavin Barwell: No, I am not sure I would accept that.

Rushanara Ali: It is for me.

Gavin Barwell: I certainly accept your point that we had to make some difficult decisions on public spending post 2010. That is undeniable. But I am not sure I would accept your premise that we are reinventing a pathway. The evidence I get from industry is that, historically, we have

often had courses put on at FE institutions that have not properly prepared people to come and work in the industry. What we are trying to do with this work is to involve the industry in designing the courses, so that we are producing people with the skills the industry is looking for. One of things I see in my own FE college, and I guess it is probably replicated in yours, is that the apprenticeship levy and the growth in apprenticeships is a real growth area in FE. I am not denying for a second that there have been difficult decisions that colleges have had to make but, actually, they are now growing in this area.

Q422 Rushanara Ali: My FE college has had to merge with another one because of the very aggressive cuts, and others have as well. The idea of looking at the education and training sector is important. It is worth looking at. Your point about FE not being fit for purpose for this sector is unfair because, actually, they have done a great deal of work and some of them have suffered because of funding cuts. I am not saying that that is the only reason. It is really worth looking at that systematically and making sure you do get the joined-up working that is required across Departments, because where some of that did exist, it has been disrupted by the recent changes that have happened.

Gavin Barwell: We probably have not got time to go into this in great detail, but one of the things I would say to you is the fact we have an industry that is so heavily reliant on imported labour suggests that we have not, as a country, been doing a good enough job—you can look at this two ways—at either in encouraging our young people to go into this industry or putting the right kind of provision on that gives them a pathway to get into the industry.

I am completely with you about the importance of ensuring that we retain the people we have working in this industry, but I believe we can do a better job of encouraging our younger people to go into it. Clearly, one of the things the White Paper is trying to say to young people is this is a real growth industry. This is an area where the country is going to be putting on a lot more resource for a sustained period of time and should therefore have lots of attractive careers for you.

Q423 Melanie Onn: You are very keen on modern methods of construction. I have asked you a question in the House and you referred to it as the Government seeing that as a panacea. Do you think that you are putting all of your new-homes eggs into a brand new modern methods of construction basket?

Gavin Barwell: No, I do not think there are any panaceas. That is one of the consistent things I say everywhere I go. There is not one thing you can do that will deliver all the homes we need on its own. I think this could be part of the answer for several reasons. Partly it is attractive because it allows us to get the homes built more quickly and that is part of the strategy, as I was saying to Mr Prisk earlier. Partly it is because—coming back to Ms Ali’s question—it allows us to build more homes with a different skillset to traditional construction and therefore helps us to address the skills challenge that we face. Partly it is because in some of

the particular sectors that we are interested in, this is going to be particularly attractive. We have not really talked much today about build to rent, about institutional investment in building new private sector homes or about custom-build, but those are definitely two particular sectors where modern methods of construction might be particularly attractive, and in terms of building affordable housing for rent as well.

Q424 Melanie Onn: When I asked you the question, I highlighted the figures for the shortage that had been highlighted by the construction industry. Do you think that the numbers of new homes that will be built by these modern methods will eradicate the skills shortage in the rest of the construction industry?

Gavin Barwell: Not on their own, no, but they can be part of the answer. The things that we were just talking about in the previous question are also necessary, but they will help.

Q425 Melanie Onn: We also have some evidence from Pocket Living that the advantages of modular and off-site construction are programmatic and rely on a steady flow of orders of identical units, so that industry needs some stability in demand. What do you think the Government can do to give some reassurance about stability, not only in demand but also in the supply chain?

Gavin Barwell: What Pocket Living have said to you is spot on. I actually got asked a question about this in the House today. If, basically, we want people to build these factories—and this term, “modern methods of construction”, encompasses a number of different techniques, but they all broadly rely on some degree of factory manufacture—they have to have confidence that they have the supply and a stream of work to justify that capital investment. Therefore, that is what we are trying to achieve through a number of our programmes. There is the Home Building Fund; the £1 billion part of that is for investment in modern methods of construction. The same is true of the accelerated construction programme; that is one of the objectives of that programme. Our Build to Rent programme as well is another way we think is a real opportunity to provide a pathway of work. The evidence you were given there was spot on.

Q426 Melanie Onn: Do you recognise there might be some challenges, if there are significant numbers of new properties built using these modern methods of construction, in terms of them being able to access mortgages for those properties? I am very conscious of time, so I will wrap multiple questions into this one, if that is all right. If you do recognise that, do you think that there is a standard accrediting system that could be applied that would give confidence to lenders and also to purchasers? How would you envisage that working? Is that something that Government could provide or Government could give a framework for and support?

Gavin Barwell: That is another very good question. We have a critical role to play there. We have a dialogue with the lenders, as I was saying earlier, and this is one of the things we raise with them. The White Paper

flags up a really important announcement we have just had, which is Virgin Money entering this market, which is really good news. We want to encourage others to follow.

We have something called the Buildoffsite Property Assurance Scheme, or BOPAS, as it is known, which is about trying to provide that quality assurance that you are talking about, in order that lenders can have confidence that these are not just temporary homes, but that they are long-term homes that people can feel secure in, and that dialogue with the lending industry is important.

Isobel Stephen: I just wanted to illustrate the point that the Minister made about the diversity of the MMC market. The number of BOPAS approved schemes already stands at 14 and there are another eight in the pipeline. It is not like there is one modern methods of construction, which is, as you say, putting all your eggs in that basket. There are lots of different things that can complement the traditional means of building homes.

Gavin Barwell: I am conscious that time is pressing, but there is a really interesting point here. Broadly speaking, we still build homes in the same way that we did 100 years ago. If you look at construction as an industry, productivity growth is well below what we have seen across the general economy. Trying to do something about that has got to be part of the plan.

Q427 **Melanie Onn:** Do you think doing something different will inject greater productivity?

Gavin Barwell: Yes. We want to encourage innovation, essentially. One of the ways you drive productivity in any industry is by encouraging innovation. This is an industry where, frankly, things have not changed a lot. People would say that themselves

Q428 **Melanie Onn:** Is that just because consumers quite like traditional methods of building?

Gavin Barwell: I am not sure that that is necessarily the case. It is partly because you have not had a highly competitive industry. Because the industry has this dominance of a small number of big players, you do not see the same innovation. If you think of some other sectors of the economy, where you have new entrants coming in all the time doing things differently, that tends to be how the economy works. It tends to be where you see more innovation.

Q429 **Melanie Onn:** If the housing market is currently broken, what does a housing market look like when it is fixed?

Gavin Barwell: Long term, a fixed housing market is one in which a far greater proportion of people can afford their own housing solutions. If you look at the moment, the ratio of median prices in this country to median earnings is eight to one.

Q430 **Melanie Onn:** Would that involve the average age of becoming a

house-owner being much less than the average of 38, because I have managed to make it into the House of Commons before most people out there have made it to owning their own home.

Gavin Barwell: A lot of the civil servants who work for me are in exactly the position you are in. We have a housing market in this country where large numbers of people are priced out. You can look at this at several different levels. You can look at what age people are able to leave their parents' home and get a place of their own, but you can also look at some of the more dramatic effects of it. It used to be the case that the main reason people became homeless was relationships break-up, or fleeing abuse or something. The main reason now people get accepted as statutorily homeless is because their private sector tenancy ends and they cannot find anywhere else to live in their local area. The consequences of this broken housing market are clear.

If you are in my job, you have to be honest that this going to take time, and that is what the fourth chapter of the White Paper is all about: to say that if the Committee accepts that chapters 1 to 3 are going to work and we are going to get a step change in supply, we will have to build at that level for a number of years before we really see an impact on affordability. We just have to be honest about that and, in the interim, we will have to carry on helping people in all the ways we can. That is certainly what the long-term ambition is, and that is why it is important to build a consensus, because it is not something you are going to do in the next three years of this Parliament.

Q431 **Mr Prisk:** If I could just follow on the modern methods of construction conversation, you have talked about the role of Government to intervene to help underpin the mortgage market, as it were. I am hearing from the insurance industry concerns around the combination of modular construction for taller buildings in the sector for build to rent, whereby of course there is a different tenure and it is sometimes unfamiliar. Quite naturally, there is not a proper reinsurance market operating. Is that something the Government are aware of, and is it something, as with the mortgage market, you are interested in helping to underpin?

Isobel Stephen: That is not something we have looked at specifically but we certainly can. We have explored a number of different issues in relation to build to rent, to do with the finances of institutional investors that want to invest in that sector and trying to take away the barriers, If insurance is another issue, that is certainly something we can look at.

Q432 **Rushanara Ali:** One very brief final question, which is about quality, Minister. In one of our previous sessions, there was a discussion about certain developers who build different kinds of properties and then people who bought them as shared ownership owners, such as young professionals, end up battling away trying to rectify the problems. The current systems, regulations and guarantees are just not adequate. Given the scale of what is about to happen, which is encouraging in terms of house-building, how confident are you that you have that covered?

Gavin Barwell: That is definitely something we are looking at. If I was going to write down my list of challenges, one of the difficult things in any industry is, if you try to push really hard on supply and quantity, how do you make sure quality does not suffer while you are doing that? That is a really important question. We have this report I referred to earlier from the all-party parliamentary group on excellence in the built environment that proposes an ombudsman as a solution to this, and that is something we are looking at the moment.

Q433 **Rushanara Ali:** I would just remind you that when we had the compulsory competitive tendering of the 1980s, the consequences were very expensive for the taxpayer. They were dire. The then Labour Government had to introduce quality into the 1999 Act. We just need to build on this focus around quality, because, if you do not, it just ends up costing the public a huge amount of money. It is not something that can be fixed afterwards, especially when it is structural.

Gavin Barwell: I broadly agree with that. We need both; that is the difficulty. We must find a way of driving quantity up, but we have to make sure we maintain or possibly improve quality while we are doing that. Just to come back to Mrs Robinson's point, one of the things the White Paper is trying to say is we tend naturally in politics to fixate on the total national number, but the really important issue here is making sure we build the right number of homes in the right parts of the country. Because the housing market is so different, we should not pretend that building a load of homes in one place where there is not high demand somehow solves the problem, because it does not.

Q434 **Chair:** You talked about fixing the housing market and then keeping it fixed. The construction industry is cyclical, and always has been, and one of the dangers is that when you hit a bit of a downturn, you never get the capacity back again. When you get in the upturn, you lose labour; you lose firms. Have you thought about anything the Government can do in a counter-cyclical way to deal with that eventuality, which will happen at some point? You do not want to undo all the good work you have done in the meantime.

Gavin Barwell: There are two things. Obviously the first thing is to make sure the country learns the macroeconomic lessons of what we went through in 2008 and 2009, and we try to make sure we avoid bubbles in our housing market and more generally in our economy, and we try to run the economy in a more stable fashion. Obviously, one thing we should not make the mistake of doing is repeating Mr Brown's declaration, "We have abolished boom and bust." There is always going to be an economic cycle, so your question is a valid one. One of the things is that the affordable housing programme is a counter-cyclical measure.

It is not the main reason, but one of the reasons that having an affordable rent contribution in the affordable housing programme is important is that it is counter-cyclical. Coming back, you were pressing us a bit on the mixture of different tenures that we might have with that

programme; that mixture is likely to change if the economic position of the country changes in terms of that mix of tenure. That in itself is part of the counter-cyclical policy.

We can also think of some of the other things that we are doing in terms of broadening the people involved in the supply of housing, so build to rent as a product is likely to be a bit less cyclical than market sale housing will be. To me, it is a little bit of, "Do not put all your eggs in one basket". You want a diverse housing market where lots of people are involved in supply and the mixture of what you get at different times will probably vary depending on where you are in the economic cycle.

Chair: We probably have not touched on every single issue in the White Paper, but we have certainly covered quite a few of them today. Thank you very much for coming to give us evidence on a broad range of issues. That has been very helpful to the Committee.

Gavin Barwell: Thank you for your questions; they are much appreciated.

Chair: That brings us to the end of the public proceedings for today. I will see you all tomorrow morning.