

Communities and Local Government Committee

Oral evidence: Housing need and the NPPF, HC 494

Wednesday 1 November 2017

Ordered by the House of Commons to be published on Wednesday 1 November 2017.

Watch the meeting

Members present: Mr Clive Betts (Chair); Bob Blackman; Helen Hayes; Kevin Hollinrake; Fiona Onasanya; Mr Mark Prisk; Mary Robinson; Liz Twist.

Questions 1 - 93

Witnesses

I: Alok Sharma MP, Housing Minister, Department for Communities and Local Government; Sally Randall, Director of Housing and Support, Department for Communities and Local Government; Simon Gallagher, Director of Planning, Department for Communities and Local Government.

Examination of witnesses

Witnesses: Alok Sharma, Sally Randall and Simon Gallagher

Chair: Minister, thank you very much for coming to give evidence to the Committee today on housing need and the NPPF. You are most welcome. I would just ask Committee members to put on record any particular interests they might have that are relevant to this session. I am a Vice-President of the Local Government Association.

Liz Twist: I am a member of Gateshead MBC.

Mary Robinson: I employ a councillor in my team.

Helen Hayes: I employ a councillor in my team as well.

Mr Prisk: I have a local plan examination in public—live now—in my constituency.

Bob Blackman: I am also a Vice-President of the LGA and have a small property portfolio.



HOUSE OF COMMONS

Q1 **Chair:** Minister, thank you very much for coming. Perhaps you could just introduce your officials as well.

Alok Sharma: Yes, of course. Chair, it is an absolute pleasure to be back in front of the Committee. Hopefully it will be an enjoyable session. That is what I am here for at the start; I hope that will still be the same at the end. We have Simon Gallagher, who is a director in the department, focused primarily on planning issues. Sally Randall is also a director, who focuses on issues to do with the private rental sector, leasehold and all of those matters. These are the issues you may predominantly want to discuss this morning, as well as others.

Q2 **Chair:** Thank you very much for that. Minister, would you agree that uncertainty is one of the major factors that could delay development and cause us to build fewer homes than are needed?

Alok Sharma: What are the uncertainties, Chairman?

Chair: Uncertainty in general could be a significant factor in reducing the amount of development that takes place.

Alok Sharma: Yes, as a general point, uncertainty is not good in any circumstance, particularly in terms of the building of new homes. I am sure all members of the Committee have been through the housing White Paper and looked at the proposals. My own personal view, although I was not involved in preparing it, is that it is a very good blueprint. What we are doing now is going forward to implement much of what is in the housing White Paper, which will hopefully provide certainty within the planning system and additional funding to make sure more homes are being built.

Q3 **Chair:** I understand that the Government believe that they are going to improve policies to enable more homes to be built but, while that is happening, there are so many issues around in terms of proposed changes to policy and consultations, whether they are on the methodology of housing need, changes to the NPPF or looking at the house buying and selling process. There is one consultation and one policy announcement almost every week, it seems. Does that not, for the next couple of years, lead to the sort of uncertainty that could have a reverse effect to what the Government are intending?

Alok Sharma: Chairman, I hope that is not the case. It would be unfortunate if that was a view that people were forming. Ultimately, we have set out a large number of these proposals in the housing White Paper. Quite rightly, the Committee and others would also be asking why we are not getting on with implementing those. The reality is that a lot of what we have proposed requires consultation and changes in regulation but, ultimately, our view is that, as a result of this, we will have a better system delivering more homes.

Since we talk about the planning system, my officials have been working very hard in terms of a revised NPPF. The draft of that will go out to



consultation and then come into force later on next year. We would expect that to happen early next year, in terms of the draft going out for consultation, so there is a lot of progress being made. Today, we have also published the draft Bill on banning letting fees, which the Committee may have seen. There is a lot that is going on, which I hope will lead to a housing market that is considered fairer, but will ultimately lead to us delivering more homes.

Q4 Chair: Have we reached the end of proposed policy changes now?

Alok Sharma: We have been doing quite a lot and there have been a lot of announcements, but it is fair to say that many of these announcements have been hugely welcomed, both by potential home buyers and tenants, as well as those who are on the side of selling or letting agents. If I can give you a couple of examples of recent big announcements, the changes to the private rented sector were announced a few weeks ago. Those have been universally welcomed, ensuring that we work on proposals to make sure that landlords are able to deliver longer tenancies, that we consult on housing courts and that landlords are required to be part of a redress scheme. These are all measures that are being universally welcomed, as well as the recent consultation on letting and managing agents. I would say, Chairman, while I accept that we have been doing a lot, I hope that demonstrates a sense of purpose and direction in the department to get on with the job at hand.

Q5 Liz Twist: The proposed methodology makes an adjustment for affordability in the local housing market, proposing more housing for areas where affordability is worse. Will building more homes in expensive areas increase home ownership, if the cost of these homes puts them out of the reach of most buyers?

Alok Sharma: What I would say, Ms Twist, is that the fundamental starting point—and I think we all agree on this—is that over decades successive Governments have just not built enough houses. If you look at the housing White Paper, we have not pulled any punches. It is actually titled, *Fixing our broken housing market*. The fundamental starting point has to be that we need to build more houses. In the housing White Paper, we have talked about around 250,000 to 275,000 a year.

The perspective that we have taken in terms of the formula is that, if you have average house prices in an area at four times average salaries, it makes it affordable to buy a home. Anything above that impedes the ability of people to buy. Our view is that the whole process and this new approach in looking at housing needs have to be based on an honest assessment of where homes are needed and how many are needed. Of course, it is only a starting point and that is where we are at this point, but our view is that building more homes in areas of need is right.

Q6 Liz Twist: You think there is a direct correlation between the numbers of



homes that are available, the cost and the affordability in relation to income.

Alok Sharma: I would say there is a clear supply-and-demand relationship, yes.

Q7 **Liz Twist:** Is there not the possibility that some of those homes may be beyond the reach of people on lower income? How could you address that issue?

Alok Sharma: If you look at affordability in parts of the south-east and London, it is significantly above the eight times average across the country. What are we doing in terms of helping those who need support? A few weeks ago, we announced an expansion of the Help to Buy scheme—another £10 billion. The current Help to Buy equity loan scheme has already assisted around 134,000 people in buying a home and the extra £10 billion will help another 135,000. That is one very clear way of helping first-time buyers. If I think historically of what have been the statistics on people who had made use of Help to Buy, over 80% have been first-time buyers. Over 80% have said that they would not have been able to afford to buy the home that they bought without the scheme. Some 39% of them have household incomes of £40,000 or less. I would say that, as a scheme, it has not only delivered more homes, but also made it more affordable for people to buy homes.

Q8 **Helen Hayes:** The formula, broadly speaking, takes the status quo in terms of councils' targets and then builds from there. We have had a period of time—the last seven years or so—where councils have played the larger part of the role in setting their own housing targets. How can it be the case then that that starting point for the new formula does not simply reinforce the position of ambitious councils that have been doing their best to provide new homes, but fails to address the imbalance of poor-performing councils that have not wanted to acknowledge local housing need to its maximum extent and have not been proactive in either identifying that need or doing anything to address it?

Alok Sharma: What I would say to you is that, if you look at the formula, it comes up with an amount annually for housing need that is based on projected household growth in a particular area. We are talking about the extra homes that are needed for every year going forward. There is an adjustment formula that allows for the fact that, in any area where affordability is worse than four times average earnings, that is reflected in the amount of homes that are being delivered through the formula. Clearly what we are doing with the consultation that we have put out there is also saying to local councils, "Look at what you have delivered. Look at the new methodology that is being proposed". I just want to be clear that what we have not said is that the new methodology is the only methodology. It is still possible for councils to come up with a methodology, but that would have to be tested. When the plan came for examination, it would have to be tested very carefully. For us, the



starting point has been looking at the future and what the housing needs are going forward, based on household growth.

Q9 Helen Hayes: Is there not something deeply counterintuitive about a formula that, the modelling says, results in a reduction in the number of new homes required in the north of England? For example, it generates outcomes in one of the boroughs that I represent a part of, Southwark—already one of the most ambitious boroughs in the whole country, as far as housing delivery is concerned—such that it is now required, under this plan, to deliver 75% of the number of homes of the entire city of Birmingham. I do not see how that is not a counterintuitive plan and how we do not need a formula for new housing targets that is based on the strategy for economic growth in the north of England and for addressing some of the imbalances, rather than just accepting them and building on them.

Alok Sharma: I will ask my colleague Mr Gallagher to come in in a minute. I want to be clear that this is not some sort of top-down target that we are imposing. Indeed, when we published this consultation, I had a conversation with a number of the mayors in the north, and I explained that, actually, this is a starting point. Clearly if, based on economic growth and jobs growth forecasts, local areas want to be a lot more ambitious than these figures, we would very much welcome that. If they believe that the homes that they want to build can be sold, which will be driven by economic growth, that is a very good thing. Of course, we have an industrial strategy that wants to reach out and make sure that we are equalising growth across the country, so we will see more growth coming in these areas.

Q10 Helen Hayes: It does not seem very joined-up, Minister. The strategy for ambitious economic growth and the strategy for housing targets seem to be missing each other.

Alok Sharma: I hope not; that is certainly not what we have intended. We have intended to address the whole issue of affordability, but we have also said very clearly that it is up to local areas. If they want to build more homes in the north, then they should. Of course, we are having discussions with ambitious areas in the north, in terms of local deals with councils, and we want to encourage that. We have just closed the bidding process on the Housing Infrastructure Fund, which is £2.3 billion, to unlock housing across England and we have had bids from across the country, including the north. Mr Gallagher, did you want to comment?

Simon Gallagher: I was just going to add two points to that, if I may. The first point is what we have proposed is a formula, rather than a set of numbers. As economic growth and household dynamics change in parts of the country, the formula will adjust automatically alongside that. As economic growth in the north advances in line with our industrial strategy, as the Minister expressed, then the numbers will change according to that. What we did not want to do is go ahead of the market and risk disturbing local market conditions.



HOUSE OF COMMONS

The second thing, perhaps in response to your first point, is that we set out transitional arrangements for the introduction of new local housing need arrangements in paragraph 53 of our consultation paper. We started rolling this out to those local authorities that do not have a local plan in place first. Those that already have a good local plan in place, which is meeting housing need and has been produced in the last five years, have until their next local plan review until they produce another plan that uses the standard methodology.

Alok Sharma: Just building on that point, there will be areas that will come forward with a plan for examination before April of next year. Obviously that will be examined on the figures and methodology that are in place in those plans.

Q11 **Helen Hayes:** Can I ask what support you will be providing to councils that will see a large increase in their estimated housing need, as a consequence of the new formula?

Alok Sharma: In terms of the support we are providing, I can split it into two bits. I talked about the Housing Infrastructure Fund itself, which is £2.3 billion. We have also put forward new money building on the £7 billion already in the affordable homes fund, with another £2 billion on that. We have also given rent certainty to the social sector, in terms of an increase in rents of up to CPI plus 1% from 2020. I have to say that, actually, that has been very welcomed by the sector. What they have said is that this certainty allows them to talk to their lenders. I would expect that, as a result of this, they will perhaps look to build more homes than they had originally anticipated.

Q12 **Mr Prisk:** Can I just follow up on the economic and housing numbers? What is the logic where the Greater Manchester authorities are clearly more ambitious than the newly revised methodology for housing numbers? Which will win out and where does that place the legal status of such a plan? After all, if developers have bought land around Greater Manchester, for example, they have made plans on the basis of the legal documents before them and now there is an alternative methodology. You have said that it is not the only methodology. Where does that leave both the developers and those trying to build the homes greater than the OAN numbers you are now proposing?

Alok Sharma: As I hope we have explained, this is a formula and numbers can change. Ultimately, they are not top-down targets we are looking to impose. It is up to local areas to decide what numbers make sense for them. I go back to the point that, if an area like Manchester wants to be ambitious, we very much encourage that. If they believe that the housing can be supported by local economic growth and increases in employment, again we welcome that. From our perspective, what this is doing is about putting in place a methodology. If you look at what we have heard in the recent past through the local experts group and others, there has been a feeling that there should be some standardisation here, in terms of how we look at housing needs. Mr



HOUSE OF COMMONS

Chairman, you talked about uncertainty and the amount of time it takes to get housing going. It is the case that, if you have different methodologies being used for calculating figures in your SHMA, as happens currently, it means delay and more cost for taxpayers, at the end of the day.

Q13 Mr Prisk: Presumably, therefore, where local plans are already set, inspectors will not automatically revert to the new methodology.

Alok Sharma: No, they will not. I just want to reiterate this point. I suspect there are plans that will come forward for examination before April 2018. Those plans will be assessed on the methodologies that are in those plans, as opposed to being asked to revert to the methodology.

Simon Gallagher: Just to build on that, if I may, Minister, the document that has legal force in the area is the local plan. Decisions that are taken locally should be in line with the local plan, so it is the local plan, which has been examined, inspected and then adopted by the local authority, that forms the basis for decision-making, not our numbers. Our numbers are an input into the decision-making on that plan.

Q14 Mr Prisk: Is that the local plan or the draft local plan?

Simon Gallagher: It depends on the different stages what different weights a document will have.

Mr Prisk: I am not sure that is any clearer.

Q15 Mary Robinson: I also wanted a little more clarity on the same point. If a local authority is currently drawing up a local plan and the figures do not come out in the same way as the new methodology, do they have to adopt the new methodology? If they do not, which would be more likely to fall before the inspector: if they have a higher number or a lower?

Alok Sharma: Mr Chairman, Ms Robinson, I am sorry if we have not been clear enough on this. If there is currently a plan that is less than five years old, then obviously that stays in place and then, when you come to revisions of that plan, you would look at the new methodology. If a plan is currently in the process of preparation and comes for examination before the inspector before April next year, or is currently being examined by the inspector, then the new methodology would not apply for that particular plan. Clearly, it would still have to pass the inspector's review, if I can put it like that, but the new methodology would not apply.

Q16 Bob Blackman: Minister, you have been very clear on this position. Particularly you have been asked about more ambitious local authorities. One of the problems we face is, shall we say, those authorities that are less than ambitious about building housing. Given that you have introduced this new methodology, what sanction is there against a local authority that, for example, comes forward with much lower housing targets than the new methodology would present?



HOUSE OF COMMONS

Alok Sharma: One of the other aspects of this that we have also talked about is a deliverability test. Clearly what we would want to make sure is that, as houses are being built, they are being delivered at the appropriate pace. Ultimately, when it comes to an assessment of housing needs, a plan has to be inspected by an inspector and, at examination, the inspector will decide whether that is a plan that is effectively going to deliver for that local area.

Q17 **Bob Blackman:** Are you going to issue further guidance to the inspectorate on this particular issue? Clearly they have a job to do to examine the plans, but they operate under guidance from the department.

Alok Sharma: Yes, absolutely they do. What I do not think is going to change is the process of examination for the plans that are currently being examined by inspectors. What you have asked me about is, if an area is going to take or is putting forward significantly lower numbers than would be appropriate, clearly that is a decision that an inspector will make when he or she examines the plan.

Q18 **Fiona Onasanya:** In light of what you have just said about appropriate pace, is it still the Government's intention that they should review local plans at least every five years?

Alok Sharma: Yes, it is, and we are in the process of laying regulations for that.

Q19 **Liz Twist:** Can I come back to this question of objectively assessed need and the question that was asked by Helen about the aspirations of areas, particularly in the north, for economic growth? What you said, Mr Gallagher, was that you would look at the proposals from northern authorities that might be seeking to do that and see how economic growth has developed. Is it not the case that many local authorities in the north see housing as a driver for economic growth? Just to follow up on the objective assessment, in local examination that is often one of the key issues at debate. Do we need so many houses? What do we need? How are we going to reconcile that ambition for growth with justifying figures and proposals, taking it through examination?

Alok Sharma: Ms Twist, just to be absolutely clear on this point, we do not want to limit the ambition of any area, in any part of the country. If an area in the north decides it wants to take more housing, there is local support for it and there is a clear expectation that there is going to be economic growth that will support this, then that is something that should happen and we encourage it. At the end of the day, it is really very important to point out that this is a methodology we are putting forward. Ultimately, it is a local area that is going to make decisions on housebuilding.

Q20 **Liz Twist:** In examination on objectively assessed need, a lot of the arguments are at that first stage. How are inspectors going to judge whether they should take into account economic growth aspirations, as



opposed to what the figures tell them of the objectively assessed need?

Simon Gallagher: I was going to say a lot of it will depend on the weight of the evidence. Where there is a credible economic growth strategy, new infrastructure, and there might be planning across multiple authorities, which is one of the things we are seeing across a number of northern metropolitan authorities—that is quite interesting and is starting to produce new credible strategies and plans—then the inspector will rightly take that into account in their consideration of the plan. They need to look at the specifics of an individual plan. Mere aspirations are not enough; it has to be a credible strategy for growth. If a local area has different data or better data, which shows, for example, that recent household projections are undercounting something or that there has actually been more movement in the very recent past, they should bring them to the table as part of the plan-making process.

Q21 **Fiona Onasanya:** I wanted to come in on the back of this, thank you. In respect of what you have just said about those plans, do you think that these proposals are increasing certainty and reducing challenges by taking that approach? Do you consider that, the gentleman who just responded?

Simon Gallagher: Minister, if you want to add to this, please do. Under planning law, decisions should be taken in line with the plan. Where a development is not consistent with the plan, then local authorities have good grounds to turn that down. That is one of the reasons why we have been encouraging places to have a plan in place that meets their need. Good plans should give greater certainty.

Q22 **Chair:** Does the department know how many local authorities have plans that are more than five years old and might need reviewing, in the light of this?

Alok Sharma: I do not have a figure in front of me. There are a significant number that do not have any plan. Do you want to give the statistics?

Simon Gallagher: I do not have them with me.

Alok Sharma: We can write to you, Mr Chairman, and share those.

Q23 **Chair:** What about a local plan situation? You have said that, if a local plan is currently being looked at by an inspectorate inquiry, if it is done before April, the current methodology they are using would stand. What about a local plan that is out to consultation at present, but the inquiry is not likely to happen in public until after April?

Alok Sharma: Under our current proposals—obviously this is out for consultation—the new methodology would apply.

Q24 **Chair:** They have to stop what they are doing now and go back and reassess their housing need, in the light of the new methodology.



HOUSE OF COMMONS

Alok Sharma: Or they could speed up, Mr Chairman.

Chair: If they are at a point where they are still out for consultation with their community that may not be possible.

Alok Sharma: As I said, what we have done here is put forward a consultation on these plans, which closes on 9 November. We will review what comes forward. At the end of the day, what we also want to make sure is that we have local areas being realistic, as a starting point, about the number of homes that they actually need in that area.

Q25 **Chair:** Do you think it is possible that some developers out there that have been working on the assumption of the existing methodology that a local council is proposing to use may have taken options on sites, in light of the likely housing numbers in their area? Suddenly those numbers fall, and those options do not look quite as valuable as they once did. They might be out there looking to challenge the Government, because it is your methodology at the end of the day that is going to be used.

Alok Sharma: I assume you are now talking, Mr Chairman, about areas where the methodology produces lower numbers.

Chair: Yes.

Alok Sharma: From our perspective, this is a consultation and, where there are views from developers and others, we would expect people to feed that in. We are going to have to reflect on what comes out of that. I understand why the Committee is keen to understand what happens in areas where there is a significant difference between what they might want to do and what these numbers propose. Ultimately, we want local areas to make these decisions and for them to be ambitious.

Q26 **Chair:** Do you think it is possible that many areas where numbers fall might say, "Okay, the Government have given us less of a challenge than we once had, so we will accept the lower numbers"? Some areas, where the numbers are increasing substantially, might simply struggle to hit those numbers, even if they are really trying? The overall effect could be that you end up building fewer homes than you were going to.

Alok Sharma: We talk about areas that are ambitious in the north. I do not think, on the basis of this, the ambition of local areas, mayors and metro mayors is necessarily going to change. That ambition will still be there. I do not think it is going to change on the basis of a consultation. Those areas will continue to plan to be more ambitious and for more housing, and we encourage that.

In terms of areas that would see an increase in their numbers, I would say two things. What we have also set out is that we would want to see the statement of common ground in terms of discussions between local authorities. As I said, this is a formula; this is a starting point. There may be reasons in certain areas, environmental reasons and green belt reasons, why it might not be possible to deliver the numbers and,



HOUSE OF COMMONS

therefore, there is a need for some sort of mitigation in terms of the numbers. I want to make clear—and I am sorry if I am belabouring this point—that this is not a top-down figure that has been handed to a local area; this is merely a starting point for a discussion on how many homes an area should and can take.

Q27 Chair: If you adopt a different methodology, the inspector is likely to take a much harder line with the local authority. If the local authority accepts the methodology, then the inspector accepts it as well. Surely that is the position.

Alok Sharma: What the inspector would also do is look at what could be delivered, taking into account any constraints that there might be in terms of environmental constraints and potential green belt issues, and where there could be co-operation between local authorities as well, where a certain area may take more to mitigate another area taking slightly less.

Q28 Chair: I thought this was going to give some certainty to the process, with the whole idea of a standard methodology. What you said just a few minutes ago about areas that have lower numbers with the new methodology was that you expect many of them will ignore those numbers and carry on with their existing plans. That is a very strange starting point for a new methodology, is it not? You assume many areas will simply ignore it.

Alok Sharma: Going back to first principles, the starting point has been about affordability and the ability of people on average incomes to buy homes in a particular area. That has been the starting point. What we have not said is that we want to bash down on ambition. What we have said is that we should be realistic. If you are on an average wage or average salary, what can you actually afford to buy in your area? That has been the starting point here, rather than looking to say to a particular area, "We know you are ambitious, but this means you should be less ambitious". That is not the message we are sending out.

Q29 Chair: That is exactly what the methodology is doing, is it not?

Alok Sharma: As I said, Mr Chairman, the methodology is about looking at affordability. It is not about saying to an area, in the north or elsewhere, that wants to be more ambitious that they should be less ambitious. Again, going back to this point, some of the Committee have quite rightly talked about areas where people are more ambitious. I do not think that ambition is going to change because of this. If a local area wants to build more homes, based on economic growth and the fact that there are more jobs being created, they will obviously plan for that. This is not meant to be some sort of static number. That will change, as Mr Gallagher says, with developments in terms of growth, but also in terms of any household projections.

Q30 Helen Hayes: Minister, you talk about ambition as if it is an entirely self-governing, self-generating process on the part of individual local



HOUSE OF COMMONS

authorities. Part of the problem that we have around affordability is about the lack of economic opportunity in large parts of the country that drives people to come to large conurbations to seek employment. If the only approach the Government take to affordability is to say that they will keep on building more and more homes in those most densely populated areas, without addressing the issue of the lack of economic activity that is driving that inward migration to look for employment, that is a problem.

I come back to the earlier point about the lack of joined-up-ness between the industrial strategy for the country offering those economic opportunities in a much more evenly distributed way to the north of England, the regions and the nations, as a way to address some of the housing pressure on the areas that are under the most pressure at the moment. It seems to me this formula-based approach, which is not joined-up with that industrial strategy, runs the risk of simply making the problem worse.

Alok Sharma: The industrial strategy is of course very important, but it is not going to produce a sea change overnight. If only it would. That will take time. The issue is what I or you say to one of your constituents who says, "Right now, living in Southwark or Reading, I cannot afford to buy a home". For us, the answer is that you need to look at building more homes in those areas of least affordability, but with a view that, in the medium to longer term, you will see the industrial strategy working and this balancing within the economy.

Q31 Helen Hayes: The concern is not that those areas where there is housing pressure should not already be building significant numbers of homes to meet the need that there is. Of course they should. The concern is about a strategy that, modelled over 10 years, simply increases the pressure of delivery on areas that are very possibly already maxed out in their ability to delivery, while entirely taking the pressure off areas and leaving it to areas as to whether they want to have this self-generated ambition or not. It seems to me to be not the Government driving and leading a process to balance our housing economy.

Alok Sharma: I hope we are joined-up in this because, in terms of industrial strategy, investment in transport and investment in infrastructure, they are all being considered across the country. I just go back to the point that what this formula is doing is addressing housing needs and affordability right now, rather than what may be the case five or 10 years down the road.

Q32 Kevin Hollinrake: Sorry I was late, Chair, and if you have already covered this question. Minister, you said that, if local authorities have their plans found sound before April, this methodology will not apply. An area that is concerned about increased numbers in this methodology might rush their plan through and get it approved before April, and then this will not apply. Presumably, because local plans are going to be revisited every five years, they will have to look at these numbers again in five years' time. Is that right?



Alok Sharma: Yes, that is absolutely right.

Q33 **Kevin Hollinrake:** I am very keen to talk about viability, which is also referred to within the consultation document. Some of that document refers to gaming of the system by some developers, in terms of avoiding their responsibilities for section 106 contributions such as affordable housing. In fact, you may have seen a report in the *Independent* this morning that, from a freedom of information request to councils, 79% of affordable housing had been avoided through the use of viability assessments. Is it just a scam? Is it time we looked at this again and scrapped it completely?

Alok Sharma: What I would say, Mr Hollinrake, is that one of the reasons that viability is very much front and centre of this consultation is precisely because there has been this loss of trust in communities, where people have felt that they would get a level of affordable housing but, at the end of the day, that is not what resulted. Yes, you are right: people have talked about developers effectively gaming the system. Your own report, Mr Chairman, talked about the lack of transparency. I will come back to the point about whether viability assessments should disappear completely. What we have proposed is that viability should be looked at much earlier, as part of the plan-making stage. At that stage, local authorities should be looking at the types of thresholds for affordable housing and the infrastructure that is going to be required to deliver on the plan. There is some expectation on how all of this will be funded and what kind of contributions would be required to be made by developers.

The reality is that, if you do all of this early on at the plan-making stage, when you have applications that come forward that effectively meet the requirements that are set out under the plans and are assumed to be viable, they can pass through. One is whether you get the level of affordable housing that is required and expected. The second is how quickly the planning process can be completed. Hopefully, what will happen as a result of these proposed changes is that you will see a lot more transparency. Actually, when I have been making visits around the country over the past few months, talking to housing associations, they have also felt that it would be useful to be involved much earlier, in terms of looking at affordable housing need and what they could afford to pay. What we are proposing is that we include housing associations in the plan-making stage when it comes to discussions on viability.

The final point I would make is that what we want to make sure is that these assessments are full and open, and available to the public to look at. We will see what the consultation throws up, but our view would be that abolishing them altogether is probably not the approach. Making sure that we look at this much earlier on in the process is probably going to be the right approach.

Q34 **Kevin Hollinrake:** Even if you looked at this on an open-book basis, which I know the Select Committee recommended, I will give you an example. It is a real example from my constituency, where a developer



committed to a certain percentage of affordable housing—let us say 40%—and also to provide a roundabout that is going to enable this development in terms of access. At a later stage, at the second phase of the development, the developer quite reasonably says, “I thought that roundabout was going to cost me £1.5 million. It is now going to cost me £7 million. I am sorry; I cannot really afford it”. That is open-book. It is clear. The phasing has changed—the period of time in terms of the cost of the roundabout. I am sure that was a reasonable estimate at the time but, the reality is, if the local authority wants to deliver this housing to meet its need, it can say, “No, you cannot”, which is what you are saying in terms of testing it at the application stage—it has been tested once—or are you going to recommend the local authority simply says, “No, you cannot give consent if they are not going to meet what they originally said they are going to meet”?

Alok Sharma: Ultimately, it is up to the local authority to decide on a particular application, but what you have highlighted is precisely what we are trying to avoid. We want to look at issues related to infrastructure much earlier on in the plan-making stage. As part of this consultation, we are seeking views on what could be a preferred approach to calculating values and costs, the format of what an assessment report may look like and what could be the detailed process and methodology for coming up with a viability assessment. Those are all questions that we are seeking views on in the consultation. The fundamental starting point—and on this, Mr Chairman, we are very much in violent agreement with the Committee—is that there needs to be a lot more transparency and trust in the system, so that when, at the start of the process, there is an expectation of a certain level of affordable housing being delivered, it ends up actually being delivered.

Q35 **Kevin Hollinrake:** I think that transparency is a step forward, but nevertheless my concern is that it is not going to resolve the problem entirely. Developers usually have very good arguments and very persuasive people to make those arguments. It is whether the local authorities have the capability of dealing with those arguments to make sure this vital infrastructure is being delivered. I worry that this system would still be open to abuse, even if you make it fully transparent in terms of that methodology. It is a real concern that that will continue to be the case. The situation is that money should be taken from the landowner, and we are effectively moving the burden of provision of affordable housing over to the taxpayer, if we allow this to continue. We have this race to the top in terms of the developer’s overpayment, knowing that they can use viability assessments in the future to reduce that liability. Even open-book, do you not have concerns that this will still be the case going forward?

Alok Sharma: Mr Gallagher may want to comment on this, but the starting point for us is that clearly the system as it is does not work. Therefore, we are proposing a set of improvements that we believe will



make the system work better. Let us see what views actually come forward as a result of the consultation. Do you want to add anything?

Simon Gallagher: I agree. We are very much open to suggestions about how we can do this. As the Minister was saying, the absolute first priority is to get greater transparency. To take your example, at the moment, it is very difficult to unpick whether that is the cost of the roundabout increasing or just a bit of a conversation and perhaps something has happened. Nobody has any visibility and transparency of what is going on in those numbers. We want to get to that first point where you get a greater degree of transparency about what is going on and what the costs are at the early stage, so that, if there is a revision to those costs down the line and the developer wants to have a renegotiation, you have a shared basis for information. If that is not going to be enough because it does not give both sides enough, we look forward to seeing what the ideas are for how we can give that greater support.

To take examples, costs will change and things will happen, so we need to have mechanisms that can adjust for the reality, particularly for the big, complex and long-term development projects.

Alok Sharma: If I may pick up on one point that you made, Mr Hollinrake, you talked about resources within the planning system. We have now regulations and we hope, by the end of this year, to have this 20% increase in ring-fenced money going to planning departments. As part of this consultation, we are also seeking views on a potential further 20% increase in planning fees. In terms of the resources for planning departments, hopefully that will make a material difference.

Q36 **Kevin Hollinrake:** You are moving towards a standard methodology for housing need. Would a standard methodology for viability assessments be something? We know the BCIS gives you price per square foot. We know the price per square foot in a certain area. We know that developers are using this and manipulating those figures. Should we look towards that?

Alok Sharma: As I said, some of the views we are seeking are related to methodology, so let us see what comes forward. What is going to be quite important when we look at methodology is to make sure that any methodology takes into account the potential viability of different sites. For example, a brownfield site that perhaps needs a significant amount of remediation may have a different viability profile from a greenfield site that already has good infrastructure connections, et cetera.

Q37 **Kevin Hollinrake:** Finally, would a simple system of a tariff-based system where we charge X amount per bedroom be a simpler way to deal with this, rather than this complex way of dealing with contributions?

Alok Sharma: As I said, we welcome views and we will review them.

Q38 **Liz Twist:** On this question of transparency, do you see that



transparency applying to developers as well, in being upfront about the implications, the costings and the financing?

Alok Sharma: We would expect for there to be full and open publication of all assessments. Those would be available to members of the public who had an interest as well.

Q39 **Liz Twist:** In the circumstances that Mr Hollinrake described in his area, where proposals are coming forward for the second stage and they are saying that things have changed, would there be sufficient transparency at that stage, on the part of the developers, to say, "This is how it has changed".

Alok Sharma: Yes, that is precisely what we would expect.

Q40 **Fiona Onasanya:** Just touching on both comments made previously, I will declare an interest: I was a commercial property solicitor before coming here. My concern with the commercial viability element is that, although you may have transparency at the outset, as has been highlighted, "These are our costs; this is what we think it will cost us and what we will be able to deliver", because large developments are given over a phased process, they may argue that they cannot give you the level of cost for everything, because this development is spanned over a number of years on a phased basis. My concern would be with this viability element that you will always have that as an argument: "It is not commercially viable for us to provide this affordable housing that we said we can provide". I know that element was introduced to try to boost the housing market, but now it seems to be being used as a caveat to get out of providing affordable housing. How are you seeking to close that loophole, if you are just going for transparency, when the response will be, "Sorry, we are not really sure"? Also, they are in a market with other developers, so they may not be as willing to give you everything, because they do not want to be priced out.

Alok Sharma: You make particular reference to where there are large sites that may require build-out over a period of time, rather than just as a one-off. This is precisely why we want to have the whole issue around viability looked at as part of the planning process. In theory, it should be possible, if there are individual large sites that have been identified, to specify the infrastructure that would be required for that site to support development. In that case, the changes that are being proposed would be extremely helpful.

If I can say this, there is an element of improving the planning process. It is iterative. What we are proposing is something that we think is significantly better than we have now. Clearly in terms of transparency, the one issue that is absolutely clear is that there is no transparency in the process right now. Introducing that hopefully moves you a lot closer to getting a result where people do not feel that the system is being gamed. As I said, this is a consultation and of course we will have to look very carefully at the views that are coming back to us.



Q41 Bob Blackman: One of the problems that we face in viability terms is a developer or someone applying for planning permission, seeking planning permission based on a level of affordable housing, and then that site is sold on and on and on. Eventually, someone comes to it and says, "Yes, I will build the homes", and they say, "But I cannot do it with this level of affordable housing". It then goes to a renegotiation with the local authority, and the affordable homes that everyone thought were going to come along do not get built, or the developer says to the local authority, "Here's some money. You go and build them somewhere else". What are you going to do to address that?

Alok Sharma: I go back to this point that part of that is clearly going to be addressed by making sure that you are looking at the issues of viability at the plan-making stage. What I hope will change with this is the behaviour of landowners, those who may seek to sell it on and those who may seek to buy it. If what is going to be required in terms of infrastructure is much clearer in the plan, potential buyers of land will behave rationally, have a look at what the requirement on them will be and will have to factor that into any price they may pay for land that they subsequently buy.

Q42 Chair: Finally before we move on to other things, are you going to join up any changes to viability and the way it works with changes to CIL that may be coming down the pipeline?

Alok Sharma: As you know, Mr Chairman, there was an independent report on CIL. Probably all I can say at this stage is I would expect, at Budget, to get further announcements on CIL.

Q43 Chair: Are you going to tie that back in?

Alok Sharma: Yes, we will.

Chair: I would be interested to see how, because the consultation has already taken place on viability without the knowledge about what is going to happen on CIL.

Alok Sharma: As I said, I will be happy to return to the Committee and go through that with you, but I do not want to pre-empt anything that may be in the Budget, as you appreciate.

Chair: Something is coming. That is the hint we have got, but we are not sure what yet.

Q44 Mary Robinson: Just going back slightly, you mentioned earlier that local authorities may speed up the development of their plans. Evidence seems to be that local authorities are speeding up the development of their plans, in order to avoid using the new standardised methodology. Is this what the Government expected to happen?

Alok Sharma: I do not know but, from my perspective, it is not illogical that certain councils that are close to submitting their plans for examination are now taking the opportunity to speed up. I go back to



HOUSE OF COMMONS

the point that, when they will look to review those plans going forward, of course they will have to look at the methodology that is being proposed.

- Q45 **Mary Robinson:** One of the things that could be understood from this is that, in some places, the speeding-up could turn into a bit of a race. For instance, the Greater Manchester Spatial Framework has been out for consultation. It is now being redrafted. Under that tier are Stockport Council and the other local authorities that may be looking at their local plans. Stockport Council has just finished the first consultation on its local plan. At the next layer in my constituency, I have Woodford Neighbourhood Forum. They have been working on their local plan for almost four years now. All of these are interdependent. How do you feel about the possibility that local plans being drawn up in neighbourhoods could suffer because of the rush perhaps for the intermediate districts to want to get their plan in place first?

Alok Sharma: If I have not misinterpreted, you are talking about neighbourhood planning, as opposed to local plans.

Mary Robinson: They actually interlock, if you like.

Alok Sharma: Sure, but what we are talking about in this process is the local plan for the area rather than the neighbourhood plan. It is entirely possible to have a neighbourhood plan in place—indeed, places do—without having a local plan.

- Q46 **Mary Robinson:** They do, but there is an indication that, where a local plan is not in place, the neighbourhood figures could be decided on a different methodology.

Simon Gallagher: There are a couple of things in here. The first and probably most important thing to say is that the Written Ministerial Statement that we issued during the passage of the Neighbourhood Planning Act, with the Minister's predecessor, continues to apply. In fact, one of the things we have to address as part of the new National Planning Policy Framework is to wrap the two and integrate them together, in order to make sure we are continuing to have the protection for neighbourhood plans that that offered.

The other point is, as people are bringing forward new neighbourhood plans and updates to existing ones, ensuring that it keeps in line with the local plan. One of the things that we have proposed in the consultation, and it would be really interesting to see the views of neighbourhood planning groups and what the views of different areas are, is that neighbourhood planning groups that are beginning to embark on their plan-making journey or those that are reviewing their plan should be able to request an estimate from the local authority of what proportion of the local authority's housing need they are expected to meet in their neighbourhood early on, so that their plan can be found consistent with it.

- Q47 **Mary Robinson:** Is that relevant? My reading of the statement and



HOUSE OF COMMONS

around section 96 onwards in the consultation paper seemed to indicate that, where there was no local plan and a neighbourhood forum was drawing up its own local plan, the figures would be rather different, because they would be based on the numbers of existing dwellings and people living in an area.

Simon Gallagher: That section of the consultation document refers to local plans rather than neighbourhood plans, but I am happy to have a look into that and come back on that one. I will talk to the Minister.

Q48 **Mary Robinson:** I would be grateful for some clarity on that, because, in this process, people feel that there is some conflict in neighbourhood planning, remembering that the Localism Act of 2011 introduced these local neighbourhood plans and forums. We should not lose sight of their importance as we are looking at the other layers of local planning that may be going on simultaneously. Thank you.

Just moving on then, as we are talking about the interaction between different authorities now, the consultation states that preparation of a statement of common ground should not place "an additional burden on local planning authorities". How will the Government ensure that it does not?

Alok Sharma: There is already a duty to co-operate between local authorities. Ms Robinson, you mentioned the Localism Act 2011. That duty is enshrined in that legislation. The issue has been, though, that when local plans at examination have been turned down by inspectors, quite a lot of the time that has happened because they have not exercised their duty to co-operate appropriately or properly. What has happened is that this has come at the end of the planning process, as opposed to at the beginning. What we are proposing is that there is a statement of common ground, whereby all local authorities are required to have this statement in place. Even if you have a valid plan in place currently, our expectation is that, within 12 months of the revised NPPF, we would expect all areas to have a statement of common ground that would look at issues to do with housing infrastructure and the wider area and also consider areas where local authorities may not have reached agreement.

What we have said is this should be phased in, so after six months we effectively want an interim statement and a full statement after 12 months, which would then be reviewed as there were material changes to plans going forward. What you would see here is that that co-operation between local authorities would come much earlier in the process, which then gives more certainty and ultimately means that the plans that are coming forward are much more likely to be accepted by inspectors.

Q49 **Mary Robinson:** Is that the key difference between the duty to co-operate and the statement of common ground?



Alok Sharma: The key change is that it happens much earlier. We are setting out a very clear format on what we require to be stated in the statement of common ground.

Simon Gallagher: To follow on that, the benefit for local authorities should be that fewer of them are sent back to the starting point during the inspection process, because the plan is found to fail or be unsound on duty to co-operate grounds. It requires a little bit of investment upfront and engagement, although actually it is the stuff that is implied and should be required under the duty to co-operate at present. It should deliver benefits in terms of avoiding rework and avoiding unnecessary questions later on in the process.

Q50 **Mary Robinson:** There has been a suggestion that local authorities could expand on that and work together in order perhaps to share housing numbers. Has that got potential?

Simon Gallagher: Very much so, yes. Just to expand, we have put some ideas into the paper about producing plans over broader areas. One of the interesting areas people are looking at in various parts of the country, though not universally, is joint plans, strategic frameworks and spatial development strategies across different authorities. That is one of the things that we are very keen to encourage, and we have set out some ideas about how we can do so and how we can make some of the reforms, which the Minister has been talking through, work for these groups. We really welcome more engagement, because we want to support this. It is particularly interesting. You have referred to the Manchester area; we are seeing some of this happening in the West Midlands, but also in other parts of the country as well. It is really quite encouraging and will help to deal with some of the duty to co-operate issues, which have been a real problem for so many of the local authorities.

Q51 **Mary Robinson:** Could it be the case, then, that, in a combined local authority area, where a strategic plan has been drawn up that would cover all of the local authority areas, there could be some fluidity between the numbers that would be assessed for particular districts and then some interchange in the future? Is this what is anticipated?

Alok Sharma: Yes. In answer to the question about what happens if a local area cannot meet its numbers, clearly one aspect is to look at if there are local authorities that can. Clearly the statement on common ground, which is looking at these strategic cross-border issues including housing, would be considered as part of that, yes.

Q52 **Mary Robinson:** I am looking to the future and thinking in terms of changes that may be made, investment in infrastructure, et cetera, which may make an area more desirable to live in. Currently it will have no allocation. Could that be addressed via some allocation being borrowed or used from another area?



HOUSE OF COMMONS

Simon Gallagher: If I may comment on that, Minister, exactly it could. One of the things the Minister has been saying is that you do not have to meet all your need in your own area. You should be planning over areas, if the circumstances exist where that is possible. Authorities can think about how that might work, particularly where there is a new infrastructure plan that will alter the pattern of where settlement is needed and where development is needed. That is exactly the sort of thing that we want to encourage. The most obvious case is where there is big infrastructure investment being planned, either locally or nationally, which will change things. When planning an area, it makes sense to plan over a broader area. It is quite exciting what is happening in certain metropolitan areas, where they have new mayors who are trying to join and produce different spatial frameworks, and these are being really useful.

Q53 **Mary Robinson:** It almost seems as if the old rules of planning for your area for five years may be undergoing quite a fundamental change in areas where there may be combined local authority areas that are able to do this sort of sharing. Is that what we are hearing?

Alok Sharma: What we are looking at is an evolution of the process. The duty to co-operate is already there; what we are talking about is making this work better and much earlier on in the process. If that results in areas co-operating more and making decisions on where housing could be shared, it is a good thing.

Q54 **Kevin Hollinrake:** On that point, Minister, what is going to stop one local authority area shirking its responsibilities to deliver housing and saying to other areas that border that area, "You have some space; you take some of my houses", for political reasons or otherwise?

Alok Sharma: Ultimately, a local plan will have to pass examination. If it does not, the whole issue around planning for sustainable development comes into place. There will be powers that can be exercised from the centre as well. I do not know whether Simon wants to elaborate on this. The whole point of these changes is, on the one hand, to encourage people to co-operate but then, on the other side, to make sure that where local areas are not stepping up to the plate there are also consequences.

Simon Gallagher: The Minister is absolutely correct. This is one of those things that is tested through the examination process. One of the things that we are discovering, again as the Minister was saying, is that this is one of those things where a lot of plans are failing, partly because of a lack of evidence that they have actually considered some of these issues. One of the reasons why the Minister has been talking about the statement of common ground as an important development is that will provide an idea of which authorities are working together to meet housing need in their areas and what they are working together on. It will give us a sense, when the inspector comes to look at the plan, of



HOUSE OF COMMONS

which authorities' plans they should be looking at and saying, "Is something falling between the gaps here?"

- Q55 **Kevin Hollinrake:** The authorities can say no. If they say, "This is outrageous; you should be putting these in these settlements. There are no green belt issues; there are no AONB issues", or whatever, the other authorities are not required to co-operate.

Alok Sharma: No, they are not required but, on the other hand, there will already be areas where the duty to co-operate works well and local areas do get on, and there will be other areas where they do not. What this is doing is making sure that people are considering these issues much earlier in the process, rather than towards the end.

- Q56 **Fiona Onasanya:** Given the Government's proposal that housing need should be better disaggregated, how will the Government ensure that these new rules do not lead to specialist housing proposals, such as affordable housing, being squeezed?

Alok Sharma: In terms of affordable housing, I go back to the discussion we had on viability assessments and making sure that those viability assessments are much more robust and that that is stated much earlier within the plan-making process. That is obviously going to have an impact in terms of making sure that more affordable homes are being delivered in a particular area. There will be a fundamental difference for the better, as a result of the changes that are being proposed to viability assessments.

Fiona Onasanya: There is no methodology for disaggregation in the proposals. That is why I was asking how you would ensure that these new rules do not have that effect.

Alok Sharma: I am not sure I fully understand when you say "disaggregation".

- Q57 **Fiona Onasanya:** For example, in specialist housing you have affordable homes, you have homes for older people, you have different tenures and different types. I asked that question because there is no methodology.

Alok Sharma: Of course local authorities, as they do now, would look at what homes are required in a particular area and the different types of homes that are required in a particular area. We have talked about affordable housing. The fundamental point is about making sure that you are delivering more of this and at the level that is expected, rather than an expectation that is then not met. There is already a requirement for local areas to consider the types of housing that their area may need to take.

Simon Gallagher: Minister, if I may add to that, we set out in paragraph 91 of our consultation paper an invitation that we wanted representations on how we could better streamline the process of subdividing the need for different types of people. Local authorities should be planning for



HOUSE OF COMMONS

different types of housing need for different people, including the groups but not exclusively those groups. One of the things we are interested in is how better we could do that. We have said we will update our guidance; what we do not want to do is create an incredibly complicated formula that does not reflect individual areas. We are looking forward to the representations we get there. We will happily consider, in light of those, what we can better do to help local authorities to break down their aggregate need more usefully. The key, as ever, is getting data that are robust and an evidence base that helps people to plan for their need.

Alok Sharma: Since Mr Gallagher makes reference to section 91 of this consultation, I would also refer you to section 89 of the consultation, which sets out the different types of tenures that a local planning authority may want to identify in terms of need, which will include affordable housing, sheltered housing, but also issues around self-build and custom-build, as well as student accommodation.

Q58 **Fiona Onasanya:** I agree with that, but there is still no methodology as to how to translate those figures. That is what I was pushing towards. It is not about saying that there is this number, you have to supply this amount and we need to meet the need, because there is no methodology of how that will be done.

Alok Sharma: As Mr Gallagher has said, the point of this consultation, when it comes to looking at a mix of housing need, is to see what evidence could be used to help local authorities in coming up with a breakdown of the number of homes of particular tenures that are required.

Q59 **Chair:** Looking at the consultation and the types of housing that local authorities might need to plan for, you are quite certain that affordable housing is one of those categories and you are looking for local authorities to provide a clear indication of the number of affordable homes that they expect to see built in their areas.

Alok Sharma: Yes, I am, Mr Chairman. As I said when we talked about the whole issue of viability assessments, we would expect, as part of the plan-making stage, local authorities to also be talking to organisations like housing associations about these matters as well, as to the need for affordable housing in a particular area.

Q60 **Liz Twist:** Minister, when do the Government intend to publish the updated NPPF?

Alok Sharma: The intention is to publish that early next year. Let me rephrase that: the intention is to publish the draft, which would then be put out for consultation. At some point in the spring, we will have the final revised NPPF put out.

Q61 **Liz Twist:** Could you define "spring"?



Alok Sharma: I have one understanding of spring, but perhaps I should ask the civil servants, because they can give you a better view of how long spring actually lasts within the civil service.

Simon Gallagher: That is a very kind invitation, Minister, but I may decline. What we would like to do is publish a draft National Planning Policy Framework early in the new year, which will take on board what we have heard in response to this consultation, but also the points that were planning policy issues that were raised in the White Paper earlier this year. We will also fold in some of the Written Ministerial Statements and some of the legal issues that have been raised over the last couple of years. That will be published early in the new year. We will then have a further period of consultation. It depends a bit what the issues are that are raised in light of that consultation, and whether we have any identifiable big problems out there. You can do the maths yourselves for the 10 or 12 weeks of consultation, and then time for us to respond. We are talking about the April/May window, I guess.

Alok Sharma: Just reflecting on this particular point, Mr Chairman, when you said that we seem to have an awful lot of consultation and lots of stuff going on, one of the other issues is around the deliverability test. What you will see is, when we publish the draft revised NPPF, there will be a range of other publications, responding to consultations, et cetera, which are also published, so that they can be looked at effectively as one body of information, which hopefully will show some joined-up thinking in this area.

Q62 **Liz Twist:** Going back to 2015, this Committee published a report into the NPPF consultation and called for local authorities to be empowered to have flexibility to make decisions suitable for their communities. How will the Government ensure that the updated NPPF will achieve this?

Alok Sharma: A lot of what will flow through into the revised NPPF will be as a result of the work on the White Paper. We have talked about local housing needs and the requirement for local areas to look at what their need is but, in terms of flexibility, I hope what we will end up with is a process where there will be an opportunity for more smaller sites to come forward for there to be more opportunity to have building taking place, diversifying who is doing the building. There will be more in terms of build-out rates.

One of the issues that is often raised is that, actually, planning permissions are not acted on quickly enough. What we have proposed in the housing White Paper, and some regulations may be required for those, is that there should be a lot more transparency around build-out rates. We have talked about the fact that planning permissions should be acted on within two rather than three years. I hope what we will get with a revised NPPF is, effectively, a tool that will allow local authorities to make sure that the process of delivering homes is speeded up in their area.



Q63 Liz Twist: Will the views of the Committee from that response be taken into account when you are pulling together the response?

Alok Sharma: Yes. As part of the revisions that are ongoing, we of course are looking at what has been said by the Committee and others. What I hope you will see, at the end of the process, is a reflection on that. Not to offer to take up too much of your time, I suspect, once the revised draft NPPF is published, you may want Ministers to return and have a conversation on that. Of course, we would be open to doing that.

Q64 Chair: It looks from what you have said that it is an exercise in consolidation, taking the existing NPPF and adding to it all the bits and pieces that Ministers have announced—guidance, statements, et cetera. When the Committee looked at it before, we said there should be an objective review as to how the NPPF has operated so far, looking at any issues that need addressing and any problems with it. That does not seem to be going to happen, does it? It is almost as if we have the NPPF and we are just going to add bits to it.

Alok Sharma: Could I propose, Mr Chairman, that once we have published that revised draft, the Committee considers that and sees what we have delivered, in terms of the views that have come forward.

Simon Gallagher: To add to that, a lot of the questions that we asked in the White Paper were designed to pick up those points and to give people a chance to make a representation on how the NPPF is working at the moment. We have gathered through that process and going through the current consultation quite a lot of evidence from that. We were also taking evidence from groups such as yourselves that will be fed into that process.

Q65 Liz Twist: As a follow-up, can I ask that there is some kind of unfinished business around housing policy, such as Voluntary Right to Buy and the sale of high-value assets? Is it the intention that all of those things will be wrapped up in here, if indeed they are proceeding?

Alok Sharma: On Voluntary Right to Buy and high-value assets, we are still considering the next steps. I completely understand that, particularly for Voluntary Right to Buy, from the perspective of those who are looking to buy homes, they want clarity. We recognise we need to provide that clarity soon.

Q66 Bob Blackman: Can I just follow up on that particular issue, because there was a clear manifesto commitment to deliver on Right to Buy for housing association tenants? There has been this extended delay and people, quite reasonably, are asking what is happening. Can you give some degree of visibility of what the proposals are going to be and when they will be published?

Alok Sharma: Just to clarify this point, we talked about the NPPF. In terms of the policy on Voluntary Right to Buy and the high-value assets aspect, they are not directly related to the NPPF. Going to your point, Mr



HOUSE OF COMMONS

Blackman, we understand that tenants, local authorities, housing associations and others are looking for clarity on this. What we would hope to do is to provide that clarity soon.

Q67 **Bob Blackman:** Could we then identify what “soon” means? People have been waiting for more than two years.

Alok Sharma: I understand that. I can say to you that both I and the Secretary of State—I hope it is okay if I speak on his behalf—are of the view that we need to reach a conclusion on this pretty soon.

Q68 **Bob Blackman:** Previously, the Secretary of State said, if a voluntary scheme does not work, we will make it mandatory. If you are sitting as a housing association tenant wishing to buy your home, there appears to be no progress. They continue to pay rent. They continue to await this pronouncement, but nothing appears to be happening. What message do you have for those tenants who are eager to buy their property, which has probably been their home for a considerable number of years?

Alok Sharma: My message is that I do understand their frustration and I do understand that there will be a requirement on us to clarify the position very soon.

Q69 **Bob Blackman:** Just moving on to the consultation or call for evidence that you have issued about the house-buying or home-buying process, this is quite a radical set of requests. Just going through them, there are some really quite radical ideas that will prompt a lot of discussion and debate. Actually, the whole issue may be affected, as you have already indicated, by decisions made in the Budget, which will not be announced until 22 November, but your consultation will close on 17 December. Given the range of discussions that have started, do you think the consultation process is adequate?

Alok Sharma: First, to the direct question of whether it is adequate, it is an eight-week process. We have already had hundreds of submissions that have come into this and it closes on 17 December. The reason for doing this is that research has been undertaken by the Department for Business has indicated that 40% of those who are involved in the buying and selling process as individuals feel it takes way too long. I think each of us will have our own personal experiences of the process not always running as quickly as one would like. The research that was done by BEIS set out that around 70% of buyers, when they start the process of an offer being made, are concerned about whether it will ultimately lead to completion or not. In England and Wales, the average process will take 12 to 14 weeks. If you look at other jurisdictions, it is significantly less and there is more certainty earlier on in the process.

What this is about is making sure that, at the end of the day, the process is simpler, cheaper, faster and a lot more efficient. Hopefully that will give comfort to those who are involved in the buying and selling process. As I said, we have asked for lots of views. This is ultimately a call for evidence, in terms of how we increase the commitment to a sale and how



we prevent gazumping. Should parts of the conveyancing process have some digitalisation? This is a call for evidence, but it is a recognition that, as we look at everything else within the housing process—everything from building homes—we also need to make sure that the process of buying and selling is easier, ultimately.

Q70 Bob Blackman: This is a call for evidence. What is going to follow the call for evidence, a further consultation or legislation? What is your thinking at the moment?

Alok Sharma: What we would expect, following the call for evidence, is for us to see what has been brought forward. We would then respond to the consultation and, within that response, we would put forward our proposals for what we plan to do.

Q71 Bob Blackman: Given I mentioned at the beginning that we are all anticipating that the Budget will talk about issues around housing and housing supply, if the Budget actually affects some of these decisions and some of these proposals, will you extend the period for which people can actually respond to this call for evidence?

Alok Sharma: What I would say, Mr Blackman, is obviously you appreciate that I am not trying to prejudge what may or may not be in the Budget. How can I put this? Even if the Budget were not round the corner, we would still have proceeded with the home-buying and selling process call for evidence. In a way, this stands apart to a certain extent from what may or may not happen in the Budget, in the sense that this is about making the process more efficient and cheaper. That is what we hope will result at the end of this.

Q72 Bob Blackman: Would you consider suggestions around stamp duty, for example, which might well be something that the Chancellor may consider and actually impacts on home-buying quite considerably, as part of this consultation process?

Alok Sharma: You will appreciate that what I do not want to do is get into the realms of discussing any particular aspects of proposals for the Budget. What I would say is that this is a call for evidence that closes in the middle of December. We have asked very specific questions. Of course, people are able to give whatever views they want as part of this call for evidence.

Q73 Mr Prisk: Perhaps we can turn to housebuilding and the capacity of the sector as a whole. There has been quite a lot of talk about a rebirth of council housing but, given how long most councils have had since they have ever built a single home, decades in some cases, do councils in your view have the expertise they need to build more homes? If not, what would the Government think of doing to support them?

Alok Sharma: In terms of the whole process of building more affordable homes, there is a programme that is now worth £9 billion and there is a bidding process on that. We have also given the rent certainty that I



HOUSE OF COMMONS

talked about of up to CPI plus 1% in terms of increases in rents from 2020. What the sector has said is that that will allow them to consider building more homes. There is already an opportunity for local authorities to co-operate with housing associations and, indeed, some of them do. Some of them will have standalone companies that they will have set up. In terms of funding, there is around £3.5 billion of borrowing headroom in the housing revenue accounts. There is an opportunity for councils to come forward and build homes and, of course, we encourage that.

Mr Prisk: Councils do not have a department to do this. They will be contracting through the private sector, I assume.

Alok Sharma: Ultimately what we want to be doing is diversifying the number of people building homes. What we have provided in our recent announcements, in terms of rent certainty and more funding, is an opportunity for more homes to actually get built.

Q74 **Mr Prisk:** In terms of workforce, there is a lot of concern that the sector as a whole is struggling to recruit and retain sufficient people. What steps are the Government looking to take to ensure that the sector has the workforce it needs? Some feel that the Construction Industry Training Board, for example, is not fit for purpose. What are the department's views on that? I appreciate that construction as a sector is more of another department's responsibility, but clearly you will have a very strong input on this.

Alok Sharma: The whole issue around skills comes up regularly. I am sure, Mr Prisk, that when you were in my role there were discussions around skills as well. What we know is that the Construction Industry Training Board, together with the Home Builders Federation, has committed to make sure there are another 45,000 professionally trained workers available in the system by 2019. What we are also looking at is the use of modern methods of construction, which is a very important element in terms of future homebuilding. Clearly lots of homes are going to continue being built using bricks and mortar. This is not suggesting that, somehow, we are just going to move to modern methods of construction or modular homes, but clearly modern methods of construction will play a role in this, as they do in a number of European countries, such as Germany and in Scandinavia as well. A combination of more investment in skills and using more factory construction will help, in terms of any skills gap that there may be in the sector.

Q75 **Mr Prisk:** Just moving on to the financial side of this, this may only be the case for the moment until tomorrow, when the Bank of England looks at interest rates. Even then, if they were to make changes to interest rates, they would still be at record low levels. The Secretary of State made a very strong argument at the weekend in favour of borrowing to enable homes to be built. Has the Secretary of State put that request to the Treasury?



HOUSE OF COMMONS

Alok Sharma: Perhaps I can answer in this way, Mr Prisk. That is to say that we recognise in Government, and indeed more widely, that housebuilding and getting more homes built is a key domestic imperative. That is why the Prime Minister has decided to take a lead on this. She held a roundtable a couple of weeks ago at Downing Street, which was attended by some of the key players within the sector, both within the social sector as well as the private sector. I hope that there is going to be a good focus on housing, as part of the Budget. Ultimately, these are matters that are for the Chancellor to announce. What I would not want to do, as I am sure you will appreciate, is to prejudge any discussions that are ongoing currently.

Q76 **Mr Prisk:** Is that a yes?

Alok Sharma: As I said to you, we are ambitious for housebuilding. As a Government, we are ambitious for housebuilding. We are always looking for the next big announcement; that is the nature of these things. We have just had a number of big announcements, in terms of another £10 billion for Help to Buy, the extra £2 billion for social housing and the rent certainty. There is a lot of work, as we have discussed, that is proceeding in terms of revising the NPPF and all the consultations we have out there. One has to look at this in the round in terms of all the stuff that we are already doing, but I understand why you should ask the question in terms of what may be announced in the future. Again, it is best that these matters are left to the Chancellor to make whatever announcements are made, in relation to housing or indeed anything else in the Budget.

Q77 **Liz Twist:** Minister, you mentioned the headroom on the housing revenue account. You will be aware that there are a number of authorities that do not have headroom and yet have ambitious progressive plans to build, which they feel can be justified. Is it your intention to look at allowing them to lift the cap?

Alok Sharma: No, that is not our intention. Let me rephrase that. What is important is to point out that there is a lot of headroom currently in the system. What is also important to point out is that one can look at local deals. We are of course talking to local authorities, which have imaginative ideas in terms of how local deals would work. As I said to you, there is currently a lot of headroom in the system and it is already possible for local authorities to co-operate with housing associations to try to get more homes built.

Q78 **Liz Twist:** You mentioned local deals. Is it possible for local authorities to come to you with proposals if they are affected by the debt cap, but have plans to build and invest?

Alok Sharma: As we have said, we are open to discussions on local deals.

Q79 **Mary Robinson:** I welcome the discussion around modern methods of construction in this new build programme. As part of the bidding



HOUSE OF COMMONS

process, Minister, are the Government going to give consideration to things like modern methods of construction, in terms of the bids and how successful they are likely to be? In other words, should local authorities be thinking in these terms now, as they are putting forward bids? If so, will you also be looking for sustainability and energy efficiency of the housing? In other words, will you be looking not just at the numbers, but also the quality of the build and its sustainability for the future, almost passive house standards?

Alok Sharma: One of the areas that we are looking at is the quality of housebuilding and design, which is a big issue for us. I know there have been calls, for instance in Parliament, for a new homes ombudsman. We are looking at reviewing the independent report that will be coming out on this area, which is being produced by a working group set up by the Home Builders Federation, so we will look at all of those issues.

What I would say to you in terms of modern methods of construction is developers are already setting up factories. Indeed, there are housing associations that are setting up factories when it comes to modern methods of construction and we also have the Home Building Fund, with a value of £3 billion, which is also there to encourage making loans available for projects that are related to custom-build, some of which will be using modern methods of construction.

Q80 **Helen Hayes:** I want to ask what analysis the department has undertaken of the impact of Brexit on the construction sector and, therefore, on the ability of the sector to deliver the new homes that we need. I accept that analysis of that sector of the economy is the responsibility of a different department, but there is obviously a direct bearing on the responsibility of the Department for Communities and Local Government to make sure that we are delivering the number of homes that we need, and I just want to know what analysis you have undertaken of that particular issue.

Alok Sharma: We are not one of the lead departments when it comes to Brexit, but what happens is I have a dialogue with colleagues in other departments and we put the case for the sector. Ultimately, going back to this point about training, we are encouraged that the industry itself recognises that it needs to step up to the plate. As well as whatever else Government may be doing, there is a need for more home-trained workers. That is what the CITB and the HBF are committed to doing.

Q81 **Mary Robinson:** Just going on to the Homes and Communities Agency for an update, in the housing White Paper, the Government announced that, in summer 2017, the Homes and Communities Agency would be relaunched as Homes England. Now, I know that the leaves are falling from the trees, so it is no longer summer, but why has there been a delay in the relaunch of Homes England?

Alok Sharma: The intention is still very much there of course. You have a new Chief Executive at the HCA, who is very forward-looking and



HOUSE OF COMMONS

dynamic. We would expect this to happen. Ultimately, this is also making sure that the HCA is able to deliver on what is expected from it. There is a regular discussion that I have with the Chief Executive on these matters. We would hope that the launch of Homes England will take place shortly.

Q82 **Mary Robinson:** Is that “shortly” spring?

Alok Sharma: Let me just repeat “shortly”.

Q83 **Mary Robinson:** When it does, will the separated social housing regulator that will form part of this have greater powers than the HCA to enforce service standards by social housing providers?

Alok Sharma: Sorry, I missed the point.

Mary Robinson: As part of the split-off from the HCA, there will be a different regulator, the social housing regulator. Will the social housing regulator have greater powers than the HCA?

Sally Randall: The immediate intention, in splitting the social housing regulator from the HCA’s investment function, is to deal with the potential for future conflicts of interest, given the HCA’s role in investing in new homes and in investing through housing associations, and its increasingly commercial role. The aim of the split is simply to create the necessary separations between those two functions. It is not our policy at the moment, through that split, to change the role of the regulator.

Particularly in the light of Grenfell, we are looking at the role of regulation going forwards and we will look at what Dame Judith Hackitt says in terms of independent review, but the aim of the separation is not to change the function of the regulator; it is to deal with a potential conflict of interest between the regulatory role of the HCA and its investment role, which is currently dealt with through Chinese walls within the organisation. As the role of the HCA evolves, we think there is a need for greater separation, and that is simply the aim of that split.

Q84 **Mary Robinson:** Is it these discussions that have caused the delay, or is it just a delay?

Sally Randall: That is simply a delay, particularly given the things that have happened over the summer and the election since the housing White Paper. There is no other reason for that.

Q85 **Chair:** Tenants of housing associations cannot look forward to an organisation that is better able to help them deal with problems with their landlord.

Alok Sharma: Perhaps I can comment on this. As you know, Mr Chairman, one of the tasks that I have been given by the Prime Minister is to conduct an engagement around the country with social housing tenants. I have done a number of these already, one in East Anglia and one in York. I am up in the Midlands tomorrow, and we are doing 10 to



12 of these over the next couple of months. This is a direct engagement, not just with those who run local councils or indeed housing associations, although we talk to them as well, but actually talking directly to tenants themselves. Some of the key issues that we are discussing with tenants directly are around whether they are listened to when they have a problem, how effectively landlords deal with their issues and if they feel that, ultimately, their voice is heard and whether there is redress for them.

All of these issues are being looked at. We are hearing directly from tenants. As the Secretary of State has announced as well, we will be publishing a Green Paper next year on social housing, and the whole issue around how tenants are responded to will be covered as part of that. Of course, we will put forward proposals in terms of what may change in the future to make things better.

One of the things that I can tell you from my perspective, reflecting on the conversations, is that social housing tenants are very clear that there are some housing associations and councils where the whole process of sorting out their issues works very quickly and works well. There are others where things do not work as well. What we want, at the end of the day, is to make sure that, as part of the work we are doing, there is best practice across the whole sector, so that there are no variations in terms of the experience that tenants have.

Q86 Fiona Onasanya: Turning from that to the private rented sector, the Government have launched many consultations in recent months. I just wondered how you would ensure the outcomes of those consultations fit together within a coherent policy agenda.

Alok Sharma: Thank you for that. Just to recap on what has been announced, we had the ban on letting fees and the draft Bill has been published today. I am sure your Committee will want to scrutinise that, as well as the response to the consultation. A few weeks ago, we announced a whole set of measures when it came to the private rented sector. We want to make sure that landlords are part of a redress scheme. That is a requirement that is not currently the case. We want to make sure that letting agents are regulated. We want to look to consult on housing courts, and that is a discussion we will have to have with the judiciary.

One other aspect is longer tenancies. I hope at Budget it may be possible to announce some incentives for landlords to give tenancies of at least 12 months to their tenants. The impact of all of this work, ultimately, is to make sure that the private rental sector is fairer and, ultimately, people who rent in the sector are more secure. It is the case that there are 4.5 million households that are currently within the private rented sector and almost 40% of them are families. For them, security of knowing that they will continue to be able to live in that home is very important.



HOUSE OF COMMONS

We have also launched a consultation today on making sure that there is a mandatory scheme for letting agents, when it comes to client money protection. We said in March that we would introduce this scheme, so this particular consultation is all about seeking views on how we implement and enforce this particular measure. You will also have seen the consultation that has been launched in terms of regulating both letting agents but also managing agents. Seen together, what will be the result of this? Of course, some of these changes may well require changes in primary legislation. What we will see at the end of this process is that people who are in the private rented sector feel that they are effectively getting a fairer deal, which many of them may feel they do not currently have.

Q87 Kevin Hollinrake: I would like to refer the Committee to the register of Members' interests before I ask a couple of questions. You said that you would like to see a minimum term for assured shorthold tenancy units of 12 months. Is that going to be voluntary or compulsory?

Alok Sharma: What we are saying is we want to incentivise landlords to have at least 12 months. Clearly if the incentives are the right incentives, then people will change their behaviour accordingly. Mr Hollinrake, of course you have huge experience in this area and I am sure you will know that, ultimately, there are very many very good landlords out there. For them, having a good tenant who pays regularly and continues to be at that property for a period of time is good news for the landlord, as well as the tenant. We are reflecting on the fact that, for many tenants, initially they may only be going in on a six-month tenancy with a view that, within a month or two of being given notice, they may have to move out. That is a particular problem for families and we recognise that. If you look at the build-to-rent sector, which is another area where we want to encourage growth, in terms of more build-to-rent products coming through, the sector looks at three-year tenancies there. This depends on who is the tenant, at the end of the day. Some of the conversations that I have had suggest that, if you are a single person, a young professional or whatever, you may not want to have a long-term tenancy. If you are a family, you may quite like the idea of having that security over a period of years.

Q88 Kevin Hollinrake: Nobody wants to go back to the 1970s and 1980s, when nobody would invest in the private rented sector, because of the difficulties and you were tied up in red tape. I am sure your concern would be centred on that, just as much as mine would.

Alok Sharma: What we are talking about, to be clear in terms of the proposal on landlords looking to have minimum terms of 12 months, is incentives.

Q89 Kevin Hollinrake: Thank you. Do you have a timescale for the Bill coming into force?

Alok Sharma: Do you mean the Bill in terms of the draft Bill on letting?



Kevin Hollinrake: Yes, what are the timescales on actually getting this to a stage when it is up and operating, in terms of legislation?

Alok Sharma: We would have to see where there was space in the parliamentary timetable. Clearly the starting point for that has to be the draft Bill and what feedback we get on that. The reason for doing it as a draft Bill is that, when we get to the final stage of presenting the Bill, it is something that there is a consensus view on and therefore it passes through. It is basically to bring this debate earlier on in the process, rather than later on, which will hopefully give more certainty to make sure the legislation actually gets through.

Chair: I am sure the Committee will get involved in that process.

Alok Sharma: We welcome that, Mr Chairman.

Q90 **Bob Blackman:** I return to the issue of land banking. This Committee, prior to the election, published a detailed report and the department has responded, but we still have a problem. The Secretary of State has gone on public record in saying that he wants not only planning applications that have been granted to be built, but more land has to come available and the land that people have and are sitting on needs to be built on, so we get the homes that people need. What are the Government going to do now to force developers or encourage local authorities and other public bodies to bring forward land to get the housing market moving?

Alok Sharma: Mr Blackman, you have very much struck on the point that there is a view that planning permissions are effectively being sat on. Clearly the development sector would say that is not the case, but we want to make sure that, where planning permissions are given, they are commenced earlier. As I said earlier on in this evidence session, the proposals will include commencement periods to be brought forward from three years to two years. On the whole issue around transparency on build-out, at the start of the process a developer should say, "This is the speed at which I will build out a particular site". Having transparency is a really very powerful tool in terms of keeping people focused on their promises. We can also, and we plan to, make changes in the planning application forms, where we can require people to say, once you get planning permission, when they will actually start the building on this site and how quickly they expect it to take place. These measures will be very helpful, but again you are absolutely right that it is also the whole issue around bringing more sites.

When I talked about diversifying those who are doing the building, of course we have the big builders, housing associations and councils, but we also need to be encouraging more small and medium-sized builders. I can talk about the funding that we are making available for that. In terms of more smaller sites coming forward, what we want is for local authorities to specify that 10% of any sites that they have in their plan are of a half-hectare or less in terms of size. Clearly this is something



HOUSE OF COMMONS

that small and medium-sized builders will find attractive and be able to build on.

In terms of helping small and medium-sized builders, in the discussions that I have had with the sector and you will have had with the sector, there are always two points that they identify. One is the lack of availability of land, so hopefully we have put that right. The second is to do with finance. Having the Home Building Fund, which is effectively a £3 billion pot, split into £1 billion for short-term loans and £2 billion for loans on infrastructure, is actually working. If you speak to people like the Federation of Master Builders and others, they will tell you that this money is actually getting through to the small and medium-sized builders. I think that will make a difference.

The final point I would make is in terms of diversifying the market. We talked about modern methods of construction and I talked about the Housing Infrastructure Fund, which is £2.3 billion that hopefully is going to unlock around 100,000 homes. In terms of the build-to-rent sector, we want to encourage more investment into the country for build-to-rent schemes—obviously domestic investors, but also foreign investors. We are already deploying the Government's balance sheet. There is a £3.5 billion PRS loan scheme out there issuing bonds. All of this together will help to get the market moving in terms of just getting more homes built.

Q91 Bob Blackman: One of the problems at the moment is the length of time there is between the granting of planning permission and its expiry. Have you given any thought to reducing the length of time for which a planning application would be extant and, therefore, would fall if the development had not taken place?

Alok Sharma: Yes, this is what I talked about. It is for that to be from three years to two years.

Q92 Bob Blackman: Would that be for all sites?

Alok Sharma: That is a proposal that we have put forward in the White Paper. Of course, we are working our way through the feedback that came through on that, but you can take that as a very clear statement of intent that we want planning permissions to be acted on faster than they are currently.

Q93 Bob Blackman: The only issue would be over large sites, where a build-out rate is typically 350 units a year or whatever, and there may be several hundred homes being built. That would fall foul of that rule, or would it not?

Alok Sharma: I completely understand the point you are making on that. Clearly we will have to reflect on how you deal with larger sites where delivery is over a longer period of time. The principle has to be that, if you are given planning permission, you need to start that rather than waiting for a number of years before you start to build. This also



HOUSE OF COMMONS

goes back to the whole issue of the deliverability test as well, indeed requiring and checking whether or not the homes that local authorities say they are going to have built are actually being built.

Chair: Minister, thank you very much indeed for coming along and spending time with us today, covering quite a wide range of topics. I am sure we will be coming back to some of them, as you indicated, in due course.