

Housing, Communities and Local Government Committee

Oral evidence: Social Housing Green Paper, HC 1580

Wednesday 31 October 2018

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Members present: Mr Clive Betts (Chair); Bob Blackman; Mr Tanmanjeet Singh Dhesi; Helen Hayes; Andrew Lewer; Teresa Pearce; Mary Robinson; Liz Twist.

Questions 1 – 81

Witnesses

I: Kit Malthouse MP, Minister for Housing, and Sally Randall, Director of Social Housing, Ministry of Housing, Communities and Local Government.

Examination of witnesses

Witnesses: Kit Malthouse MP and Sally Randall.

Q1 Chair: Good morning. Welcome to this one-off inquiry into the social housing Green Paper, Minister. You are very welcome to be with us this morning. We also have some councillors from Lewisham Council who have come to observe how effectively we grill you, so I hope we do a good job for them.

Kit Malthouse: I hope you don't show off.

Chair: Just before we start, could we put on record any interests that members of the Committee have that may be relevant to this inquiry? I am a vice-president of the Local Government Association.

Mr Dhesi: I am a councillor, as per the Register of Members' Interests.

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

Helen Hayes: I am also a vice-president of the Local Government Association, and I employ a councillor in my staff team.

Liz Twist: I employ a councillor in my staff team.

Q2 Chair: Right, we have that on the record. Minister, turning to the publication of the social housing Green Paper, initially we were told by



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one of the former Housing Ministers—there have been quite a lot of them—that the paper would be published in the spring of 2018. Then the Secretary of State said it would be before the summer recess. We did not get it by the summer recess, so we assumed it would come to Parliament after the summer recess, but it was published in August. Why the delay?

Kit Malthouse: It was a combination of volume and time. As you say, I acceded to this throne in early July and I had to get my teeth into it. We had a huge response to the initial engagement exercise. There were 14 meetings with over 1,000 people at those. There were 7,000 contributions generally. There was a lot of meat to chew on. By the time we got to the end of term, we were close to publication but not close enough. We felt that we should not artificially extend it beyond when we needed to, so it would get its own slot to land in August.

The Secretary of State came in front of you in late July and said we were keen to get it out as quickly as possible, and that is what we did. Hopefully, you got a notification from him that it was out. He wrote to all members of the Committee at the same time to say that we were publishing it in the summer. Happily, it landed at a time when there was no other news. The date it was published enabled the publicity around it, which was key to the success of landing it, particularly with the stakeholders who had taken part in the consultation process.

Q3 **Chair:** This is not the view of many on this Committee, but can you understand that, more widely, there was some disappointment that a paper on something as significant—because the Government have said it is a significant Green Paper—as the future of social housing was published in the middle of a recess, so there was no immediate opportunity for parliamentarians to question Ministers about the proposals?

Kit Malthouse: Yes, I can understand why they would be disappointed. We had to take a difficult decision about whether to artificially delay it, given that the clamour was from not just parliamentarians but those people who had taken part in the process. We had this housing week in the middle of the summer when we were doing quite a lot of activity around housing. We thought it was a good time to land it then, not least because, when we came back in the autumn, we did not want to delay the second engagement exercise. We wanted that to fit into the timeframe and not have Christmas intruding in it, which we have managed to achieve: the last meeting is on Thursday.

Q4 **Chair:** From the initial promises, it had already been delayed from spring to late summer. Would another two-week delay have really upset everybody? It would have allowed Parliament a better opportunity to scrutinise.

Kit Malthouse: That was a judgment we made at the time. I apologise if it inconvenienced people that it came out in the summer. Once it was ready, sitting on our desks, baked, we did not feel that another delay of



three or four weeks was merited; we just wanted to get it out. While you are quite right that parliamentarians have an important role in scrutinising, examining and having a look at it, we have a big constituency of participants in the process who were anxious to see that there had been progress, so we were keen to get it out.

Q5 Mr Dhesi: Minister, the Local Government Association said that the ambition of the Government's Green Paper is disappointing. The Grenfell Tower fire survivors have said that the proposals do not go far enough. The blunt truth is that, while this is being sold as a new deal, it seems to be more of the same. Those are not my words; they are the words of the Royal Institute of British Architects. The Chartered Institute of Environmental Health said that we need to see some concrete proposals: "There really are very few tangible proposals in this announcement". How would you respond to that?

Kit Malthouse: To be honest, I find that response a little churlish. To a certain extent, that has been slightly different from the response we have had in private. The reaction I have had—remember that I inherited this process halfway through—from some of the key stakeholders was that they felt the first process correctly identified the five pillars of concern. That was a key objective. We managed to distil this very large and complicated conversation into five key pillars. That got particular purchase, and people were very happy with it. At the events I have done around the country, people have recognised that.

You also have to remember that the Green Paper, as Green Papers naturally do, is asking a lot of questions about what we should do. It is posing some of the problems people highlighted to us. It is asking questions, and it is specifically asking, "Should we go further?" If people think we should go further on regulation, redress or whatever it might be, the option is definitely there.

It is also worth remembering that the Green Paper is part of an overall jigsaw of reform in some of these areas. For instance, we have a very big programme of review around building regulations safety, which forms part of a pillar for this. There will be an ambitious programme of structural root and branch reform in that area, which is coming as part of the Green Paper but by a different process, through the Hackitt review and the work we are doing there.

To be perfectly honest with you, I have said to all the people who are participating in the conversation that my mind is open as to how far, how fast and how radical we should be in the changes. I have promised to every group I have met that there is going to be structural change. There has to be change because that is what people want, particularly post-Grenfell. If that is what comes out of the White Paper, that is what we will have to consider.

Q6 Mr Dhesi: Which of your Green Paper proposals offers that fundamental reform?



Kit Malthouse: There are a number of areas where there is significant reform, or the possibility for significant reform. On the decent homes standard and safety in particular, I expect there to be significant reform. One of the lessons coming out of Grenfell that we know already is that the building regulation and safety environment did not function correctly. There has been a systemic problem in that area, where there could be significant reform. There is a possibility of significant reform and change on redress and regulation. It is pretty obvious that there is widespread dissatisfaction with the way the ombudsman regulatory structure is operating. As a constituency MP, you will see in your postbag on a regular basis, as I do, that there is dissatisfaction there, so there could be significant reform.

Do not forget that the fifth pillar of this is supply. As part of the general push, we have already seen very significant steps forward, such as the lifting of the HRA cap and the long-term commitments that have been made on funding for supply. The idea now—it is already being enacted—is that local authorities, where they want to, should get back into housebuilding in a way that they were effectively enticed not to, back in the years of Blair and Brown. There are quite a lot of areas where there will be significant reform, if we are given the go-ahead and that is what people want.

We have to be slightly careful about this, I have to say. One thing has been surprising to me in the conversations I have had. I have now done meetings across the country—in Manchester, Norwich, Birmingham, Camden, Hastings, Newcastle, Bristol and one last night for the Grenfell community. When we have been through this quite detailed afternoon of going through a lot of the questions that we are asking in the Green Paper, I have generally asked people—I have been around every single table—whether they are happy with their landlord and the way they operate. I would say about 80% of people say, “Yes, I am.” But they have a perception that there is a structural systemic problem out there for other people as well. Some of that relates to the size of the organisation, the location of it, whether it is urban or rural—it varies.

While I understand the desire for radical reform and can see why some organisations are pushing for it, we need to be careful that we take the tenant body with us on this. We must not produce something that we think is an ideal situation, but which upsets quite a lot of settled arrangements where people are happy and have a functioning relationship with their landlord. There are possibilities there, but we just have to take them with us.

Q7 Mr Dhesi: The Prime Minister has said that the Government are committing themselves to building 300,000 more homes a year by the mid-2020s. How many of those will be social housing—actual council housing?

Kit Malthouse: The early forecast for the HRA cap lift is that we reckon local authorities should build around 10,000 a year in the initial stage. If



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authorities believe they can be more ambitious than that, great, and over time that number may well grow, but that is the initial forecast. You have to remember that quite a lot of authorities effectively got out of the housebuilding business altogether. When I was a councillor, we were enticed, as it were, into transferring all our housing into an ALMO because it was the only way we could get our decent homes money, so we got out of the business. There will be an element of gearing up for the local authorities that want to get back into building.

Q8 Mr Dhesi: Out of 300,000, they will build only 10,000. That is 3%.

Kit Malthouse: That is just local authorities. Do not forget that housing associations can also build for social rent. We want to be talking to them about what their mix is. One of the things we have imposed upon local authorities in their plan-making process and through the NPPF now is that they have to have a view about what the mix of tenure should be in their area. If they believe that there is a requirement for more social rent, they can either deliver it themselves or include it as part of their affordable housing quota when they impose that on the developers and housing associations that produce it. There are a variety of ways in which it can be produced.

Q9 Mr Dhesi: So we do not have a specific target. Out of 300,000, we are not saying that there will be 50,000 or 100,000 social homes.

Kit Malthouse: No, I do not have a specific target at the moment on the overall 300,000 for how the split should be. In the end, the "predict and provide from Whitehall" model has not produced a functioning housing market for the last 25 years. We want local authorities to assess what their local tenure requirements are, make the decisions about what the mix should be in their area, and then we will give them the flexibility, through the HRA and through the affordable housing programme, that means they can produce that against the general constraints that may be applied around section 106 and housing supply and development in their area.

I cannot say to you, "We will have this number." I know that people make promises about the numbers they are going to produce, but that central Whitehall diktat is a one-size-fits-all solution that might not produce the result you want in your local area.

Mr Dhesi: Ultimately, if there is a target for 300,000 homes, I would have thought the Government would have had some sort of target for social housing, to make sure we have that council housing stock.

Q10 Helen Hayes: Minister, you say it is "Whitehall predict and provide" that is not functioning. Is it not in fact the entirely broken definition of affordability that is the problem here? It means social providers and housing associations can deliver homes against the Government's target that are not actually benefiting those people who are in the most housing need. That is why understanding what will actually be delivered, in terms of social versus other types of affordable housing, is important. The issue



here is not the command and control; it is the fundamental definition of what is being delivered with the benefit of Government subsidy.

Kit Malthouse: We are trying to give local authorities enough flexibility within the definitions—don't forget that social rent is now included within the definition of affordable housing—to make decisions. The thrust of what we are trying to do, from the policy point of view, through the planning regime, is about putting local authorities much more in control of their area. We are giving them a duty to co-operate with their neighbours in their region, but we are putting them in control so that they can decide much more on the mix, tenure and requirements of their area and, frankly, the formulation.

Lots of local authorities may decide that they need more homes for senior living or disabled living. It is for them to decide what the mix should be. We could set an overall target or aspiration—30% or whatever it is—but I am not sure whether that will work in central London as much as it might in north-west Hampshire or Liverpool. Different areas have different requirements. Putting the onus on local authorities to decide, and giving them the tools and flexibility within the affordable housing envelope so they can start to deliver it and compel delivery of it, would be great.

There are other areas where we are trying to stimulate things. We are very keen at the moment to push the build-for-rent market, the private rented, institutional market. It may be that, as part of that, we start to see the emergence of a private social rent product. We have not had a private social rent product ever, really, or not since feudal times. As part of a build-for-rent proposal in a local area, the section 106 could become a social rent product on a tenure-blind basis in a block that is built for private rent. These possibilities become open in a more flexible market. We need to remove the rigidities that have been in there thus far, to allow local authorities to work out what they need and then give them the flexibility to deliver it.

Q11 **Bob Blackman:** I do not expect to get the detail today but, given the announcements of the removal of the cap on borrowing for local authorities, following up on the question of how many homes will be built, which you say is 10,000, when are we going to see the detail of exactly what the Government are proposing? It is all very well to talk about the abolition of the cap, but presumably there are going to be some regulations around what borrowing can be undertaken, because it is not a borrowing spree. When are we going to see the detail of that?

Sally Randall: The Secretary of State has published a determination that has removed the borrowing cap, which is known in the determination as the indebtedness limit, for each of those authorities. The cap has been removed; effective Monday morning at midnight, the cap has gone. That determination sets out the detail. There is in fact very little detail; it is simply abolished.



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Kit Malthouse: It is effectively for local authorities to design and decide what they want to do. For example, a number of local authorities do not have an HRA anymore. If you own fewer than—

Chair: We are going to come on to that issue.

Kit Malthouse: The cap was abolished from Monday, and there is no limit or constraint.

Q12 **Mr Dhesi:** Post the horrors of the Grenfell tragedy, councils such as Slough Borough Council took it upon themselves to take remedial steps to ensure high-rise buildings such as Nova House in Slough took remedial measures. They received lots of warm words from your Ministry that they needed to undertake these works and that assistance would be forthcoming. When will such councils finally receive some funding and the required resources so they can plug the gap?

Kit Malthouse: Just the week before last I approved 135 applications for funding, equating to about £248 million. We are paying 80% of that up front and then 20% on completion. We still have a number of applications that we are considering, but we are anticipating getting all of this done fairly soon. Of the 157 buildings identified in the public sector, there are only four at the moment where there are no concrete plans or where plans are not being worked up. Everybody else is in the process, and we are standing behind the funding that is required for each of those as they come along. So far we have committed £248 million and we have another £150 million to go.

Q13 **Mr Dhesi:** The Green Paper itself reports that remedial work has taken place on 70% of buildings in the social housing sector following the Grenfell Tower fire. How much of the £400 million has actually been taken up? What further flexibilities have been given to local authorities for further essential fire safety work?

Kit Malthouse: It is a good question. As I say, £248 million is the amount of money we have allocated thus far and effectively committed to schemes, but there will be more to come. Just to be clear on numbers—I asked for the numbers this morning—of the 157 buildings identified, 22 have now finished the remediation, which means they have been signed off by building control. We have 98 buildings that have started the process, so they are in build. There are 33 buildings where the plans are in place but the work is yet to start. There are just four where there is an intention but they have not yet worked up the plans. I should just say for clarity that every single one of those buildings has interim measures in place to make sure everybody is safe tonight, whether the work has or has not been completed.

Q14 **Mr Dhesi:** We feel that the retrofitting of sprinklers is very important. Indeed, in a recent report of this Committee, following Dame Judith Hackitt's review, we said, "Wherever structurally feasible, sprinklers should be retrofitted." What Government funding or financial flexibilities are available where local fire authorities within their areas deem that the



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retrofitting of these sprinklers is necessary to ensure that residents are safe?

Kit Malthouse: We have provided this money specifically for ACM cladding. We have lifted the HRA cap so that local authorities can manage capital expenditure themselves within that cap if they need to. If local authorities want more financial flexibility to deal with these issues, we would be happy to have those conversations. We are having conversations with a number at the time. But on this issue there is no one-size-fits-all solution; we want to consider each situation as it arises.

Q15 **Mr Dhesi:** So there is a considerable amount of funding available that councils can call upon?

Kit Malthouse: They certainly can within the HRA envelope if they require it, but we have not earmarked any specific funding thus far, have we?

Sally Randall: No, not for sprinklers; it is only for ACM cladding.

Kit Malthouse: I will have to have a conversation with my Treasury officials, depending on where we get on the £400 million on ACM. If we undershoot, there is some capacity, and we will see where we get to.

Q16 **Chair:** But the Government are not going to second-guess an authority that comes along and says, "We have advice from our fire authority that, in order to make this block safe, we need to fit sprinklers."

Kit Malthouse: No, we will have a sensible and grown-up conversation with them about how that happens.

Q17 **Liz Twist:** I want to ask about decent homes. The Green Paper asks whether the decent homes standard needs updating and suggests that it could also be updated to reflect the Government's current and forthcoming priorities. What are the Government's current and forthcoming priorities? How do you envisage that they will be reflected in a revised decent homes standard?

Kit Malthouse: One of the key elements of the conversation that we are having with tenants across the country is whether they think the decent homes standard is up to scratch. It has not really been reviewed since 2006. To be honest with you, when I had a look at the standard myself, I was quite surprised that people have to live with bathrooms that are 30 years old, which sounds like quite a long time for a bathroom. Obviously, we have a general aspiration that everyone should live in a safe and modern home.

There are some areas in which the Government have an aspiration where we might need to look at this. For instance, on environmental matters, does the decent homes standard require a high enough level of environmental padding, cushioning, insulation, double glazing and all that kind of stuff to minimise energy prices? Is that part of the thing to look at? There is also a big safety push. As part of decent homes, do people



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feel they are getting enough safety information? Do they have enough of a handle on what they do in particular situations?

The other issue that is a slight bugbear of mine, where I would certainly have an aspiration, is noise. I hear from social tenants in my constituency about issues of noise, not least because the build quality of some of the stuff that was built in the 1960s, 1970s and 1980s did not take into account modern hi-fis, televisions and all that kind of stuff, which means there are noise issues.

There are a number of things that we can have a look at on the decent homes standard. We are asking that question about what people think. In the conversations we have been in, I have to say that this is something that really gets people going: whether they feel their home is decent enough. I was just going to drop in that we have made progress over the last few years on getting homes up to decent standards. In the social sector back in 2010, 20% of homes were non-decent; we are now down to 13%. We have put about 1.7 billion behind that programme, and it would be great to drive that number even lower. We just have to be slightly careful about expanding the requirement at the same time as we are trying to get everybody to the old decent homes standard. But we are going to have a look at it. It needs reviewing after this length of time.

Q18 Liz Twist: The next question is how we are going to fund an improved decent homes standard. You are quite right: people expect it. Times have moved on in environmental issues.

Kit Malthouse: That is going to be a product of what comes out of the Green Paper. People might say, "We are broadly happy, but it just needs a bit of twiddling here and there," or they might think we need a huge revision. We cannot guess at the moment. When that comes out, we will look at an impact assessment and a cost. Then I will have to have a conversation with my Treasury colleagues about how we would fund that, if required.

When we have had these conversations, although the vast majority of people recognise that the decent homes standard has not been reviewed for a while, they are happy with their homes; they like them a lot. But there are some issues that we need to think about. In new development, we can incorporate changes into standards quite quickly and easily, but with retrofitting we would have to have a look at the impact overall.

Q19 Liz Twist: Clearly we are talking about the social housing Green Paper here. But there is also an issue in the private and owner-occupied sector. Have you had any thoughts about extending the decent homes standard there?

Kit Malthouse: No, not thus far, to be honest. I am concentrating on this. I have to confess that the private rented sector does not form part of my ministerial portfolio, as you might well know—we have a very able



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Parliamentary Under-Secretary of State, Heather Wheeler, who looks after that area. That would be a question you might have to direct to her.

But one thing I have said in the past, mostly to anybody who would listen, is that it would be great to start to get some kind of consistent standards across housing generally. That points partly to the stigma issue, which we will no doubt talk about later. The ideal situation to get to would be one where it is hard to tell the difference between the public sector and the private sector. But there are obviously costs and complexities about getting into that situation. We will have to look at it.

Just to drop something in on decent homes, earlier in the week you might have seen Heather announce that we are reviewing the HHSRS—the risk assessment tool for social housing—to see whether it is fit for purpose and whether we can revise it so that, particularly from the point of view of safety under decent homes, local authorities have the right kind of tools. That has not been reviewed for some time as well.

Chair: The Committee asked for that in its recent report.

Kit Malthouse: Okay. That was announced earlier this week, so we have ticked that box too.

Q20 **Liz Twist:** There is a chance for some combined thinking, perhaps.

Kit Malthouse: Yes. A hell of a lot is going on in terms of safety and decency at the moment, when you take into account Hackitt, the Green Paper, the HHSRS. We have quite a lot of tenant engagement on safety. We have a tenant reference group talking to us about safety. Just this week we asked for submissions from social landlords to run pilot schemes for tenant engagement on safety, decency, engagement and all that kind of stuff. There is a lot of work going on in that area. I am loth to draw conclusions now in advance of that work taking place.

Q21 **Mary Robinson:** Minister, the lifting of the LA borrowing cap is really welcome. As local authorities start to think about building homes, we want them to be up to the decent homes standard but also that little bit extra. We know that there is a lot of interest now in offsite build, because they are quick to build, well insulated, energy efficient and so on. What guidance, if any, is being given to local authorities regarding modern methods of construction? Is this an area where you would get involved?

Kit Malthouse: Yes. We are not giving any specific guidance other than encouraging them to have a look at it. There are a couple of things. We have a working party at the Department that looks at MMC to make sure we can certify it as mortgageable, insurable and all that kind of stuff—we want to keep the finance and insurance industries, which sit behind public and private housing, happy that these are not prefab or PRC homes. They are doing great work around a certification process for offsite builds.

We are putting some money behind it. We have a fund that is targeting MMC and looking at how we can expand it. Both the public and private



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sectors seem to be responding. I was in Aldridge, near Walsall, last week on Thursday, visiting a factory there that has been put in place by Accord, a housing association, which will produce 1,000 offsite homes per year. I went with Wendy Morton, our colleague, and they took me around the factory. They showed me a lovely bungalow there that was built from scratch, decorated and inhabited in two weeks, which is fantastic. It looks like the real thing. It is very sturdy.

I will tell you this as an aside. I bumped into a company called Ilke, which builds these offsite homes. For a conference in Manchester, they built a pair of brick terraced houses on the square in front of Manchester Town Hall. They build them from scratch in 36 hours. They were so good that there were complaints to the council about how they had got planning permission to put these two houses in the square. There is a huge opportunity there for us to do things much quicker and better through modular. We are trying to stimulate the use of those techniques as much as we possibly can.

Q22 Liz Twist: I want to talk about tenant engagement now. You will know that Grenfell Tower residents had said, prior to the fire, that they did not think their local authority or their tenant management organisation were listening to their safety concerns. The Green Paper talks about having a pilot for innovative ways of communicating and engaging with residents on safety issues. How will the success of the pilot be measured? When will it take place?

Kit Malthouse: It is a really good question, because engagement is a notoriously tricky thing to measure. We have just called for applications this week from social landlords. We have asked them to come forward with suggestions about pilots they want to do, best practice and all the rest of it, particularly with strong tenant involvement and particularly with a strong emphasis on evaluation. We will see how many we get coming forward, and then we will have a look at them once they have gone through. We are quite keen, particularly from the safety point of view, bearing in mind what you said about Grenfell, that we get this right. We do not have a prescriptive model that we think will work, but evaluating it will be the key. We will wait and see what the sector comes up with.

Judging by what tenants have told me, there are some landlords that do this remarkably well. Hopefully, they will come forward, they can exhibit what they do through pilots, we can evaluate it well and then spread it as best practice.

Q23 Liz Twist: But do you have a set of criteria against which you will evaluate those proposals? What are you looking to get as an outcome?

Kit Malthouse: We are not being particularly prescriptive, are we, Sally?

Sally Randall: No.



Kit Malthouse: No, we have no particular criteria. I understand that is a bit opaque. It is like saying, "We will know it when we see it." But in the end it is not really for us to judge. It will be for the tenants to judge in the pilot whether they feel they are getting a product that makes them both feel safe and know they are safe.

This has a number of moving parts. As you might know, my parliamentary neighbour and colleague Maria Miller had a Private Members' Bill, which looked at what we could do to engage tenants. Is it annual meetings? Is it getting leaflets in? Do we have to have a designated person who goes around and knocks on doors? There are lots of different models we could look at. We want to try to refine that down to a number of them, which we can then spread generally in the sector for use. Rather than make people guess, we want to see what works and promulgate that.

Q24 **Liz Twist:** Do you have any thoughts about how you make sure the landlord organisation actually listens and acts on those concerns?

Kit Malthouse: You are straying into the area of regulation, which no doubt you will want to explore later in the hearing. But it is definitely the case that one area where we need to look at overt regulatory supervision is whether landlords are fulfilling their obligations, particularly on safety and fire safety, once they know what their obligations should be, from a tenant engagement point of view. We will definitely embed that in whatever happens from a regulatory point of view.

Q25 **Helen Hayes:** Some local authorities have expressed concern about the fire safety testing programme for front doors, which I understand is moving very slowly in terms of testing front door products. Some local authorities are procuring their own tests, and there is currently not sufficient sharing of that information with the Department. Could you update the Committee on that programme and why it is moving so slowly?

Kit Malthouse: You are quite right: we are moving steadily through all the products, including fire doors and so on, that are on the market, to do the tests.

Q26 **Helen Hayes:** How many have been tested so far?

Kit Malthouse: We have done all the composite doors and we are now through eight of the solid wood doors. There are obviously more products to come. As you will know, the Secretary of State has made statements to the House, written and otherwise, about our progress and what we are seeing. We totally recognise that we need to spread that news out among the industry, and all those who are fitting and providing doors, to make sure they are fitting and providing the right kinds of doors.

One of the issues for us is the capacity of the testing facilities. It is not just a question of pointing a blowtorch at the door; it has to be more



scientific than that. The testing facilities we have are constrained in the amount of activity they can perform.

Q27 Helen Hayes: What is the failure rate from the tests that have been undertaken so far?

Kit Malthouse: In terms of the failure rate of composite doors, there was a written ministerial statement that explained the number of products that have gone through. We have not yet released the data on the solid wood doors, but that will no doubt come in due course.

Q28 Helen Hayes: The Green Paper seeks views on options that could improve the position in the meantime, pending such wider reform, in regard to the issue of consumer redress in the social housing market. What wider reforms are you expecting to introduce? What is the expected timeline for those reforms?

Kit Malthouse: As I say, we have asked a series of questions in the Green Paper. No specific decision has yet been taken about what we are going to change on consumer redress, but this is definitely a key issue that gets raised at the tables. These events we have been doing are very interesting, because people get to select the three of the five areas that they want to talk about. They talk about supply, and then they talk about two or three of the remaining four. They almost always select the issue of redress, because there is a perception that the dispute resolution and redress process is elongated and unsatisfactory. We are looking at shortening it, making it swifter, introducing some kind of performance indicator that can be evaluated by the tenant group as part of a regulatory change—all those kinds of things. We think that giving more transparency about performance to tenants will help.

One of the issues we have asked about generally is the ombudsman process and whether having this democratic filter, which was introduced effectively to stimulate greater local resolution of problems, is prolonging the situation and we need to get the timescale down. As far as I can see, I am not quite sure the democratic filter has fulfilled the function that we expected it to, or that whoever put it in in 2011 expected it to. That is one of the big questions we are looking at. I think the democratic filter would require primary legislation to remove.

Sally Randall: It would, yes.

Kit Malthouse: There are a number of things we can do, which will be constrained by the fact that we might have quite a lot of stuff in the legislative framework over the next few months. But at some point it would be nice to find a slot, later next year, in terms of timescale.

Q29 Helen Hayes: When are you expecting to publish the response to the consultation on strengthening consumer redress in the housing market?



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Kit Malthouse: That consultation finished in April this year. It has been slightly subsumed into this one. We cannot really pre-empt that. We do not really have a timescale. We will probably do the two together.

Sally Randall: The Secretary of State said this one would be in the autumn.

Kit Malthouse: It will probably be the autumn. We are in autumn already. I guess that one will come before Christmas and then the Green Paper, as a subset of that, will come post-Christmas.

Q30 **Helen Hayes:** On the basis of my caseload and inbox, the issues with redress are more than a perception. It is a reality and a great day-to-day frustration for many residents who have problems with their landlords.

Kit Malthouse: I am sorry to interrupt. I have to confess, I have a large number of housing association properties in my constituency. When I first got elected as an MP, I was amazed at the number of relatively minor domestic issues that ended up coming to me because the landlord had not resolved them. I could not understand why. If I was the chief executive of an organisation like that, I would be mortified if complaints were ending up in the MP's inbox. But we seem to have become part of the process, rather than a last resort.

They reckon about 79% or 80% of complaints are resolved on a local basis. The ombudsman puts quite a lot of effort into making sure that happens. We have put some funding behind making sure that happens. But it still strikes me that far too many are getting through to the later stages via MPs and others. We do need to look at that.

Q31 **Helen Hayes:** The set of issues is relatively well articulated and understood. There is a series of potential solutions kicking around as well. But it seems that we are piling consultation on consultation on this issue. Are you still considering creating a joined-up housing ombudsman and/or a specialist housing court, which are two of the solutions that have been the most discussed? Again, when might we see some progress on those issues?

Kit Malthouse: On the housing court, we are about to issue a call for evidence on how the Courts and Tribunals Service is working at the moment, as a precursor to possibly looking at that as an issue. I know it has been raised and it has been debated for some time. Obviously, we have some specialist courts in other areas that can work at speed and give greater justice. We are going to start the process of having a look at the evidence before we make a decision, and that call will go out shortly.

On the single housing ombudsman, you will have seen that we have just decided we are going to launch this new homes ombudsman, which will help some of the issues that many of us have with developers not dealing with snagging and other problems. You are quite right; there is a danger of us creating quite a complicated redress landscape, so I can see the attraction of having a single homes ombudsman that might solve all



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those problems. It might be a solution we migrate to in time, but for the moment we want to land the new homes ombudsman, see what we can do about the existing regulatory system in social housing and then think about that as a second stage.

I am quite keen on simplicity, because one of the problems, as far as I can see, is that people are not quite sure where they are supposed to go and what they are supposed to do when they want to resolve particular disputes at the moment.

- Q32 **Helen Hayes:** There are also still large parts of the housing landscape where tenants do not have any recourse to redress through the ombudsman scheme at all. The Government appear to be adding new bits into the system at the moment without that comprehensive overview, which means some tenants are still going to fall through the gaps, as far as redress is concerned.

Kit Malthouse: It is definitely an area that needs work, yes.

- Q33 **Helen Hayes:** In the meantime, we have had no permanent housing ombudsman for over a year. When are you planning to appoint a permanent person to that role?

Kit Malthouse: We are going to executive search shortly, in the next month or so. We have an interim ombudsman who has been appointed. If we can go out and search for the right person with the right kinds of skills, we hope we will get somebody in place pretty quickly. I would just say that we are working with the ombudsman on their business plan to shorten the timescale in which they are dealing with issues, so we can generally try to deliver a better service.

- Q34 **Chair:** Moving on to regulation, Minister, we are going to end up with a new homes ombudsman; a housing ombudsman; a local government and social care ombudsman, who deals with issues such as re-housing and homelessness; a property ombudsman; and other redress schemes for letting agents. Surely this is a time to have a look at the totality and try to simplify.

Kit Malthouse: I would have a lot of sympathy with that view, Chair, yes. But, as I say, these things have to be taken step by step. We are keen to land the new homes ombudsman, because there is obviously a growing issue there. With my other hat on, my job is to build these 300,000 houses a year. On current form, there will be plenty of work for that new homes ombudsman to look at. But one thing that has been suggested to us as part of this conversation is that it might be the time for a more radical look at the regulatory framework in this area and generally. I will obviously have to discuss that with the Secretary of State to see what his view on it is.

In social housing terms, it has been suggested to us that we should be combining the ombudsman and the regulator into an overall regulatory body that has two sections. The parallel that was drawn to me quite



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effectively was financial services, where you have the PRA and the FCA, and it is fairly clear what they both do, although they both have teeth and they co-ordinate. We ought to be thinking about a structure that is not like that but within one framework.

- Q35 **Bob Blackman:** I will move on to regulation. Given that you have only been in the job since July and the Green Paper has been issued, one of the issues is that there are a large number of changes proposed to the regulator. I just wonder whether it would be more sensible to have a specific consultation on these detailed changes, given the impact they are going to have on social tenants.

Kit Malthouse: At the moment, we are at the stage where we are asking for views. We are getting a variety of views in. I am hesitant to reach any set conclusion. Although I am rapidly getting a grip on the issue, I do not pretend to be a regulatory expert. As we all know, regulation can often produce unintended consequences. There are some broad principles, though, that we are able to acknowledge.

For example, one thing that has come through quite strongly in the conversation is that people do not believe the social housing regulator has enough of a consumer focus. The consumer end of the business is reactive and not proactive; it is not preventative; it is not necessarily responsive; it has a very high bar to take any action at all. That is not satisfactory to quite a lot of the tenant bodies. We can take that broad thrust and say, "This is an area that needs work." Beyond that, I have to confess that I have not reached any conclusion yet.

The other thing to bear in mind, of course, is that any major change in the regulatory environment will require primary legislation. Again, I have a time constraint on me, given what we are going to be chewing on over the next few months, in terms of where I can find a slot for what would be a fairly major piece of work. I am not saying that should necessarily be a barrier, but it may inject a little bit of delay. The question is whether we can do stuff in the interim before we might move to that. But, as I say, there is no conclusion as yet.

- Q36 **Bob Blackman:** One of the proposals is a series of key performance indicators. You were a councillor at a time when there were many key performance indicators. The criticism from Grenfell United, for example, is that social housing is not like choosing a doctor; you cannot just up sticks and move to another housing association. If they get a low rating, what happens?

Kit Malthouse: It is a very good question. One of the areas where there has been a really mixed view has been the idea of KPIs and league tables. First of all, there is the point you raise: what are the consequences of not performing? Secondly, does it skew behaviour? Do people play to the KPIs?

- Q37 **Bob Blackman:** That is the next issue I was going to raise.



Kit Malthouse: Okay, I am sorry to run over your question.

Bob Blackman: No, that is fine.

Kit Malthouse: From my point of view, you are quite right: I draw a little bit on my local authority experience. When the local authority league tables and the KPIs came in, to be fair, because they were pretty well designed, they drove quite a lot of performance improvement in local authorities. When I was deputy leader of Westminster Council, we set ourselves the target of being top of the league tables, and we achieved it. In particular, we set ourselves the target of being top of the league tables in social services provision, which we also achieved. It galvanised the whole organisation. I guess we had a democratic driver, in that we wanted to illustrate to our electors that we were a high-performing council.

Q38 **Bob Blackman:** There was also another driver: money followed the performance against KPIs.

Kit Malthouse: Yes, it did. Using the parallel, there are a number of things we could consider in the system, like entitlement to grant: you need to perform to a certain level in order to get the Government support you require for your programmes. To a certain extent, it all hinges on what we do on transparency and tenant engagement, because fundamentally they are your democratic control, if you like. Combining a proper performance environment for these organisations with more transparency and a voice for tenants, who are fundamentally the customers, might well be a way of propelling and improving performance generally.

You would hope that the overall governance of these sometimes very large organisations—the trustees, the directors and all the rest of it—would be looking at these numbers as they evaluate the performance of the executive team. If we can get the design of them right and if we work with the regulator to design them so we think we will get the right effect, they could have a bit of an impact.

From a league table point of view, we got a mixed view from people. They were not that bothered about league tables, but everybody wants to know how their team is doing, do they not? “Am I fifth in the table? Am I 10th in the table?” There is also an element of saying, “Why are we seventh in the table? Why are these six people before us? How are they performing better? Can we learn from them?” It becomes a self-reinforcing improvement programme. Notwithstanding the doubts that have been raised about it by a number of tenants, there is some role for that, because at the moment it is pretty obvious that from a consumer point of view the measure is too high for intervention.

Q39 **Bob Blackman:** There is a risk, if you have too few key performance indicators, that suppliers will game the system to achieve those and ignore other elements that are not included in those KPIs. If you have too



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many KPIs, it obscures the whole thing. Where will the balance be struck?

Kit Malthouse: It is a good question. It is possible to have general and specific KPIs. For instance, it is possible to have a general KPI on consumer satisfaction. If you look at another parallel, with my old police hat on, we would have KPIs around particular crime types, but then we had a confidence indicator. The confidence indicator covered general performance, whether people felt safe, whether they thought the police were performing in their area. Then we had specific KPIs on knife crime, murder, domestic violence and all that kind of stuff. It is possible to do the two together.

It is certainly the case that there are a number of areas where people are very concerned and want to see a focus on management. For example, neighbourhood management and anti-social behaviour is an area that gets raised again and again by people living in social housing. Having a focus on that as a specific performance indicator would seem, to me, to be valuable.

Q40 Bob Blackman: The Public Accounts Committee published a report on financial scrutiny of local authorities, and the Government response was that local authorities were best placed to conduct their scrutiny arrangements. How does that fit with having national key performance indicators?

Kit Malthouse: Well, it is a good question as to whether we have national KPIs and local KPIs.

Bob Blackman: We could have regional ones.

Kit Malthouse: Yes. It is perfectly possible to have both. As I say, our minds are open. We are asking a question about how it should be. You are quite right: we could have a KPI about neighbourhood management and anti-social behaviour that may not apply to a rural housing association, where you have no more than three or four houses together sitting in one particular development. That is definitely something we will have to have a look at. Who and what devises the KPIs? It would be sensible for the regulator, in whatever form that is, and for the sector itself, as well as the tenants, to be involved in the devising of the KPIs. We will have to have a think.

Q41 Chair: About 15 years ago, I was a member of this Committee, and I listened to a Housing Minister in a previous Government say that the money for the decent homes programme had to go to housing associations. If local authorities wanted it, they had to transfer their stock, because housing associations were better at managing houses than councils were. Is that why you are reintroducing the idea of stock transfers in the Green Paper?

Kit Malthouse: We are not necessarily reintroducing the idea; we are asking whether there is an appetite for it, specifically in community-led housing schemes. One of the key themes that came out of the Grenfell



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tragedy, which is embedded in the Green Paper, is this idea of tenant voice, tenant control and tenant involvement. We wanted to see whether there was an appetite for a transfer programme specifically aimed at community-led housing schemes.

We asked other questions. Is there a way we could make it easier for people to effectively implement or get rid of TMOs? Is there a way we could make it easier for people to elect to have their management performed by a different organisation? If tenants think there is a problem to be solved about the way their landlord operates, are there tools the tenants can use? Specifically from a transfer point of view, do groups of tenants think they can access more investment in their stock by transferring it to a different organisation? We are testing the ground to see whether there is appetite, rather than saying, "Off we go."

Q42 **Chair:** But the Government have not put any incentives into this, in other words to encourage tenants to vote for a stock transfer because they are going to get more money from the Government if they do it.

Kit Malthouse: No, not particularly at the moment, but if there is a massive appetite for it we would have to have a look.

Q43 **Chair:** How do you define appetite? I am sorry; it is an interesting word.

Kit Malthouse: If we got lots of groups, large and small, coming forward as part of the Green Paper saying, "We want to transfer; we would like the power to transfer over; can you assist us in doing so?", we would obviously have an obligation to review that.

Q44 **Chair:** But you will not necessarily say, "If you do it, there will be more Government grant than if you do not do it."

Kit Malthouse: No.

Q45 **Chair:** What about tenants from housing associations who come forward to say, "Actually, we would like to move back to the council; we think we made a mistake"?

Kit Malthouse: That is a good question. They can do that already, can they not?

Sally Randall: The position of housing associations is different, because they are private sector organisations, so the Government's ability to direct them is more limited. We do not at the moment have proposals for housing association tenants to be able to elect to transfer back to Government. If we tried to take those types of powers, that might be seen as excessive control over housing associations. We have to keep them at slightly more arm's length in terms of the regulatory framework.

Kit Malthouse: What about the right to manage them, though?

Sally Randall: That is for local authorities.



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Q46 **Chair:** Basically, if you do a stock transfer to a housing association, you are stuck for life.

Kit Malthouse: It is one-way, yes.

Q47 **Chair:** There is no intention to have a look at that as part of a consultation.

Kit Malthouse: Not at the moment, no.

Q48 **Chair:** What about in the future?

Kit Malthouse: I cannot speak for who is going to be the next Housing Minister.

Chair: So it will not be next week, anyway.

Kit Malthouse: I am coming up to my six months.

Q49 **Teresa Pearce:** Section 4 talks about tackling stigma and celebrating thriving communities. Some of your many Housing Minister predecessors have described social housing as the housing of last resort. I am glad to see that this has not been mentioned for quite a long time. Would you like to tell the Committee what benefit social housing provides to the wider community and the taxpayer?

Kit Malthouse: It provides a series of benefits. Effectively, at one level, it means we can all live together, no matter what our background, income bracket or socioeconomic grouping may be. I obviously had a long career in central London. It plays its part in creating mixed communities across the whole of the capital, which, from a community cohesion point of view, is incredibly valuable. The breakup, through right to buy, of some of the big estates you used to see, creating that mixed community, along with the general integration between private and public sector housing, has been useful from that point of view.

Obviously, it has a social function, in providing houses for those people who otherwise cannot afford them in a particular area or who fall on hard times, which is of importance. The safety net element of it is important. I would not call it a last resort, but I would call it a safety net. The other part of it that I am quite keen to push is that it should be part of the process of social mobility. Social housing and holding out the opportunity of ownership within a social housing framework should mean that it does not become a cul-de-sac for people. They should be able to see it as somewhere from which they can build, aspire, grow and eventually become owners if they desire. It offers a social function on all sorts of levels.

Q50 **Teresa Pearce:** Should people who live in social housing have restricted tenures, then? Should it be a stepping stone? Is it not a perfectly adequate tenure for many people for their whole lives?

Kit Malthouse: Yes, it is a perfectly adequate tenure for many people for their whole lives, if that is what they choose. In the end, from a personal



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point of view, everybody in the country should have a choice about their housing. If your choice is to stay in social housing for your entire life, that is a perfectly respectable thing to do.

- Q51 **Teresa Pearce:** Given the cost of housing in some major cities—not just London, but Oxford, York or Bristol—buying a property might be an aspiration and what somebody wants to do, but it might simply not be possible. Living in social housing, where you still have disposable income left and where you can put into the local economy, is surely a good thing.

Kit Malthouse: Yes, it is. If that is a choice people want to make, it is a choice we need to—

Teresa Pearce: If your finances are such, it is not a choice, is it?

Kit Malthouse: Yes, but that is something we should enable, hence why we want to see a new generation of council houses being built for social rent. If we can propel the stimulation of a private sector social rent and that fits some people, that would be fine. I would be quite happy with that. There are other things we can do to enable people on lower incomes to access homes. We wanted to look at shared ownership schemes. Can we make shared ownership easier? On shared ownership, there are issues around, for example, staircasing, the 10% step and the fees. What could we do to ease that so that people could, over a number of years, accumulate a greater stake in their own home? We know that 80% of people in social housing have an aspiration of ownership at some point in their lives.

- Q52 **Teresa Pearce:** I have an aspiration to be a size 10, but it is never going to happen.

Kit Malthouse: That is the problem. I am not sure that is necessarily a message we want to communicate to people in social housing. This is not a dead end; it is quite the reverse. One of the powers of this is to say, "Look, we recognise that at this stage in your life this is appropriate for you and we want to make it as safe, decent and stigma-free as we can. But if you aspire, if you want to advance and if you want to go to ownership, we will help you with that too."

- Q53 **Teresa Pearce:** But do you not see that that very language about it being a dead end and an aspiration to do something different is not helpful?

Kit Malthouse: No, I am sorry. That is what I thought you were trying to communicate. When you said you wanted to be a size 10 but that was never going to happen, I assumed you were saying that some social housing tenants might want to be owners but that is never going to happen. You were indicating that was a dead end. I am saying to you that I would quite like people to have the choice. If you want to rent in social housing for the rest of your life, that is fine and a great choice for you. But, if you would also like to access ownership at some point in the future, we have a moral obligation to help you with that as well.



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- Q54 **Teresa Pearce:** Rather than somebody living in social housing and accessing the right to buy that social housing, would it not be better to have a different type of product available, particularly in a housing association, so they could move to that product, rather than getting rid of that social rent?

Kit Malthouse: As part of the pilot we are doing in the midlands on the voluntary right to buy, we are using this idea of a transferable discount: you can take a cheque and use it elsewhere.

But you have to remember that people have been in their home for a long time; they have built up a network and a connection. Often, if they want to buy their home, it is as much about the fact that they like their home as it is about ownership. Forcing people to abandon the home they have lived in for two decades, in which their children have grown up and where they know their neighbours and they live in the community, does not necessarily seem to be right. If we can provide the choice, as we are doing through the voluntary right-to-buy pilot, where people can say, "Actually, I will leave this and move on to something else," that is fine. But giving people the choice is the best.

- Q55 **Teresa Pearce:** The Chartered Institute of Housing had a conference and did a big piece on social attitudes to people in social rented accommodation and the stigma. Something that came out of that was that people who lived in social housing and could not afford to buy felt they were judged by others and were judged as "less than." What could you, as Housing Minister, do to promote to the wider community the benefits to all of us of people living in settled communities and not being in terrible private rented or in debt?

Kit Malthouse: It is a really good challenge. From the stigma point of view, the Green Paper is really after ideas. We think a lot can be done around perceptions of social housing from a management point of view and a maintenance point of view. If your area is well maintained, the grass is mown, the graffiti is dealt with and it looks smart and nice, perceptions start to rise.

We have suggested in the Green Paper that there are things we could do to celebrate it in the local community and try to integrate people more, particularly where you have discrete social housing estates. How do you create more community activity in that estate? Essentially, I have large London overspill estates on the edge of Andover, in my constituency. Should we be doing more community events in those estates? If we have a farmer's market, why is it not in the middle of King Arthurs Way? They have it in the town centre, but you could do something like that. It is about those kinds of things.

In the end, lots of people have said in the conversations that it comes down to the national language, not just among politicians but, they say, in the media. Whether it is drama, factual television, reality TV or whatever, social housing is identified as a problem. We need to get away



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from that, because the vast majority of it is not and the vast majority of people living in it are not. An issue that has been raised with me is how to deal with anti-social behaviour. There is a perception that there is more anti-social behaviour in social housing estates. Dealing with that and managing the neighbourhood much better would do quite a lot.

When we went to Manchester, I met a very nice lady who had come from Doncaster. She said she had lived in a council house on a street in Doncaster her entire life. It always used to be that her street was acknowledged as the best street in Doncaster, and she was always proud to live there. But recently, because one particular tenant had moved in and behaved incredibly badly, everybody now knew that the street was a problem. She felt very aggrieved that her pride in her street had been affected by what sounded to me like poor management of these particular tenants. There is stuff we can do on the ground, but the national language matters.

Q56 Liz Twist: I want to return to the HRA. As you know, that has been broadly welcomed, but only 166 councils currently have an HRA. How are non-stockholding councils being supported to build more social housing?

Kit Malthouse: You are right: 166 have an HRA. If you get more than 200 houses, you will have to open an HRA. Over that, they are under a legal duty to account for things through an HRA, and we will have to see what we can do to assist them if they wish. We are in the early days of this opportunity for councils. If they come forward and tell us that they want to get back into the housebuilding industry and creating these houses, and they want to open an HRA, we will have to provide the support, physical and otherwise, that will enable them to do so.

Q57 Liz Twist: That is something more to be thought about, then, in the future. Obviously, those with HRAs will know how to go about it and come forward, but there needs to be something to look at how we support those that do not. Do you expect to see many of them establishing HRAs? Is that dependent on support and encouragement?

Kit Malthouse: The reception of the lifting of the HRA cap in the local authority community has been very positive. It is something they have been asking for, for a long time. I would imagine that quite a number will do. Having said that, if you have come out of the housebuilding industry and the HRA industry, it is quite a big step to go back in. The question is whether local authorities could use more innovative structures to access their HRA and find partners, housing associations and others, that can give effect to their aspiration, rather than having to gear up with an old-fashioned district surveyor's department and all those kinds of things, which used to be part of the paraphernalia of owning your own housing stock. We will have to wait and see what models emerge.

Sally Randall: We have heard initial rumblings from local authorities that they might be interested in getting back into the business. Becoming a landlord is a big undertaking; it is a serious professional job that we



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would not expect any local authority to leap into overnight. But we also know it is not impossible. Hartlepool re-opened its housing revenue account a few years ago and we went from 165 to 166. It is possible, but it is quite a major decision for a local authority. We do not expect to be re-opening lots of housing revenue accounts in the next few weeks but we do expect local authorities to be starting that conversation if they are interested in getting back into it.

Q58 Liz Twist: With that kind of number, that order of local authorities involved, it seems to me that it could be one of the ways of increasing the amount of social housing building.

Kit Malthouse: That is certainly our aspiration. As Sally says, there are a number that are starting from a standing start, so it will take them a bit of time to get themselves sorted out. It may be that they can find structures that allow them to access the same product but via housing association partners. Getting back into council housing also means getting back into management, rent collection, arrears and all those things, which are a skillset. The Green Paper talks about the patchy performance on that by housing associations, which are professionals at doing it. For local authorities to get back into it is going to take a little bit of time.

Q59 Liz Twist: You have talked about different models, and one of the emerging models is that of local authorities setting up their own housing companies. Is that part of the answer?

Kit Malthouse: My briefing says that we are not very keen on housing companies. We generally try to discourage them, do we not?

Sally Randall: We are quite open-minded.

Kit Malthouse: Are we?

Chair: Is that a change in policy?

Kit Malthouse: That is not what it says in my briefing, but there we are. We are open-minded on housing companies.

Sally Randall: It depends on the role they are undertaking. We are not keen where local authorities use a local housing company if it is simply to avoid, for example, the rent expectations of a housing revenue account or to avoid giving people a right to buy where they are building social housing. However, some local authorities are doing it to build market housing, market rent, to fill a gap in their local market and diversify the local market where they see that others would not step in. It really depends on the role it is taking and what they are trying to do with it.

Kit Malthouse: That is the right answer.

Q60 Liz Twist: Watch this space. It depends on what they are trying to do. Why was the HRA change, which is very welcome, not consulted on as part of the Green Paper so we could have a joined-up approach?



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Kit Malthouse: We had not quite taken the decision when the Green Paper was launched, but we did consult on the HRA cap.

Sally Randall: The Green Paper asked about an open question about the potential. It did not consult specifically on abolishing the HRA cap, but it asked about the potential for further HRA borrowing.

Kit Malthouse: There is a big section on supply, which mentions the HRA.

Sally Randall: The specific abolition of the HRA cap as a technical measure was consulted on relatively briefly with local authorities as a technical consultation, which is a requirement of the legislation. None the less, we have received very substantial representations over the last couple of years on this issue, so we were quite confident about the strength of feeling.

Liz Twist: Not least from this Committee, of course.

Kit Malthouse: Yes.

Q61 **Liz Twist:** Moving on, £2 billion of funding for long-term partnerships with housing associations has been announced. That was also welcome. Why did the Government not wait until the outcome of the public consultation to decide whether such a scheme would be worthwhile?

Kit Malthouse: Effectively, it was because there was a window of opportunity to get this money embedded in advance of the spending round next year. With this down payment on the future, we are hoping we will see proposals coming forward for ambitious long-term plans that will help us meet our 300,000 target. If we can see that glide path into the future, it gives me quite a strong evidence base to go into the spending round, so we can start to make these longer-term commitments overall.

One of the things I am quite keen to push, generally in my job, is this idea that we should be sending very long-term signals in terms of housing aspiration and support to both the private and the public sector. This is partially because we want them to invest. Some of these big housing associations are making 10-year investments on big proposals, and they need to know that they have the funding.

But, critically, it is also because we do not want their supply chain to be constrained. Over the next few years we have an enormous road-building programme, massive rail infrastructure going in with HS2 and a huge housebuilding programme. There is a supply constraint issue on getting the bricks, the mortar, the JCBs and all the rest of it. If you are opening a brickworks in Newcastle or somewhere, you think, "If I am going to make this big capital investment to produce these bricks, I know I have 25 years of work to amortise my investment over." That is going to be key. In the housebuilding market, we are already seeing supply constraints around some basic materials.



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It is critical to send that long-term signal to both the housing associations and the supply chain, and I need the evidence now to take into the spending round.

Q62 **Liz Twist:** What happens next?

Kit Malthouse: We are inviting proposals. The £2 billion is there. We are inviting proposals from housing associations and others. We are asking them to come forward and say, "Here is our project. Here is our scheme. We will need funding in 2022, 2023, 2024, 2025 and 2026. Please give us the green light." And off they will go.

Some of them are very big. Look at a big housing association such as L&Q. L&Q bought this landholding company that has given it access to 95,000 plots—enough land for 95,000 units. That is a hell of a lot. That is at least a 15-year development programme. They may bid, and they may not. But if we can give them security of delivery, I can start to bank those numbers in my 300,000.

Q63 **Liz Twist:** From what you are saying, if people know there is certainty ahead and you are waiting for proposals for how we can deliver it, presumably they will have to have plans ready in their minds quite quickly to apply for this.

Kit Malthouse: Yes.

Q64 **Liz Twist:** We still have this constraint of a lack of skills and materials, have we not? This is perhaps not part of the social housing Green Paper, but what are the Government doing to encourage those facilities, materials and skills, which is a big issue?

Kit Malthouse: You are right. As I say, sending a long-term signal about investment is the first thing. Secondly, we are doing quite a lot from a skills point of view on apprentices. You will have seen particular benefit in the Budget for apprentices, which will go down well with SMEs and others. Frankly, we are encouraging the housebuilding industry to think about its own supply of people.

This comes back to Mary's point about modern methods of construction. A lot can be done with new technology. The way we build houses has not really changed for 150 years, yet everything else has changed very significantly. If we can propel this idea that offsite manufacturing, which makes a big contribution in other countries, may well be the answer to plug this capacity gap, we might get somewhere towards solving it. At the one I saw in Walsall, they had a bungalow there that had been built in two weeks flat from start to finish. It has incredibly high environmental standards. Accord told me that, in its offsite manufactured housing, it has lower arrears because the energy cost is so low and the balance of expenditure is different. If we can crack that, we will deal with some of the capacity issue. Factories that can do this are now appearing across the country, both private and public.



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Q65 **Chair:** On the long-term funding partnership with housing associations, we talked earlier about the challenges of an upgraded decent homes standard and how local authorities hopefully wanted to build more homes. At some point, are we going to see a long-term financial partnership with local authorities through their HRA as well?

Kit Malthouse: I cannot predict what is going to happen through the spending round next year.

Q66 **Chair:** Is it something you are thinking about?

Kit Malthouse: Chair, I am a rare thing among Ministers: we actually have a hell of a lot of money to get out of the door on housing. After the Budget, we are up to something like £45 billion in total, in the round across housing, whether it is affordable housing, infrastructure, some of the funds, help to buy, which we have to get out of the door. No doubt we will be going into the spending round looking at the pattern of delivery that seems to be emerging from the stimulation of that money and thinking about what more needs to be done to get us to 300,000 in a sustained way.

Q67 **Chair:** One of the announcements in the Green Paper was the intention to repeal the higher-value assets provisions. Do we know when that is likely to happen?

Kit Malthouse: It will happen when parliamentary time allows. It is obviously in the legislation. We have not laid the regulations, but I am told that it is good form that we should find time to repeal that particular aspect rather than just leaving it on a non-laid basis. We will be looking for a slot—

Q68 **Chair:** But in the meantime you are not going to lay the regulations.

Kit Malthouse: No.

Q69 **Chair:** Where does that leave the voluntary right to buy? The higher-value assets provisions were going to fund the voluntary right to buy.

Kit Malthouse: We are waiting to see how that pilot comes out. At the moment, the discounts will be funded directly by us. We have earmarked £200 million for funding that proposal at the moment.

Q70 **Chair:** Right, so after the pilot—

Kit Malthouse: We shall have to see. It is fair to say that I am in conversation with housing associations about whether we can find some innovative funding model that might satisfy everybody's aspirations, but we will have to wait and see.

Q71 **Chair:** Before you do that, would you give a commitment to do an impact assessment? One of the problems, which you may now be aware of, with the higher-value assets provisions—this Committee drew attention to it following the evidence we had at the beginning—was that there was no



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financial impact assessment done before the provisions were announced, and no one believed that the higher-value assets were going to fund the replacement of housing association properties that were sold, local authority properties that were sold and provide money for a brownfield regeneration fund. All three were supposed to be done by the sale of one property.

Kit Malthouse: We will definitely be eager to analyse all impacts of the pilot when it is finally done.

Q72 **Chair:** I was not talking about the pilot; I was talking about the mistakes that were made in the provisions in the first place by not doing impact assessments, which left you with a policy you could not deliver.

Kit Malthouse: When I said “all aspects”, it included the creation and implementation of it.

Q73 **Chair:** So you will look at what lessons need to be learned.

Kit Malthouse: Of course, yes; always.

Q74 **Helen Hayes:** If the proposals in the Green Paper, including applying new safety measures to social housing, are adopted, will the Government provide financial support to local authorities and other social landlords to implement them?

Kit Malthouse: We will have to wait and see what the impact is. There are a number of bits and pieces to be considered as part of this. We are inviting views on specific proposals, and we will have to look and see what the impact is. Safety is of paramount importance to us. In terms of ACM, we are now providing a fair amount of funding to make sure things are safe, but we will need to discuss with the sector where we go next, depending on what comes out of the paper.

Q75 **Helen Hayes:** This is a change in regulation, which local authorities could not necessarily have anticipated, that results in significant additional costs. Would you not rule out grant funding to local authorities to meet those costs, or is that not on the cards at this time?

Kit Malthouse: I do not rule anything in or out, but you will be aware that there is a new burdens doctrine as far as local authorities are concerned. We would expect them to comply with that.

Q76 **Bob Blackman:** Finally, the National Audit Office reports that the European Investment Bank has commitments to the Housing Finance Corporation of about £2.6 billion. Clearly it also provides funding for social housing. When we leave the European Union, what is going to be the position of that funding arrangement? Have you even thought about that?

Kit Malthouse: As I understand it, current commitments will continue post-Brexit but future participation is still a matter under negotiation.

Q77 **Bob Blackman:** Just to be clear, the existing loans that are outstanding



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will not be affected?

Kit Malthouse: No.

Q78 **Bob Blackman:** What about loans after 29 March next year?

Kit Malthouse: Our participation or otherwise in the EIB post-Brexit is still a matter for negotiation. We own around 17% of the EIB. This is way above my pay grade now, but I would imagine that this is one of the moving parts in the negotiation on the withdrawal agreement. Whether we continue to both contribute to and participate in the EIB, and what happens to our stake in it, will be part of the negotiation. But, as I understand it, existing commitments made by the EIB will continue post-Brexit, so there will be no calling in of loans or anything like that.

Q79 **Bob Blackman:** What consideration has been given to the situation if there is a no-deal Brexit?

Kit Malthouse: That is a good question but, as I say, I do not anticipate that. You have to remember that a no-deal Brexit is about our future trading relationship. There will still be a withdrawal agreement, and I would imagine that these matters will be included in the withdrawal agreement.

Q80 **Bob Blackman:** That assumes we have reached a withdrawal agreement that is agreed. If we do not reach a satisfactory withdrawal agreement, has the Chancellor set aside funds to prepare us in case there is no deal?

Kit Malthouse: It is a good question. Can I seek clarification and write to you about it, unless we know? Do we?

Sally Randall: There was a small update on this made by the Chancellor in the Budget. If there is no relationship in place before the UK leaves in March 2019, the UK Government will provide additional resources to the British Business Bank in 2019-20. The primary response to the question is obviously that the negotiation is still underway, but plans are starting to be made for that contingency, if it arises.

Kit Malthouse: Even if there were no deal, I would be surprised if the EIB decided to cancel current loans.

Sally Randall: That is about future loans.

Kit Malthouse: That is future loans. You are asking about current arrangements in the event of no deal.

Q81 **Bob Blackman:** It is not just current arrangements; it is the future arrangements, given how much dependency there is on the finance going forward.

Kit Malthouse: Clarity will be required. We will drop you a note to clarify, rather than guessing.

Chair: That would be very helpful, yes.



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Kit Malthouse: But, as you understand, it is moving around in the negotiations at the moment.

Chair: You will send us a note about both the current and future situation on this.

Sally Randall: Yes, we can do that.

Kit Malthouse: In the end, as I understand it, if we leave with no deal we remain a 17% shareholder in the EIB.

Chair: Minister, thank you very much for coming in and answering a broad range of questions on the social housing Green Paper. It is appreciated. Thank you very much indeed.