HOUSE OF COMMONS

Housing, Communities and Local Government Committee

Oral evidence: Long-term delivery of social and affordable rented housing, HC 25

Monday 21 October 2019

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Watch the meeting

Members present: Mr Clive Betts (Chair); Bob Blackman; Mr Tanmanjeet Singh Dhesi; Helen Hayes; Andrew Lewer; Teresa Pearce; Mr Mark Prisk; Mohammad Yasin.

Questions 84 - 174

Witnesses

I: Fiona Fletcher-Smith, Group Director of Development and Sales, L&Q; Clare Miller, Chief Executive, Clarion Housing Group; Ged Walsh, Director of Development and Asset Management, Karbon Homes.

II: Brian Robson, Executive Director (Policy and Public Affairs), Northern Housing Consortium; Matt Thomson, Head of Planning, Campaign to Protect Rural England; Victor da Cunha, Chair, Homes for the South West.

Examination of witnesses

Witnesses: Fiona Fletcher-Smith, Clare Miller and Ged Walsh.

Chair: Good afternoon everyone. Thank you for coming to our meeting this afternoon. This is our second evidence session in our inquiry into long-term delivery of social and affordable rented housing. You are all very welcome. Before I come over to the witnesses, I will just ask members of the Committee to put on record any interests they may have that may be relevant to this inquiry. I am a vice-president of the Local Government Association.

Helen Hayes: I am also a vice-president of the Local Government Association. I employ two councillors in my staff team as well.

Bob Blackman: I am a vice-president of the LGA, and I also employ a councillor in my office.

Andrew Lewer: I am also a vice-president of the LGA, and make reference to my register of interests this morning.

Mr Prisk: Other than what is in my register of interests, I am a fellow of the Royal Institute of Chartered Surveyors.

Q84 **Chair:** Moving on to the witnesses, could you just say who you are and the organisation you represent?

Clare Miller: I am Clare Miller. I am chief executive of Clarion Housing Group.

Ged Walsh: I am Ged Walsh. I work for Karbon Homes, based in Newcastle.

Fiona Fletcher-Smith: I am Fiona Fletcher-Smith. I am group director of development and sales for the L&Q Group.

Q85 **Chair:** Just coming on to where the sector is going in general terms, the number of social and affordable rented homes being built is down at a very low level. Everyone says more is needed, but very few organisations are actually delivering the sorts of numbers that would be required. What is stopping you?

Clare Miller: If I start with Clarion's experience, last year we built 1,200 new homes; 80% of those were for affordable tenures. This year we are on course to build 1,700, and our plans are that that should continue to grow. The difficulty, clearly, is the state of the market at the moment. What we are undoubtedly seeing is a softening of the market, particularly for homes that are built for sale. Very often, for the homes we build for sale, we are relying on our purchasers being able to sell existing homes, and that market is very difficult at the moment. There is absolutely no shortage of demand for affordable accommodation, and we are not experiencing any shortage of demand for low-cost home ownership either.

Our difficulty is largely to do with the state of the market. If conditions do not deteriorate any further then our business plan would see us continuing to grow. However, that does depend on us being able to attract sufficient private finance, and that is key to us because we are a debt-funded business.

The other major issue for us will be the availability of government grant. At the moment securing grant for affordable rent tenures—social rent and affordable rent—is difficult, and the level of grant we are able to attract is insufficient for us to have the scale of programme that we would like.

Ged Walsh: I am working mostly in the north-east and Yorkshire. In terms of the housing market, it is probably less of a drag on our ability to provide new homes, because we do not rely on a cross-subsidy model quite as much as other parts of the country where the market has been more dynamic in the past. We are an organisation that has a plan to grow, both geographically and in terms of the number of units. We hope to provide at least 550 homes this year, growing to 600 homes the following year. Our plans are to carry on beyond that.

One of the potential flies in the ointment there might be a view of how long-term funding will be available for affordable housing. We have plans to buy land in advance of grant being available to further develop it. That is quite a risk if there is no certainty of funding beyond 2021-22. This cut-off date of 2021-22, with no certainty of funding after that, is probably one of the biggest drags at the moment on our forward plans to grow.

Fiona Fletcher-Smith: Just to carry on from what Clare has said, for us at L&Q the cross-subsidy model really is broken. It is possibly a temporary break, but to put a little more meat on the bones of how the market is, at the moment it is not just a question of sentiment. People are putting off making big decisions such as buying new homes. We need them to buy to generate the surplus that we reinvest in the business, and last year we generated about £200 million of surplus to invest in affordable housing and to subsidise that affordable housing.

We are almost seeing a slight contraction of retail lending; we are seeing valuers who are down-valuing properties. They are not agreeing with us on the valuation. The added issue for us, as a housing association, is about the need to protect the health, safety and wellbeing of our existing residents. Our housing strategy and development strategy is very clear that we will not develop at the cost of our existing homes and residents. That really starts to bite for an association such as L&Q. We have, for example, 289 buildings above 18 metres, for which we are having to look at the cladding systems and the fire stopping. We have to do quite a considerable amount of remedial work to those first, so when we do generate a surplus we are also needing to look after our own stock first.

Q86 **Chair:** Those are very different situations for the three of you. I will just pick up some of the points that were raised. First of all, to Clare, you are still going to be building 1,700, you say. There are two aspects to that. Could you give us the split between affordable, in some way, for renting and social renting? The National Housing Federation has put forward a suggestion that £12.8 billion will be needed over the next 10 years to deliver the sorts of social home numbers that will be required. Is that social grant restriction a problem that would restrict what you could do going forward? With more grant, could you do a lot more?

Clare Miller: The most difficult tenure to build is social rent, and that is purely because of the economics of it. If I give you an example, in London, to build a new two-bedroom flat, it costs us on average just over £400,000. The rent that I can secure for a social rent, if we forecast that across 30 years, which is our planning horizon, is about £100,000. I am looking to fill the gap of £300,000 from either grant or subsidy that I can generate myself. At the moment, the average grant rate that we are securing in London is around £60,000 per home, so for every social rent I build there is a gap of £240,000. That is the pure economics of the situation.

Last year we built 30 social rented homes. This year we will build 70. It is a tiny part of our programme, but as a housing association we are committed to developing affordable tenures, so what we are able to do is to build affordable rent and, increasingly, to build low-cost home ownership. There is no doubt there is a need in the marketplace for both those tenures, but I would love to be able to build more social rent that is compatible with our charitable objectives. In order to be able to do that, I need to find that subsidy somewhere.

Q87 **Chair:** Ged, you are in a different situation and a different area. Someone might say, "Why on earth are you building homes at all? There are lots of empty homes in the north. There is not the demand there that there is in London and the south-east". Is it not right that you are not going to get any grant because it needs to go to the areas of highest demand?

Ged Walsh: Yes, that is potentially an argument people can put forward. There are not lots of empty homes in the north; that is a misnomer. There are some empty homes in some areas, where the location and the infrastructure are not there to support people and communities in those areas. Part of our wish is to be able to regenerate some of those areas and provide modern, decent homes in those areas, and to provide more homes in areas where there is very high demand. In certain parts of Yorkshire and parts of the north-east around the cities, there is very high demand for affordable housing, which is not being met at all, and a loss of existing homes to other tenures, so there is a demand for housing in most areas of the north. One or two of the areas that make headlines, in terms of there being very poor demand, are very isolated areas in particular locations. It does not cover the whole of the north at all.

Q88 **Chair:** Moving on to Fiona, we heard what you said about the issue of needing to do work on your properties, and I think that is understandable. It is not just about building; it is about maintaining, keeping people safe and having properties properly repaired. Is there a sense in which you have now moved away from being a social-based organisation to becoming a property developer, where, in order to build anything at all, other than for commercial sale and commercial renting, you have to build those properties—and indeed you are building more of those than affordable renting properties—in order to cross-subsidise. Has something gone wrong somewhere with the approach you are having to take?

Fiona Fletcher-Smith: We are forced into needing the cross-subsidy model to be able to stick to our social purpose, which is absolutely about providing homes for people who need them. In order to do that we have to get finance from somewhere, and for us we build for sale, so that 100% of that surplus we make goes straight back into bridging that gap that Clare has mentioned, particularly in London and the south-east. We get slightly higher grant rates on occasion, but usually it is in the region of £60,000 per home, and without that profit from the sale we just could not build what we are there to do.

Q89 **Chair:** You are now very exposed to the market slowdown. All organisations with cross-subsidy models are, are they not?

Clare Miller: We are most exposed because we are building 85% of our new homes for affordable tenures, so in that respect Clarion still remains largely counter-cyclical. We are able to take advantage of some of the current conditions, but it is true to say as we grow and as my business plan is projected forward, we will become more exposed to the private sales market in the absence of any increase in government grant.

Q90 **Mr Dhesi:** It is estimated that almost 50,000 housing association homes for social rent were lost between 2012 and 2017, primarily because of the conversions to affordable rent. It is also estimated that England needs around 90,000 social rented homes, so should conversions be stopped, Ms Miller?

Clare Miller: We stopped about two years ago. It was a condition of grant at the time that we would convert a certain proportion of the homes that we owned in order to create some additional subsidy within the system for us to be able to build affordable homes. We have converted around about 12,000 homes and we own 125,000, so that shows you the impact of that period in which that was a condition.

Q91 **Mr Dhesi:** So you have stopped converting.

Clare Miller: We stopped about two years ago.

Q92 **Mr Dhesi:** What about you, Mr Walsh? Do you think conversions should be stopped?

Ged Walsh: Unlike organisations in the south-east or London, the difference between the social rent and affordable in the north is very little, so we have virtually stopped converting homes. As Clare says, it was a condition of the funding regime to see us through very low grant rates as a sector.

Mr Dhesi: You are in agreement as well.

Ged Walsh: I am in absolute agreement, but I am just saying we have a very different perspective. The difference between social rent and affordable rent in most of the north of England is not very great.

Fiona Fletcher-Smith: I am the same as both Ged and Clare. We only have about 5,000 affordable rented units in our stock of 53,000 general needs homes, and overall, with the acquisition of Trafford, we have about 100,000 homes now. The issue for us was also that the level of rents meant people were very reliant on either housing benefit or the housing allowance under universal credit. By taking away the grant subsidy, the cost was showing up elsewhere for the Treasury in terms of the benefit bill, which is also something that is slightly forgotten.

Q93 **Mr Dhesi:** That is an excellent point. That is what I wanted to come on to in terms of the higher rent levels and their impact on tenants. Do you see affordable rents as being genuinely affordable for tenants?

Fiona Fletcher-Smith: In a lot of cases, no. We have done a lot of work with residents to make sure that they can financially afford the homes that they are being offered through the system. We have the L&Q Foundation, and within that we do a lot of work to support residents in accessing benefits they are entitled to, but very importantly accessing training and work opportunities as well. We have found in many cases those rents are difficult to afford without help.

Q94 **Mr Dhesi:** Ms Miller, there is a lot of talk about providing certainty on rents. How far in the future should the Government be providing certainty in rents?

Clare Miller: As long as possible, because our capital markets rely on certainty. You will know that we borrow over the long term. Traditionally, housing associations have borrowed for 30 years; more recently we are borrowing for a period of 15 years, and the absolute requirement of the capital markets is certainty over that period of time. If the rent regime gives us that certainty, it means that we can access money at a better rate and for a longer period.

Q95 **Mr Dhesi:** I am assuming that others are in agreement on that with regards to certainty in rents. Mr Walsh, what was the impact of the reduction of rents for four years in a row on your development capacity and other decisions?

Ged Walsh: The organisation basically halved its development output within a year, purely because there was an uncertainty about what happened after the four years. As Clare says, it is very hard to borrow money in that environment. That created a hiatus in the industry where it took a deep breath to see what the long-term future would be. We have recovered from that position, but it did not help at all, and my experience across the sector is that whole thing of uncertainty over rent and the reduction in rent basically took away a lot of development capacity from organisations that did not rely on the cross-subsidy model. That ability is lost and gone, and being rebuilt now.

Q96 **Mr Dhesi:** I understand that, but on the other side of the story you would accept that many tenants cannot afford those rents, and therefore something has to give, so the reduction actually needs to be taking place. Would you agree with that?

Ged Walsh: If I was a tenant I would have no argument at all with that. My rent was reduced.

Q97 **Mr Dhesi:** Ms Fletcher-Smith, should social rent grant funding be available across England, or do you support the restriction to areas with high affordability pressures?

Fiona Fletcher-Smith: Affordability is a very relative question. Some of the regimes that currently exist mean that there is an absolute need for a social rent grant within London and the south-east. That is absolutely clear, but if you take the acquisition of Trafford, which we have recently completed, you can take a tram from Old Trafford to Altrincham and go along those five to seven tram stops; the affordability becomes quite acute by the time you get to Altrincham, so this assumption that affordability can be dealt with through a broad-brush approach is wrong. Just within the single borough of Trafford in the north-west, you can afford to buy in Stretford, possibly, but you cannot afford to buy in Altrincham.

In terms of rural areas that we are now building in, taking parts of Warwickshire as an example, the affordability crisis there is fairly acute, and we need something that goes to a finer grain of an area than a very broad-brush approach on grant.

Q98 **Helen Hayes:** I just have a brief supplemental to Tan's question about the rent reduction. Do you know what the average annual rent reduction for a typical tenancy within your stock was each year for each of those four years?

Clare Miller: I do not, but I could come back to you on that. Effectively we have had a 1% real cut for each of the four years.

Q99 **Helen Hayes:** I understand that. What I am interested for the Committee to be able to weigh up is how meaningful that reduction was for tenants versus the enormous drop that there was in building over time, because I do not think anybody would want to argue that it was a bad thing for tenants, but I would like us to understand how meaningful that reduction was, relative to the drop in the delivery against the housing crisis of new homes.

Ged Walsh: Our average rents are around about £80 a week, so 1% of £80 a week multiplied by four gives you a rough idea. That is 80p or 90p a week, year on year.

Helen Hayes: If you were able to write to us to confirm that, it would be helpful evidence.

Fiona Fletcher-Smith: Yes, I will do.

Q100 **Helen Hayes:** I would like to ask now about what impact schemes such as Right to Buy, Right to Acquire and similar schemes have had on your stock, if I may, and then also what the ratio is for each of you of loss versus replacements.

Clare Miller: We are an organisation that comprises a lot of different LSVTs over a number of years. We have acquired stock that has attached to it a preserved right to buy, and we have other stock that has a right to acquire attached to it. To give you a typical example, in any one year, we will get about 400 applications to exercise under those statutory schemes. For the last three years, we lost 70 homes in 2017-18, we lost 50 homes in 2018-19, and in this year so far we have lost 19. That reflects market conditions as well as appetite.

As a national organisation we are involved in the Voluntary Right to Buy pilot, which is being undertaken in the West Midlands. Just over 400 of our tenants were successful in the ballot; around 70 of those are proceeding with applications, and we expect those to succeed. The others have fallen away, either because of a change in circumstances of the household or because, as they have got through the process, they have decided to withdraw.

Q101 **Helen Hayes:** Just before others answer the same question, how do you calculate replacement of those homes, when you are building in a context of need? How do you account for which of those homes are replacing the ones that you have lost versus the ones that are delivering against existing need?

Clare Miller: We will look to our new-build programme. We will look at it nationally, and we will account for each of those that goes through the Right to Buy scheme by building one new home. We built 1,200 last year, and I said to you that we lost 50 association homes. The trouble is those that I am losing might be worth quite a lot in particular parts of the country. Those that I am replacing have to be economic, so it may well be that there are high-value parts of the country where I am losing stock where it is not possible for me to replace on a one-on-one basis, but overall we are absolutely replacing.

Ged Walsh: We are very similar to Clarion, on a smaller scale. We are an amalgamation of traditional housing associations and stock transfers that have the preserved right to buy. To be honest with you, the numbers are relatively small; we expect less than 100 this year. That is based on historic data and is out of 28,000. Our new-build schemes plan to provide about 550 homes. Because of our geography we tend to replace those homes quite close to the same geographical areas that they are sold from, though obviously not in exactly the same location because development is quite opportunistic and sites might not be available. Our programme is a five or six-to-one replacement. Economically, the money available from the Right to Buy home, once the discount is taken off, is not enough to provide one new home. Extra borrowing will support that.

Fiona Fletcher-Smith: With L&Q we lose on average 20 per year. Last year we built about 2,800. Because we have been based in London and the south-east, we are replacing them where we are losing them.

One of the things that has been interesting for us in looking at Voluntary Right to Buy and the possible right to shared ownership has been looking at some of the income levels of our residents. Within general-needs stock the average income is between £13,000 and £14,000 a year. We are questioning whether people are actually able to afford to service mortgages in that case, even with discounts.

Q102 **Helen Hayes:** Can I ask what your reaction is to the Government's plans to introduce a shared ownership right to buy for housing association tenants?

Clare Miller: There is a risk that households who are very marginal homeowners might be enticed into a market that is quite risky and quite difficult at the moment, particularly if they are able to enter that market at 10%. I do understand the aspiration of people to have a stake in their own home, absolutely, but it has to be on a sustainable basis; otherwise, the experience is even worse than not being able to exercise it.

Ged Walsh: I agree. It is not a bad idea on the face of it. The devil is always in the detail; these things always seem good until they go wrong, and there is potential for it to go badly wrong for some individuals. There is a balance there. There needs to be careful consideration of the downsides as well as the upsides.

Fiona Fletcher-Smith: For us as well it is that income level, and we have also gone back with a number of questions, particularly around repairs liability, for example, because residents may not actually understand the liabilities that can come with a shared ownership product that they have not had in the past.

Q103 **Helen Hayes:** What has your experience been of Homes England's strategic partnerships?

Clare Miller: Fiona is probably best placed to answer that. They are not a strategic partner.

Fiona Fletcher-Smith: I would like it to be more strategic. I have to say Nick Walkley and the team at Homes England are working really hard to make it more strategic. On occasions it has felt very old fashioned; there were very tight limits on how you can use grants and what was expected on individual sites, but Nick and the team have been reorganising and have a very progressive attitude to the strategic partnerships. We have high hopes that will develop into something really meaningful.

Q104 **Mr Prisk:** Can I turn to your relationship with local authorities? As you will know, Government are keen to see local authorities re-engage in building more homes, but we have had some evidence, including from the Office for Budget Responsibility, that there is potential risk here of crowding out of more players in the market, particularly with regards, for example, to government grant. Is that a risk, and how do we avoid competition between councils and housing associations to deliver effectively more homes for the community as a whole?

Clare Miller: I personally would welcome any new entrants into the market. The number of new homes that are required to be built requires everybody to be doing their bit, so I would have no difficulty with local authorities building. I have no difficulty with new for-profit entrants coming in if they are also able to build. For many years housing associations have worked in partnerships with local authorities. Indeed, almost nothing we do is successful without partnership. Local authorities facilitate our planning permission. They work alongside us to make sure that what we build meets the needs in their communities. At the end of the day, we let our new homes to their local authority nominations list.

This is merely an extension of work that we already do. I do recognise that there is a bit of a skills shortage and a gap in some local authorities where they have not been building for some time, and I honestly think that a partnership with the local housing association might well be the best way in order to facilitate the beginnings of that programme.

Q105 **Mr Prisk:** I will come back to that point. On the specific point about the Office for Budget Responsibility, its concern is that if the grant is this amount and new entrants come into the market, inevitably you will find your ability to access that existing pot being smaller than it was. You are not worried about that.

Clare Miller: I recognise the risk. However, we are all competitive and we all operate in a marketplace. I would dearly like to think that the strength of our argument about increasing the grant rate would win through.

Ged Walsh: I echo everything that has been said. We work with a number of local authorities on an informal level to discuss with them their plans for building new homes. I echo the point, particularly around skill shortages. There is a real shortage of skills, so local authorities are coming to look to housing associations to work with them as development agents. We work as a development agent on behalf of a number of organisations. There is a big enough development opportunity for everybody to get involved in, and in many ways the more the merrier. I accept your point about the grant, but if the Government do not want to give more grants to provide more affordable homes, the more delivery partners the better.

Fiona Fletcher-Smith: I agree with everybody else. We are all horribly in agreement that there is enough housing crisis to go around for everybody. Just to give you a couple of examples in London, at L&Q we provide development services for the London Borough of Barking and Dagenham. We are also in negotiation at the moment with a London borough to sell them some land we own, so that they can deliver housing, and with a south London borough we are, I hope, going to develop some temporary accommodation on a site that, because of an infrastructure need, we are holding for longer than we like to.

The skills thing is interesting. In my previous role at City Hall, I was involved in setting up something called Public Practice, which was about getting private sector planners, urbanists and surveyors to work in local authorities to, first, gain experience of working in local authority and understanding the democratic process in planning, but also to give them much needed skills and resource. That is a fantastic model that is London and south-east based at the moment, but is capable of expansion.

Q106 **Mr Prisk:** You all mentioned skills, and there are plenty of other areas, but in the partnerships that you have highlighted, in terms of the potential benefit from those, what does each partner bring? What do you bring to the table that is complementary to councils and vice versa? Clearly if there is duplication, the partnership may not add everything, frankly. What do you feel councils bring to those partnerships that adds real value to a partnership working hand in hand?

Clare Miller: Knowledge of place. What housing associations do is they bring their development skill. We have been developing for many years, through various grant regimes and with lots of different administrations. We bring that knowledge to the party. We are a long-term partner, because we rent accommodation for the long run. At my own organisation, we have been building in London and around the country since the beginning of the last century, so we bring a knowledge of what successful communities require for the long run. Local authorities are all about communities, so it enhances the partnership rather than duplicates the skillset, if you like.

Q107 **Mr Prisk:** For you, it is their specific knowledge of a local area.

Clare Miller: Yes.

Q108 **Mr Prisk:** What about financially? Is that important?

Clare Miller: Of course, all financial contribution is important when we are talking about expensive development; particularly in London and the south-east, any financial contribution is more than welcome. It is the pooling of our resources, because we both want the same thing. We want an increase in the number of homes that are being built, and local authorities are acutely aware of the needs within their communities, so the partnership is richer because of that.

Ged Walsh: We bring a practical knowledge of how to develop a housing scheme, which has just disappeared in local authorities because of the fact that local authorities have not developed for so long. As Clare said, what local authorities bring is an awful lot of the idea around place shaping. They also bring the planning side of the equation in terms of development, and knowledge of local needs, local requirements, local democracy and of how to consult with local people on new developments. That is a process we go through but they are much more experienced at that.

Fiona Fletcher-Smith: Ged has just made the critical point. For me, it is about that democratic accountability that comes through working with a local authority. They are accountable to the people of the local area where they work, and that is really important in terms of building trust. As a major developer as well as a regulated housing charity, building trust with the communities where we are building is absolutely vital, and that comes with working closely with a local authority. It needs a two-way conversation; we as a developer and a housing association need to listen to what local people are saying via their local authorities.

Q109 **Mr Prisk:** Can I just turn that round? We think now, from the evidence, that there are about 100 council-led local housing companies. In specific sites and locations where there are new players in the market, that additional competition can often mean an increase in the value or the price paid for a site. Are you seeing any negative impacts of these new council-led housing companies that are impacting on price, for example?

Fiona Fletcher-Smith: Not yet, but the point about skills is also about understanding negotiation and establishing value and development appraisal, which is sometimes lacking in local authorities. There may be a slight naivety in some areas about what prices they are paying. I do not see this as a tremendous problem. This is where collaboration can really help. I am not being outbid and I am not outbidding any local authority companies, because generally we know who is in a patch and we collaborate where we can. As I say, I am selling land to local authorities where that is the right thing to do, and the sensible approach to get housing built.

Q110 **Mr Prisk:** What about in your area?

Ged Walsh: At the moment, no, I have not seen anything like that, but it is early days. The big plus for me is what the focus around regeneration of local authorities, particularly in the north, will give to providing more homes. It will not just be providing more units; it will also be part of the regeneration of certain areas. In that way they are not in competition with us at all; they have a control and plan of an area and possibly own land in an area, and being the developer there adds another string to their bow in a regeneration scheme.

Clare Miller: I would echo that. We have the largest regeneration scheme on site in London, in the London Borough of Merton. That is a long-term partnership with a local authority that is absolutely pivotal. That scheme would not succeed without the local authority working alongside us. Like Fiona, I am not seeing any indications of local authorities bidding in competition with us at the moment, but it is early days.

Q111 **Mr Prisk:** Each of your geographical reaches is different to any particular local authority. A council will naturally be focusing on its community and where they feel the need is greatest, but clearly you will have a different reach and a different perspective. Does that create problems?

Clare Miller: Generally speaking, in my experience, it tends to be complementary. Of course, there are always places that we can site where we will have slightly different priorities to the local authority, but if I look at Merton, it is in both our long-term interests for the regeneration around south Wimbledon to take place. It is going to replace, in time, 1,200 homes with 2,800 homes, and that is a long-term, 15-year partnership, with a significant investment from us in that area. We have been the owner of those homes for 10 years in that part of London, so clearly we have a long-term interest every bit as much as the local authority does. That is a really good example of where both organisations can work successfully together to achieve the right outcome.

Q112 **Mr Prisk:** Is that your experience?

Ged Walsh: My experience is slightly different in the north. I understand the local authority boundaries are quite strangely drawn in some conurbations, and that has been tackled by having groupings of local authorities working together with us, at Leeds City Region, Sheffield City Region and North of Tyne, where authorities have recognised that one bus stop separates two local authorities, but in most people's heads the geography does not separate local authorities, so that working together is really helpful. Actually, that helps us, because that is how we viewed housing markets for a while. It is really helpful that those local authority groupings are starting to view housing markets and housing demand across those boundaries.

Q113 **Mr Prisk:** So the cross-council collaboration is as important as the collaboration between housing associations and local authorities.

Ged Walsh: It is very important in an urban area where the local authority boundaries have been drawn administratively but, in reality, you can go to three local authorities on one bus journey.

Fiona Fletcher-Smith: We can also sometimes add value to the conversations, for example in infrastructure investment, where there is a county-borough-unitary debate about how things happen. For example, in work we are doing near Chelmsford, we are working with both Essex County Council and Chelmsford on making sure that a railway station gets through the torturous Network Rail process. We can sometimes add value in those cases as well.

Q114 **Bob Blackman:** Moving on to the split between how much is developed by private developers under Section 106 compared to your own land-led schemes, what is the percentage breakdown between the two streams of work?

Clare Miller: For Clarion, we have about 17,000 homes in our pipeline over the next few years. I would say it splits about 50-50 between Section 106 contributions and our own land-led schemes. For us, land-led is a much longer commitment, so it takes longer before those sites start to be developed and you start to get homes built as a result of it. In the meantime, Section 106 is really important.

Ged Walsh: It is a smaller proportion in the north. In our programme it is probably around 25% to 30%, depending on area. Across the whole programme, it is around about that mixture: two-thirds land-led and one-third our own Section 106 developments.

Fiona Fletcher-Smith: We are very similar. We build about a third ourselves, with Quadrant Construction. We will enter in with joint venture partners for another third, and then the final third would be Section 106s. We are getting a little fussier on Section 106 purchases, because we cannot control the quality or the specifications as well as we can with joint venture partners or our own build.

Q115 **Bob Blackman:** Coming back to Clare, you say that the Section 106 private developments obviously are faster. How do you make sure that that development is appropriate to the local needs of, say, a local authority, and in accordance with their local plans?

Clare Miller: As Fiona just alluded to, by being picky about who we work with. Historically we have had been in a position where Section 106 was handed to the housing association at the end of the process, and we were the grateful recipients handing over our cheque. Clearly you have very little influence in those circumstances, and bitter experience has shown us that some of those schemes have not been well built and have issues. It is very important to us that we work with builders who we have confidence in and who are building a quality product, and that we develop that relationship over time so that they understand what we need.

Q116 **Bob Blackman:** How do you exercise that control over them? Obviously I empathise with the point that you are making.

Clare Miller: Through investing in the right skillsets in-house, in order to be able to manage those relationships much more closely than we would have done previously.

Ged Walsh: There is a fair bit of collaboration between local authorities and housing associations around Section 106s. I am mentioning no names, but there are some developers that we do not want to work with. We share that across the collaborating groups to make sure that we are aware of those developers whose properties are fairly poor. In certain areas, local authorities have a very big part to play, and they do specify very carefully the need, the type of housing provided, and how it should be tenure-blind and mixed across the development. There are some really good examples across the whole country where that happens, particularly where there is a very high housing need, but it is particularly working with other providers and the local authorities to spot the potential gaps.

Fiona Fletcher-Smith: It is a similar vein, really. It is being very clear at the beginning of the process what your specification is and what standards you expect to get. It is also being very clear on things like segregated play spaces, poor doors, shared gyms, and being absolutely up front at the beginning about what you will and will not accept.

Q117 **Bob Blackman:** There are a number of local authorities that do not have local plans in place or are still going through the process of developing them. What is the impact then, when there is no local plan around?

Clare Miller: That is very difficult, and it makes it difficult for us to have a long-term partnership and to make a long-term commitment to those areas. Some of those areas we have homes in, so that is very difficult and challenging for us.

Ged Walsh: It restricts our ability to buy land in advance of funds being available you need, because certainty of development or the almost certainty of a site being included in the plan is unknown until the inspector's decision has been made.

Fiona Fletcher-Smith: It really does help with creating yet more uncertainty in the process. There is a part of L&Q, L&Q Estates, that is also a land promoter. We purchased Gallagher Estates in 2017 and that has been an interesting change with L&Q where we are promoting sites through local planning processes as well.

Q118 **Bob Blackman:** Clare, you mentioned during an earlier exchange about the cost of a housing unit to your organisation. How much of that unit cost is the cost of the land?

Clare Miller: A substantial amount of it. It will vary; we operate across the country.

Q119 **Bob Blackman:** Of course, but take London, particularly, because obviously that is the highest cost area, basically, at the moment.

Clare Miller: Land can be more than half of the cost.

Q120 **Bob Blackman:** So if we took out the cost of the land then that would halve the development cost of developing new housing, in your circumstances.

Clare Miller: Absolutely. That would liberate my programme.

Bob Blackman: I do not know if either of you want to add anything.

Fiona Fletcher-Smith: It is the same.

Ged Walsh: It is not the same.

Bob Blackman: Obviously it will not be the same in the north-east.

Ged Walsh: It is probably around 15% to 20% of the cost. Our overall average unit cost is probably £150,000.

Q121 **Bob Blackman:** What is the average cost of a unit for your area?

Ged Walsh: It is about £140,000 to £150,000.

Q122 **Teresa Pearce:** My apologies for my lateness. It is a simple question: are some housing associations too big and growing too fast, Clare?

Clare Miller: As the largest housing association in the country, you would not expect me to say anything other than no. Let me tell you a little bit about how we operate. The scale that we have gives us financial capacity, and that capacity is all used to further our charitable objectives.

That is about two things. It is about delivering good services to our residents and it is about building the maximum number of homes that we can.

In terms of services, we deliver services in people's homes, so that is how local we are. We may be a very big organisation, with financial muscle, clout and very large contracts, but when it comes to our residents, we deliver our services on their doorstep.

Q123 **Teresa Pearce:** That is your organisation, but across the sector have you seen other organisations try to grow too quickly? What would be your warning to them about that sort of thing? A lot of them are now merging. What would your advice be to them?

Clare Miller: A merger of two housing associations is obviously a big and difficult thing to deliver. I have lived through that experience over the last few years, and I would not underestimate it at all. There are enormous advantages from having scale. To give you an example from my own organisation, we deliver 1,000 repairs a day. That is the type of high transactional volume business that we are. From that you learn a huge amount. You can deliver efficiencies, and that can be translated into better services for your residents. There are enormous prizes to be got.

It is hard work, like running any big business is hard work, and you have to be constantly aware of your residents' expectations and tailoring your services to them. My own organisation spends a huge amount of time listening to our residents. Many of them would tell you that we are constantly asking them what they think of our services. Some even tell me they are over-polled, because I am constantly asking, but that is the only way in which you can deliver adequate services at scale.

Ged Walsh: I work for what is a fairly small housing association, in this room—it is like the three Ronnies, isn't it—but within my area we are quite a large housing association, so I would echo what Clare said about being able to deliver scale and economies of scale. Geography is a very important part. I would say that, wouldn't I? You need to be big enough in your area to make a difference, but sufficiently local and focused locally to work with a certain number of local authorities to get under the skin, to work with local MPs and local councillors. To spread yourself too thinly, no matter the size of the organisation, is a problem. The actual size of a housing association is probably less material, but it is where they are focused. I will agree that there may be some organisations that are very scattered and do not have that geographical focus.

Q124 **Teresa Pearce:** What you are saying is that being geographically confined in a way means you know your patch better.

Ged Walsh: You know your area, you know your patch, and to your customers you feel more local, because they understand locality and place as much as they understand service delivery. For a lot of the partners you work with, you build relationships up over years, and it is easier to build a relationship up with an organisation that is geographically quite close.

Fiona Fletcher-Smith: It is a similar vein from me. It is about how you land on the ground with your residents and how you deliver those repairs services and housing management services that they need, so that you are big, and therefore can do big things, but your residents do not get the sense that you are big and remote. L&Q has a balance sheet of around £34 billion. That enables us to do big developments like Barking Riverside and Greenwich Peninsula. It enables us to solve some big problems. For example, at Barking we will lead on all the infrastructure investment, the land remediation, and we are also going to build the train station for TfL on the new loop. We are able to do that because we are big, but "big but local" is the thing that we have to keep constantly in our minds.

Q125 **Teresa Pearce:** How do you do that? L&Q is in my patch. You are really big. I can see economically that is really good, but someone who is your tenant only cares about their relationship with you. How do you keep close? Is it by having local housing officers or panels? What is it you do that makes sure that that relationship is still tight between the tenant and the housing association?

Fiona Fletcher-Smith: It is all of those things. You have got a property manager who is properly empowered to be on the ground to solve residents' problems. They are linked back in to the machinery that makes things happen. It is about making sure that you have residents involved. The resident who chairs our involved-residents panels is actually on the board running L&Q, so you have a golden thread all the way down into the residents' committees and the regional panels, so that the tenant's voice is heard in all of this as well.

Service delivery is the thing that really matters to people, whether that is increasing the number of mobile caretakers we have who know our residents and who our residents know, making sure that service is on the ground. It is a challenge. It has been a challenge for us as we have gone from being in London and the south-east to becoming more national. It is about how we make sure that, if you live in Stratford-upon-Avon, you are getting the same service that you are getting in Stratford E15. That is something that is taxing us a lot at the moment, making sure you have got that consistency.

Q126 **Teresa Pearce:** Because of the things that you are saying about scale, this seems to be the drive in terms of the way housing associations are going, to merge, take over and get bigger and bigger. What happens when you end up with housing associations that are too big to fail? Will that be an issue? Does that not worry you at all?

Fiona Fletcher-Smith: If you think about how we run our businesses, we are constantly assessing the risks to us. For example, the housing market is slow and difficult at the moment, and we are making sure that we are limiting our exposure to about 40% of our development programme. It is about constantly stress-testing us financially, which is something that we do on a very regular basis during the year, to make sure that we have built in enough financial buffers to make sure that we do not fail, because that is the worst thing that could happen. We are a regulated sector as well. The regulator is due to do the latest in-depth assessment of L&Q early next year. We currently have a G1/V1 viability and governance rating. Maintaining that is absolutely vital, not just for the financial health of the organisation but to make sure that we are focusing on our residents and able to focus on our residents.

Q127 **Teresa Pearce:** Given the history of housing associations and their original remit and purpose, in many respects there has been quite a move away from that. L&Q is now a very big developer, so what role should for-profit housing associations play in providing social and affordable housing? Do you think that part of your business is still key, in terms of social and affordable housing, or is it market-driven?

Fiona Fletcher-Smith: What we do at L&Q is we build for sale so that we can reinvest 100% of the surplus we make into our social purpose. Our social purpose, which has been in existence since we were set up in the 1960s, is to provide housing for people who need it.

Q128 **Teresa Pearce:** How is that money moved over? Is it by covenant or just a shareholding?

Fiona Fletcher-Smith: It is not a separate business. L&Q is a single business, so that surplus is reinvested. We do not have a developer arm.

Q129 **Teresa Pearce:** Many do, so that is a difficult thing. You still believe that for-profit housing associations are still providing that purpose of social housing?

Fiona Fletcher-Smith: We are not a for-profit housing association, but for-profit housing associations can play a role. If we think that Britain needs somewhere between 300,000 and 340,000 homes to be built every year, there is enough room in that for lots of different players, whether they are for-profit or not.

Clare Miller: We are a charitable, regulated housing association. My board are very keen that we should only do commercial activity to the extent that we need to in order to fund our social mission. Last year 80% of our development programme was affordable tenures, and this year it will be 85%. We are very much a plain vanilla organisation in that respect.

However, I do agree with Fiona that housing need is so extreme in this country that if there are other new entrants who can come in and provide new homes, it is right that they should be able to do so. I would like to think that they will enjoy the same regulatory regime that we enjoy, and therefore that the risks will be tempered. Housing associations have proved very adept over many years at reinventing ourselves and coping with changes in grant regimes. We have not always liked it, but we have managed to cope and to manage the risks well. That is worth bearing in mind.

Ged Walsh: We are not in the same sphere as this. We do develop some homes for sale, mainly as part of a holistic regeneration package when we want to develop a mixed tenure scheme. Being able to do that is quite important for us when the place and the plan needs it. I will echo what Clare says: for-profit and not-for-profit are fine. Hopefully, we are better. We seem to be better, and if the playing field is level we are very happy to let that happen. It is all about regulation and long-term regulation, because in the long term we are re-investors in communities and housing. Other organisations that are not just need to be controlled quite a lot, to make sure that any profits made from housing are reinvested in housing.

Q130 **Chair:** Ged, you are saying that you are slightly smaller than the others. Fiona and Clare, you certainly have very large organisations, and of course you are saying that you are still rooted in your communities, though perhaps more communities than you used to have. Do you think, therefore, you get a bad reputation sometimes from some of the large organisations? Tenants phone and get an answer, "Okay, we will get round to see you in three or four days when we can manage to fit it in on our way round, because we are coming from 40 miles away". That is a business, is it not, not a hands-on, local community organisation?

Clare Miller: I would not claim to be a hands-on, local community-based organisation. However, what I would say is that Clarion spends a lot of money in local communities, and we do that on the back of homes that we own. Ten million pounds a year is my community investment budget. That is spent on getting residents who wish to into work, and supporting other residents in terms of engaging with communities, debt advice, digital inclusion—programmes like that that would not otherwise be funded in a lot of the communities in which we are.

Q131 **Chair:** If someone has a need to see one of your officers, do they have to travel from 40 miles away?

Clare Miller: Nobody needs to travel to see us. We will come and see the resident.

Chair: You will come from 40 miles away.

Clare Miller: Yes, and even more than that.

Q132 **Chair:** I know, but what I am saying is, if you are really locally based, should your offices not be nearer to the tenants than 40 miles?

Clare Miller: I talked about regularly polling our residents to find out what they want. Most of our residents would like us to turn up on their doorstep to deal with their issue, and that is what our business model is.

They tell us that. Younger residents want to contact us through their phones.

Q133 **Chair:** Fine, but is travelling 40 miles away to actually see one of your tenants what a locally based, hands-on organisation should be doing?

Clare Miller: My staff are based in the communities where we do our work. Increasingly, we are closing local offices, and my staff are mobile. If I have a big estate in Bradford with 600 homes, as I do, my staff are based on that estate.

Fiona Fletcher-Smith: It is exactly the same for L&Q. As we become more national and build in new areas, that is where we see some of the stress points. We want that resident to have somebody on their doorstep if that is what they want. For example, where we are building in the midlands, we now have an office in Leamington Spa. We now have an office in Milton Keynes that will serve our new developments in Milton Keynes, so that we minimise the travelling for our staff; they are locally based. That is really important to us.

Q134 **Chair:** Clare is shutting offices and you are opening offices.

Fiona Fletcher-Smith: We are expanding into new areas that we have not been in before. L&Q has gone from being in London and the south-east to being a national organisation over the last three years, so there will be a need for me to open offices elsewhere. Some of our expansion has been into the north-west, and we have done that by building a relationship with Trafford Housing Trust over the longer term. It is very local and will remain a Trafford housing association.

Q135 **Helen Hayes:** Savills reported that 78% of housing associations view the availability of land as a constraint on development capacity. Would you rate access to land as your most significant constraint?

Clare Miller: Yes. It is the one thing we are not building.

Fiona Fletcher-Smith: It is slightly different for L&Q. We recognised this a few years ago and purchased a strategic land company called Gallagher, which we have merged into L&Q. We have about 92,000 plots already available to build.

Q136 **Helen Hayes:** This Committee recommended reform of the Land Compensation Act 1961 to allow local authorities to compulsorily purchase land at a fairer price. Do you agree with the need for that reform? Are there any other land reforms that you think would be helpful to aid the delivery of social and affordable housing?

Clare Miller: My view would be that any incentives that it is possible to put into the system to accelerate development on large sites would be welcome. The traditional model that the housebuilders have used is that large strategic sites get parcelled up, so that the infrastructure is put in piecemeal, and then the build-out is as quick as it is possible to sell. That is not the model that is most accommodating of a housing association wishing to provide a large, mixed-tenure development. We would like to see the infrastructure going in up front. That accelerates the build-out for the rest of the site. I would welcome any incentives that could be placed in that regard.

Ged Walsh: I would probably like to see some form of regeneration fund to bring sites into use for housing where the costs of remediation are probably greater than the market value of the site, particularly in inner-city areas, so the housing could be provided where the market would not work. There have been funds in the past, but at the moment it is very much a market-driven mechanism. We might get some of those inner-city sites and sites that would be good for housing sites if there could be some way of funding that remediation work first.

Fiona Fletcher-Smith: To add to the wish-list, I am very interested in land value capture and how that can be used to recycle funding back into housing developers that are providing the infrastructure. If you take the example of the Mayor of London announcing an extension to the Bakerloo line, all the plots along the Old Kent Road immediately became far more valuable, but at the same time the public sector was expected to fund that tube line. There is no way of capturing that uplift. An equivalent to a tax increment financing arrangement that is linked to housing, rather than business rates and commercial property, would give us a pot of money for infrastructure.

Q137 **Helen Hayes:** Thinking now specifically about public land, some of the evidence we have received in relation to this inquiry has called for a requirement for at least 50% affordable housing to be built whenever public land is sold. Do you think that is something that would stimulate the delivery of social and affordable housing, or do you think it would result in public sites not coming aboard at the same rate?

Clare Miller: I fear it could have the latter effect, but obviously our business is to build affordable accommodation, so I would welcome that.

Ged Walsh: Most local authorities have a 40% Section 106 requirement on affordable housing, so an extra 10% would have a fairly minor effect on that, particularly if it was mixed with funding and funding of infrastructure.

Fiona Fletcher-Smith: I am used to that from a London developer's point of view. It is baked into our thinking in public sector land. However, I would ask that other asks on infrastructure investment, whether that be into schools or transport networks, are also taken into account so that it is not 50% affordable housing plus, plus, plus, because a site can only take so much.

Q138 **Helen Hayes:** Do you think Homes England is doing enough to unlock land for housing associations?

Fiona Fletcher-Smith: Yes, it is. It is doing a really tremendous job. Where I am getting slightly concerned is whether it is starting to regard itself now as a developer. That is something we need to keep an eye on, but it has been doing a super job at getting some really big, difficult sites up and going.

Clare Miller: I am in a slightly different position to Fiona as regards Homes England.

Q139 **Bob Blackman:** There are a number of key issues you have highlighted during your evidence to us. There is the need to increase output. Although you have talked about the slowdown in the market, clearly there is a need to increase output. There are safety and management issues that you have to take into account for tenants and making sure that tenants' voices are heard, so a number of different particular challenges here. Under these circumstances, can housing associations really continue to exist as developers and social landlords?

Clare Miller: I believe so. Our long-term financial plan is based on a realistic level of development going forward. It will continue, assuming, of course, that the external market does not have a shock that is not forecast at the moment. Assuming we can continue to borrow at reasonably favourable rates, yes, I believe we can do that. Over the last two years, Clarion has spent £40 million investing in our homes. That is largely around fire remediation work.

Q140 **Bob Blackman:** That would be reinvestment in the existing estate.

Clare Miller: Yes, specifically around fire and compliance work. It is also a case of having to balance investment in your existing homes versus the amount of money you have available in order to build new homes. Yes, I believe we can continue to exist. My own organisation forecasts on the basis that we will not get any government grant. When we do get it, it is excellent and a bonus and means we can do more, but our baseline plan contains no support from Government. On that basis, we are able to continue developing.

Q141 **Bob Blackman:** On that, does that give you greater freedom to choose how you are going, as opposed to being constrained by government regulation or grant?

Clare Miller: It does, but it also gives my residents options. When we go out and talk to them about what the business priorities are likely to be, it is always influenced by their feedback.

Ged Walsh: Having not-for-profit organisations providing additional affordable housing is probably one of the greatest successes of the Government over the last 40 years. It is a very successful public-private partnership, where we have managed to use a mixed funding model to bring in a massive amount of additional private money to provide affordable housing against diminishing public money. I hope this kind of partnership will grow. It will probably change slightly, but not-for-profit organisations are quite close to communities and quite close to

Government, in terms of our aims and objectives. If we were not here, we would be invented in a similar kind of way.

Fiona Fletcher-Smith: We built about 40,000 homes last year as a sector, so we are essential as part of the ecosystem, but that balance has to be right. The opening sentence in my development strategy is that we will not develop at the expense of our existing homes and residents. That balance is now a daily concern for organisations like us.

Q142 **Bob Blackman:** Do the three of you recognise the large number of complaints there are from social tenants about both the standard of service and the responsiveness to the service? What is your answer to those tenants? One of the questions that came earlier was, "Are housing associations too big and too remote?" How do you make yourselves responsive to the needs of social tenants?

Fiona Fletcher-Smith: You have to be alive to the issue and I absolutely am. In the last three months, I have also taken over running our maintenance services as well as development, which is fantastic. It has reminded my staff that they need to develop good quality homes to start with that can be maintained in the long term. We have also taken a decision in L&Q to increase the amount of money we are spending on our repairs and maintenance service. In 2018, we spent £173 million. This year, we will spend close to £250 million.

Q143 **Bob Blackman:** What is the impact of that? Where does that money come from and what does not get done as a result of spending there?

Fiona Fletcher-Smith: The impact is in two places. Our operating margin will be lower than it has been, and obviously the end-of-year bottom line surplus will be lower. Where we are putting that in, we are forecasting about £30 million per year from next year for the next decade will be spent on fire remediation and improvements to the safety aspects of our homes. We are putting a lot into planned maintenance as well, so that we also drive down the cost of the reactive service and give people a better long-term service from us. They will know their windows are being replaced, their kitchens are being replaced and it is not a constant battle of trying to get day-to-day repairs done.

Clare Miller: We take service delivery really seriously. It is informed by feedback from our residents. Of course, when you operate at scale things do not always go as well as you would expect them to. The key thing is that you learn from the experience and get better next time round. Like Fiona, we are spending much more investing in our existing stock than we have previously. That is a trend across the sector and it probably reflects the age of housing associations. Our stock is getting older and our residents' expectations increasingly are influencing the way in which we deliver services, and that has not always been the model we have operated. I know at Clarion we let increasingly to young, single-person households and their expectations can be very different from residents who have been with us 20 or 30 years. It is really important that the service continues to evolve and that we properly fund it.

Ged Walsh: We have quite a local focus. We feel that we are very accountable. We have accountable governance structures. We are very alive to that local accountability. As letters, we do not get things right all the time. When we do not, we try to put them right. We are a regulated organisation that is very aware that our reputation is very important, particularly our local reputation. You can lose reputation very quickly if your service does not stand up to the mark. There is a feedback loop that is quite short for us, and we are very aware of that.

Q144 **Chair:** Should you bring back something like the Tenant Services Authority?

Clare Miller: I briefly worked for the Tenant Services Authority.

Chair: Yes, I saw that.

Clare Miller: I am a great believer in the current regulatory model. It is right that you place responsibility for service delivery with the boards of housing associations. At the end of the day, if they are not taking it seriously enough and getting it right, the regulator should be holding us to account. It is our primary responsibility to get it right first.

Q145 **Chair:** I do not disagree with that. I do not think anyone would. It did not really answer the question, did it?

Clare Miller: The Tenant Services Authority perhaps confused the picture by assuming responsibility for service delivery, even by being called the Tenant Services Authority when they had very little ability to influence how we deliver services. I think that caused more of a degree of confusion than perhaps exists now. Now it is very clear that we are responsible and we should be held to account for that.

Chair: Thank you all very much for coming to give evidence to the Committee this afternoon. That is appreciated. Thank you.

Examination of witnesses

Witnesses: Brian Robson, Matt Thomson and Victor da Cunha.

Q146 **Chair:** Good afternoon and welcome to the Committee for our second panel session. Could you just say, for our records, who you are and the organisation you are representing today?

Victor da Cunha: Good evening. My name is Victor da Cunha. My day job is chief executive of Curo Group. We operate in the west of England. I am representing 11 other housing organisations in Homes for the South

West. We are an alliance of organisations trying to promote and increase the number of affordable homes from Cornwall to Wiltshire.

Matt Thomson: I am Matt Thomson. I am the head of land use and planning at CPRE, the countryside charity, and I will be your token non-housing professional for the day.

Brian Robson: My name is Brian Robson. I am executive director for policy and public affairs at the Northern Housing Consortium, which is a membership organisation for councils and housing associations in the north of England.

Chair: Thank you all very much for coming.

Q147 **Helen Hayes:** Professor Cole said in our first evidence session for this inquiry that if providers "are building the right houses in the right places" it was mostly due to luck. What do you make of that assessment?

Victor da Cunha: I would not call it luck. It is an incredible act of resilience and determination to build housing. It is a really difficult thing to be doing. In our written submission we talked about the challenges of land, about the way the planning system sometimes works against that, particularly in the south-west the challenges of infrastructure, and the growing concern of an aging construction workforce that we need to think about too. Those are the big things that are affecting that, but, nevertheless, it is a determined effort.

Matt Thomson: That is a fantastic question. The answer is complicated, partly because the reliance on providing affordable housing of all types through Section 106 agreements means that a lot of the focus is on places where market housebuilders want to build, rather than necessarily where the greatest need, particularly for social housing, is. That may be in low-demand areas but places where there is a high level of need. That said, the sector does a fantastic job given the constraints that it is presented with.

Brian Robson: I would not want the Committee to come away with the impression that the issue is purely about the distribution of where we are building homes at the moment. The fact is we are not building enough social and affordable homes anywhere. That is true in the north as well, where we need to double supply. Ian was right to say reliance on Section 106 can lead to affordable housing delivery following market logic, in terms of where it is located, if we were to place all our reliance on Section 106.

In the northern context, we have weaker housing markets generally and there is less opportunity to deliver social and affordable homes through Section 106. Over a 10-year period, Section 106 has accounted for about 30% of affordable housing delivery in the north. It is more like 60% in other parts of the country, in terms of the amount of affordable housing delivery that has contributed to. Nevertheless, there are important reasons to back Section 106. It plays an important role but we should not place all our reliance on that. Government grant plays a tremendously important role in the north.

Q148 **Helen Hayes:** Sticking with Section 106 for a minute, can I ask all of you how the current reliance on Section 106 agreements to deliver that significant proportion of affordable housing affects where the homes are built and what types are built? Maybe think of type in terms of affordability as well as otherwise.

Victor da Cunha: Certainly, we have seen a growing influence of local plans. Where they exist, they clearly have influence. It would be good to see local need refreshment more regularly, so that they are up to date. We often get asked to bid for affordable housing in 106 schemes where we have to do the work. We need to double-check with the local authority that the homes that are being offered are indeed consistent with the local need. We verify and we operate in a very high-demand area, so generally that is not an issue. Whether it follows exactly the local need goes to the viability point that is made. Viability often determines quite a bit of what the developer chooses to do.

Matt Thomson: There are so many issues that I would like to come back on. One of the key ones is that, particularly in rural areas, the need for social rented housing is often far greater than the demand for housing that could support that social rented housing through Section 106. That is an issue that needs to be looked at carefully. I have lost track of what I was going to say. If you can bear with me, I will come back on that.

Brian Robson: For me, it comes back to this viability piece. Another way of looking at this is to look at the total value of planning obligations. About 10% of the national total is delivered in the north and 60% is in London and the greater south-east. The viability does not exist in the land to deliver any type of affordable housing at some sites in the north. That is where, if we want social affordable housing, government grant has to come into play and play that role in propping up the viability of the site.

Q149 **Helen Hayes:** Do you think the Government's focus on tackling areas with the highest affordability pressure is the correct way to approach the delivery of social and affordable rented homes? Should there be any other criteria that feed into that process?

Victor da Cunha: The here and now is important. We need to recognise there are parts of the country that simply cannot function because local people cannot access housing near their place of work. Equally, Government have a responsibility to think long term and to try to pre-empt what might be the housing need of the future. There has to be a degree of balance, thinking about the here and now and the long term. Housing is a long-term piece of infrastructure, so it needs to be considered in that way.

Matt Thomson: That is absolutely right. That is something I would agree with. There is also a question about whether you get more bang for your buck in lower-demand areas. You might be able to afford to accommodate more households that are in housing need as a result of the different economic pressures. One of the speakers in the last session also mentioned the differences within a particular area. You might take a city like Manchester, where the highest housing demand is in the city centre, but the need for social housing is in the more outlying areas, where demand is less.

Brian Robson: We are very concerned about the direction of travel, in terms of geographic targeting of key housing funds. The geographic targeting that was instituted last November for five other key housing funds—not currently the Affordable Homes Programme but other key housing funds—means that only four local authorities in the north of England now have access to the lion's share of those five key housing funds. That is inconsistent with the Government's ambitions to rebalance the economy, to see much more growth in the north, with the whole Northern Powerhouse agenda. As Victor says, this is a long-term investment in essential economic infrastructure. If we want to see the north grow, we do not want to end up with the housing problems we already have in London. That means meeting the current demand and building for the future.

Q150 **Helen Hayes:** Do you support the introduction of targets at a bigger scale than a local authority-wide basis for social and affordable rented homes? Previously, we had regional targets. Would you support the reintroduction of regional targets? Do you support national targets? What is the right scale to determine where new homes are needed and to task local authorities and the sector more widely with delivering them?

Victor da Cunha: The principle is worth exploring. I would not want to undermine the importance of local authorities' decision-making in terms of housing, but there is certainly a strategic housing point to be made here. If Government give a clear indication of what the housing need at a macro level is, it not only gives local communities some clarity about the importance of housing but it would also help local decision-makers. I know from the work the National Housing Federation has done that it believes about 42,000 homes need to be built in the south-west every single year. That is a significant amount of housing. Of those, 15,000 should be affordable of some sort. Being clear about that would also allow us, if there was, hopefully, the level of funding necessary, a way of bending that funding into specific regions to support those macro targets. It is definitely worth a discussion.

Matt Thomson: I agree with that as well. There are arguments in both directions, in a way. Particularly, it is very useful to have national and regional targets for affordable housing provision, because it is so easy not to have an up-to-date local plan in place. That would give a context for making decisions on speculative applications when there is not an up-to-date local plan. It is also critical to have the granularity at a local level, especially when you are looking at these areas where there is high demand in one place within a local authority area and there is a split between urban and rural areas. You would expect CPRE to say that. You need those local distinctions because it is often the rural communities that get left out. All the affordable housing gets built in the cities and towns if you just take a macro approach.

Brian Robson: It is about how those targets are built up. At your last session, you discussed the work Glen Bramley has done for Crisis and the National Housing Federation. The strength of that work is it builds up the target from a more granular understanding at a functional economic-area or local-authority-area level and builds that up to a national target. There are some top-down targets, like the objectively assessed need measure that the Government have introduced. That has led to a reduction in planned housing in the north of England of about 13,000 homes. Local authorities were more ambitious in the north of England than the Government said they needed to be. That is just crazy. Having that local understanding of the tenure needs and the total amount of housing needed in the functional economic area, and building that up to a national target, works. Top down does not.

Q151 **Mr Prisk:** Can I just follow that on? In terms of high-cost areas, in my part of Hertfordshire we have teachers, police officers and nurses who simply cannot afford to live in a home in the community they serve. Is there an argument for looking, as part of those targets, at key worker allocations, or does that just complicate things?

Victor da Cunha: We used to have a key worker programme. It was very successful. When I worked in London it was hugely successful. Some of these things come and go. The underlying need never does. It is about anything that would bring that intermediate market back into play. I often say this, so please do not be offended: we cannot function as cities with just pure accountants and architects living in the centre. We need a rich range of people to make cities work, and that includes important members of our public services. I would be very supportive of seeing that market reopened, with programmes to support people being near their place of work. It is not unusual for nurses to travel for several hours to get to work. This is something we should be prioritising.

Matt Thomson: That is absolutely right. Again, at the rural level, it is not just cities that need key workers. Villages and market towns need them to keep themselves functioning as well. It comes back to the granularity point. The more detail you have about what the housing need is in your area, the better you are equipped to plan to address it.

Brian Robson: Your question points to the need to assess affordability at a range of incomes. The Government's preferred metric is median house prices to median income. As you say, if you are a nurse, or a teacher, or even a security guard or a bus driver, that bears no relation to your realistic housing aspirations, which might refer more to the local private rented sector, or to your income, which may be more at the lower quartile than the median. Particularly when assessing the need for affordable housing, it points to the need to have that understanding at a range of income points.

Q152 **Mr Dhesi:** In our Committee's first evidence session, there was widespread agreement that approximately 150,000 affordable rented homes were required every year for the next decade. According to modelling by the National Housing Federation—and that was supported by Shelter and CIH—it was felt that this would cost an extra £12.8 billion a year. Do you agree with that analysis? What options are available to a) deliver that funding, or b) reduce that amount?

Victor da Cunha: We do. The National Housing Federation is our member organisation. We know it has done some really thorough analysis in this space and it is a figure we would stand behind. As I say, we used its figure and its research, to highlight the 42,000 homes that are necessary in the south-west. We recognise the construct of that leads to the £12.8 billion funding they are asking for. Much like the previous panellists, a number of the members adopted the cross-subsidy model in 2011. That was not because we were trying to be commercial entities—it is really important people understand this—but because, at that time, it was either not delivering social housing or innovating. The cross-subsidy model enabled us to continue to build social housing at a time when there was almost no grant. We built social rented housing through cross-subsidy and we regenerated estates through cross-subsidy.

The world has moved on. The market is getting harder. Whilst we will never lose that as a tool, it should always be there, the truth is that grant has to pick up the slack, not only to deal with the economy but also the scale of this challenge we have. It is enormous, so grant has to be the primary way. We also provide subsidies ourselves through our own internal subsidy, and then we augment that with private finance.

Matt Thomson: CPRE also supported that analysis by the NHF. In terms of the costs that would be needed to support that programme, there is a possibility of rebalancing other funds for housing into that area, funds like those that are put in place for things like Help to Buy, and perhaps for benefits that might be saved by providing more social housing. One of the other things to look at is reducing that overall price ticket, if you like, perhaps by looking at how we could reduce the value of land, which, as was said in the last session, is a significant factor in many development proposals.

Brian Robson: There is an outbreak of violent agreement. We too support the NHF and the sector-wide call. It is really powerful that the whole sector and organisations like CPRE are united around this single target and this single figure. From our perspective, the other important thing to note is the wider sector wants this funding to be made available right across the country. The National Housing Federation, as well as us, is saying this funding needs to be available right across the country because there is affordable need right across the country. In our part of the world, it comes to 19,000 social and affordable homes each year.

Q153 **Mr Dhesi:** Mr da Cunha, how much could reforming land compensation or sale of public land impact on that £12.8 billion figure?

Victor da Cunha: Every region is slightly different, but somewhere between 30% and 40% of costs in the south-west are land, so it is a very significant part of the overall cost. There are a few things that could be considered. We currently mandate CIL as a requirement through the process, in terms of the requirement for developers to contribute to community infrastructure. Our proposition is that there should be a minimum acceptable level of affordable housing. If that is classed as part of the viability, that will then dictate the price as a consequence.

What sometimes happens is landowners tend to be the ones who gain most from development, more than anyone else. They either ransom land for access to other strips of land or because they are in the hope that land will increase in value over time, so they are waiting for that point. If we are very clear about the expectations, in terms of what the affordable percentage might be, it would then determine what they are prepared to sell for.

There are also other things we could do. We could think about whether 100% affordable housing schemes might be fast-tracked through the system. There are a number of things that could help with the affordable housing numbers.

Q154 **Mr Dhesi:** Mr Thomson, in particular with regards to rural areas, the number of social and affordable homes built there is extremely low, either because of nimbyism or other factors. I would be very interested in your perspective. Personally, a lot of young people are feeling they are being forced out of their villages and those localities. What can be done to counteract that?

Matt Thomson: A lot. One of the underlying causes of nimbyism, if that is what you like to call it, is the issue of the development that is imposed on villages is not the development that the villages want or need. On many occasions, the development that takes place is unaffordable for the people who need to live in a village or small town and is sold to people who are moving out of a big city to escape the rat race, to retire, or to have a holiday home or an investment property. The solutions are about community-led housing, rural exception schemes, neighbourhood planning, community land trusts and all those kinds of things, where a community decides for itself what kind of housing or other development it needs and does not feel the decisions it comes to can be blown out of the water the next day by a planning permission granted for a speculative development that nobody wants or needs in that area, just because housebuilders have not built enough homes in a local authority area over the last five years.

Q155 **Mr Dhesi:** Mr Robson, if grant funding is increased, how should the Government ensure it is available across the country, including in the north?

Brian Robson: It comes back to this granular understanding of housing need. It is about understanding, as Mr Prisk said, the incomes of the people in the local community and the kind of housing need that produces. When you look at those Glen Bramley figures, the mix in the north is actually slightly different to other parts of the country. We need a little bit less social rent and we can accommodate more intermediate rent and more shared ownership homes. It is about having that understanding of what local incomes are, what that means in relation to the affordability of the outright market, the market for private rent, the market for sale, and what the gap for affordable housing is in those communities. As I say, there is no oversupply in the north. We need to double delivery from around 8,000 units a year to more like 19,000.

Q156 **Mr Dhesi:** Lastly, I think I know the answer to this, but just for the record and very briefly, is it right, in your opinion, that the Government have limited social rent grant funding to areas of high affordability pressures, particularly the south of England?

Victor da Cunha: The way I expressed it is there is clearly a need to deal with high-pressure areas and areas of high affordability, but there has to be an eye to the future. We have to try to have a longer-term programme. I am a big fan of having certainty about grant over the longer term. Dealing with the here and now cannot be at the expense of longer-term investment in other parts.

Q157 **Mr Dhesi:** I thought so. Mr Robson, what do you think?

Brian Robson: The formula for the way social rent has been targeted is slightly better than the formula that has been used for the other funds. For the other funds it is about median incomes to median house prices. The formula that has been used to target social rent brings in some relation to private rented sector rents in the locality. That brings some additional northern authorities into scope for that funding—places like York, Newcastle, Salford and Stockport. About 10% of the need for social rented homes identified by the Glen Bramley study is in areas that do not currently qualify for social rented funding. That needs to be put right.

Q158 **Mr Dhesi:** Mr Thomson, do you think that is right?

Matt Thomson: I agree with both of those points. There is also a case for looking at demand-side interventions that might reduce the demand in high affordability crisis areas as well to rebalance the economy away from those areas. That might help to address some of the housing issues as well.

Q159 **Bob Blackman:** Moving on to the planning system, what changes do you believe are required to the planning system to encourage the development of more affordable housing, particularly for social rented?

Victor da Cunha: I alluded to the point. So, 100% affordable housing schemes should have a faster determination period, say eight weeks. It should be given greater priority if the submission is higher than the local plan. It should be given greater weight. There are things we can do that give it an extra onus. The point I made about the CIL as well, which is to require there to always be a minimum amount of housing, should be something worth considering too. They are the three ideas.

Matt Thomson: I have three ideas as well. The first one is to implement the recommendations of the Letwin review and apply those not just to high-demand areas but across the board. The second would be to remove the housing delivery test from the planning system. It penalises communities rather than the housebuilders that are failing to build and means that councils cannot enforce their own local plan policies. Finally, I would go back to the Land Compensation Act and review that, because you cannot do anything while the expectations for land values are so high.

Brian Robson: I do not think planning is the major problem. Nine out of 10 applications get approved. In three-quarters of those that go to appeal, the council's original decision is upheld.

Q160 **Bob Blackman:** Victor's point here is actually that things that have a higher expectation should be processed faster. That would be a change to the planning system. Do you support that idea?

Brian Robson: Potentially, although, as I have said, Section 106 does not play quite such an important role in the north. The thing I would point to for the north is this objectively assessed need criteria, which locks us into a vicious cycle where we end up with a low projection, low requirements, a low building rate, which then reinforces low household formation, and the cycle starts again. In the north, we are ambitious to grow economically. The whole Northern Powerhouse, with the Northern Powerhouse Independent Economic Review, is about breaking out of past cycles. We need a more forward-looking target that looks to meet the housing demand of the future, in places like Manchester, Leeds and Sheffield, which we expect to grow significantly faster in future than they have in the past.

Q161 **Bob Blackman:** My suggestion is that local plans could be simplified, for example. It is horrendously complicated in certain areas. Are there any risks associated with simplifying local plans? Matt, could I start with you, because you might have more of an objection to this in certain respects?

Matt Thomson: Simplifying the expectations on local plans would help. The problem is that every time we simplify local plans we take away some of the important place-making policies that local plans hold, or we demote the importance of those policies. As a result, the quality of development is reduced. There is a case for simplifying processes by encouraging more local authorities, particularly the smaller ones, to work together. Also, I think you would achieve much more with local plans by resourcing council planning departments more effectively with a wider range of skills than you could achieve by potentially removing valuable detail and granularity from the policies of local plans.

Q162 **Bob Blackman:** I will come to the other two panellists. One of the concerns in rural areas, as you quite rightly say, is that people will come in from outside and take these homes. What about potential restrictions or encouragement of development to advertise locally homes that will be available first?

Matt Thomson: When it comes to affordable and social housing, putting local nomination rights in and prioritising housing for people who have a need to be in that area is particularly important. The main issue with incomers with market housing is with the amount of market housing that there is and the fact that so much of the market housing that gets built in rural areas is four or five-bedroom houses. The proportion of that has been steadily increasing over the years, even though the one thing we do not have in this country is a shortage of four and five-bedroom houses. There are also, of course, all the permitted development rights we have to extend them and proposals to extend those permitted development rights still further on the books.

If we encouraged the provision of more smaller homes in rural areas, which would meet the need for housing, both for newly formed households and for people wishing to downsize, you probably would not need to regulate about the kinds of people moving across the country and into different areas. The desirable "Grand Designs" type of homes in the countryside would not be there to encourage that to happen.

Victor da Cunha: On the point to do with simplification, accepting the point that perhaps the establishment of objective assessment does not work in all cases, introducing tools like that, which standardise, is really helpful. Certainly, one of the things we find is the absence of agreement about the housing need is causing plans not to be approved. Introducing tools like that, that can be used to assess need, for example, is very sensible, accepting it probably needs some work in some cases. In answering your point about simplification, of course simplification would be helpful, but not to the point where it becomes ambiguous, so that it can be used as a loophole. As long as simplification makes it easy to define, it is all good. If simplification makes it ambiguous, no.

Q163 **Bob Blackman:** What about increasing planning fees to enable planning departments to resource further?

Victor da Cunha: My understanding is the Royal Town Planning Institute said back in 2018 that fees currently represent about 40% of the costs to run a planning department. Clearly, the fees are not providing the level of resourcing needed. None of our 11 housing associations would deny local authorities the opportunity to provide the best quality planning service, and would pay for it. A bit like us needing certainty about income through rents, it is important for local authorities to have the certainty of funding so they can have good quality colleagues in place to fulfil this activity. I would be, and I know my colleagues would be, happy to support increases. In fact, I suspect my colleagues would support paying more on the basis that they could also then have an incentive that, if it were not processed in the right time, we might get some back for not completing on time.

Brian Robson: Capacity is certainly an issue. We know spending has declined by about 50% and the north's share of the spend within that has declined, so we have been disproportionately impacted. The Housing Minister has come out with a proposal in recent weeks around having an A-team or flying squad with specialist skills. That could be part of the answer. Some of our members are telling us it is difficult to get skills like those of ecologists and very specialist skills that they struggle to have within one local authority, but it does not allow you to run a core service. That is the challenge a lot of our members are facing at the moment. In terms of fees, they go more in peaks and troughs in the north. It depends whether you have some big schemes coming forward at that time. There is not the constant supply of large schemes that you might have in a London borough. There is still a case for core funding at the spending review of local authority planning and housing services.

Chair: I have one quick question to Matt, if I might. The CPRE is rather fond of the greenbelt.

Matt Thomson: You have heard.

Q164 **Chair:** One suggestion has been that, in London, if greenbelt restrictions were lifted on land within 10 minutes of railway stations, you could build a million new homes and you would not really affect anyone's enjoyment of the countryside. What is your response to that?

Matt Thomson: There are so many things that are wrong with that position that it is difficult to know where to start.

Chair: There are a million of them, by the sound of things.

Matt Thomson: The first thing is we could look much more rigorously at the capacity of brownfield within London. We did an assessment of the London Borough of Enfield; their brownfield register currently shows capacity for about 2,500 homes, but if you do a relatively back of a fag packet—no, that is not right. It was a properly done assessment. You could find sites just within Enfield for 37,000 homes if you are doing your job properly. If you imagine that spread out over the whole of London, you could easily get a million homes within the urban area of London and not have to consign people to living out in the sticks.

Q165 **Chair:** They are 10 minutes away from a railway station. How can that be living out in the sticks?

Matt Thomson: That is the interesting thing. There has been a lot of research done on what would actually happen if you put people into those locations. The assessment is that, because very few people actually travel by train to work in central London, especially when you get into the outer reaches of London, it would actually put something like 5 million more car journeys a day on to the roads. Do not quote me exactly on that figure, but it is a massive amount. The RTPI has done some work on that particular issue.

The other thing is it affects people's enjoyment of the countryside. All the people that could be living in central London, getting on a train, getting off a train in the greenbelt and going for a walk or a cycle ride in the countryside would not be able to do that because those railway stations would be surrounded by housing. You also have to consider people's enjoyment of the greenbelt and experience of the greenbelt from the perspective of urban people. It is one of those easy, seductive, slightly lazy answers to things. As our recent research has shown, the vast majority of development that takes place in the greenbelt is very low-density and highly unaffordable, so we are pretty sure that pattern would continue if you reduced the level of protection for greenbelt in the way that certain people are proposing at the moment.

Q166 **Mohammad Yasin:** Right to Buy offers a unique route to ownership, but you all know that the councils have struggled to replace the homes that are sold. Do you think Right to Buy requires reform?

Victor da Cunha: The first thing to say is that I and none of the other 11 housing associations I speak for would wish to deny people that genuinely want to buy their own home. If that is someone's aspiration and they can afford it, by all means it should be something they can access. That said, it is also true that Right to Buy has had a very significant impact on our ability to provide housing for those in housing need and has exacerbated the current housing crisis.

The fundamental problem has been consistently that the money received from those receipts has never been prioritised and ring-fenced for the re-provision of social housing. One's aspiration should not deny a future generation's housing. The starting point should be about at least ring-fencing and guaranteeing ongoing investment in social housing through the recycling of that sales proceed.

I will just give you a sense for Curo, which is my organisation. You might want the whole of our 11 organisations' numbers, but this will be representative. In the 20 years we have been established, we have built, with various forms of government grant—so it would now be Homes England but before it would be the Housing Corporation and so forth—3,000 homes. Those were generally social housing but towards the latter end more affordable and some shared ownership. We have lost 1,300, so the net gain to the system in 20 years has been more public subsidy through grant and 1,700 homes, and not all like for like, because we have not replaced them all with social rent. That is the scale of the challenge, where every year we are losing.

I would not want to deny local authorities the opportunity to consider suspension. Going back to the point earlier on, it is really important that the local authority takes the lead in these bigger strategic issues. If the local authority thought it wise, I think it is worth considering in localities.

At the very least, there are three things we could do right now. We could think about harmonising the discounts. The discounts between Right to Buy and Right to Acquire are very different. You could think about reducing that level of discount. That level of discount is probably the conversion rate you need to take affordable rented housing in my part of the world to social rent. Switching that subsidy would allow you to charge the lesser of the current rented product, in this case the social rent. You could do that.

You could also decide that the discount was payable over a long period, i.e. if you move within 10 years you would have to pay a bigger proportion. You could incentivise not using it as some sort of investment, so it is a home. If you are staying in there you keep the discount but if you want to sell it you could choose to apply the discount so it bites harder, or you could be in your home longer before you get the full amount. There are a number of levers that would soften the impact of Right to Buy, but the key to all this is that whatever comes out should go back into new social housing.

Q167 **Mohammad Yasin:** Mr Thomson, what is your view on this?

Matt Thomson: I pretty much agree with every word Victor has just said. It is a particular difficulty in rural areas. We have been calling for settlements that are less than a population of 3,000 to be automatically excluded from Right to Buy across the piece, not just in the designated rural areas. If we are going to keep Right to Buy in rural areas, we need to find a more sophisticated way of ensuring that the replacement homes are found in the community where homes have been lost. That is much harder in rural areas than it is in urban areas, so it is a tricky balance.

Q168 **Mohammad Yasin:** Do you think the councils should have more power if they want to suspend the Right to Buy scheme?

Matt Thomson: Absolutely, yes.

Brian Robson: The northern picture is about 2,500 homes sold through Right to Buy each year. To put that in context, we build 8,000 new homes each year, so it is a significant impact. I would agree that setting the discount at a level that allows replacement is appropriate. At the moment, the maximum discount is £80,000 or 70% of the property's value. As I am sure you are aware, that does not allow replacement in many places. There is a case for local authorities being able to suspend the right where that is necessary. Matt is right: that would particularly be in some rural communities. That would be more akin to the kind of system Scotland had before it abolished the right to buy altogether.

Q169 **Mohammad Yasin:** A couple of local constituents recently got in touch with me. They find it very difficult to understand the Right to Buy scheme. They do not understand why the next-door neighbour has been able to buy and they cannot, even though they are living longer in the property than their next-door neighbours. Do you think the council needs to simplify and explain to people how they have the right to buy and how, in some cases, their next-door neighbour has been able to buy their property but they cannot? This is quite complex and people, especially from BAME communities, are finding it very hard to understand. What is your view on this, Victor?

Victor da Cunha: It is hard to understand and simply understand, because it is a complicated space. Unless you harmonise and everyone has the same rights, people are always going to say, "How is it they have this tenancy and I have this tenancy?" All we can say is when people come, we will explain. Some people do think it is unfair that they live next door to someone with a different tenancy type, but it is simply a product of the tenancy you inherited or got when you became a tenant. It is as simple as that. It is very difficult to explain because there is no other logic to that. It is just a moment in time and what tenancy you got.

Q170 **Mohammad Yasin:** Mr Thomson, do you have any view on this, in terms how to simplify when the people are signing their tenancy?

Matt Thomson: I do not have any expertise in that area. There are a lot of these kinds of things that are complicated, and it always falls on local authorities and registered providers to have to explain those things. Perhaps there is more Government can do to simplify and reduce the plethora of different experiences that people have in this kind of area. I do not know.

Brian Robson: Victor put it very well. It is a complex picture.

Q171 **Mohammad Yasin:** This is my last question. I am taking this opportunity to raise the issues constituents have been raising with me. One constituent got in touch to say he has the right to buy but the valuation the local authority housing association is offering is far more than his private agent who came to value the property. How can the price the housing association is offering to the person be justified?

Victor da Cunha: Typically, there is a panel of approved valuers or surveyors that we use. The person can choose one of those approved surveyors. It is about making sure that those organisations we use are approved. We do not just have one. We typically have a panel; they are from the local area and we go through a process of appointing them. I suspect, like anything, value is not an exact science. People will say one value and another person will say another. That is why we use credible specialists that are on this panel and not independents that someone can choose arbitrarily.

Q172 **Chair:** There is some concern that local authorities getting back into the building of social housing again are going to be competition for the housing associations for funding, for sites and maybe for skills as well.

How do we avoid that happening? Is that a concern you have? Are you taking steps to avoid it?

Victor da Cunha: The last panel said that we should welcome more entrants into the market, and I would echo that. Local authorities and housing associations share a common vision, which is about providing good quality long-term affordable housing in sustainable places, so we have that core agenda. We have really good examples. We are used to working in partnership already. In all the local authorities we have a strategic relationship where we work not just on housing supply but on homelessness and a whole myriad of things. We are used to working with local authorities.

We have examples, say in Bristol, where they have a clear process to try to avoid some of this competition. It is a good practice. They have their own in-house function to build housing. They will assess the land they own. They will see if they can make it work through their in-house team. If they do not think they can make it work for whatever reason, whether it is capacity or whether it is about complexity, they will then put it to a framework of housing associations that are approved in our locality to see if we can make it work. Then and only then does it go for open competition. Those sorts of things create structure and a cascade that means the objective—in this case to produce good quality affordable housing that is sustainable—is at the heart of that decision-making. If that is done well, it can actually enhance the process.

Matt Thomson: It is not an area of particular expertise of the CPRE. "Partnership" is the key word. Perhaps there is an opportunity here to think about whether there is a way of bringing all housing delivery bodies together, including the private sector, to work together to deliver the housing that a community needs, in accordance with its local plan, rather than thinking of it as being a battleground in which everybody is fighting with each other for the right to build homes. Perhaps that is a bit utopian. I do not know.

Chair: I was going to say that is your wish for utopia.

Brian Robson: We represent councils and housing associations, so I guess we see it from both ends. The councils that do have large housing revenues, in places like Sheffield and Newcastle, have been getting on with it and have reached 400, 500 or 600 homes now. Seven of the 10 biggest builders, from a local authority perspective, are in the north. I do not see there being a competition around land. A lot of the sites councils have developed on, in the north certainly, have been land that was already in their ownership, so former garage sites, bits of estates and so on.

The skills piece is where there might be more potential for competition. There is a limited amount of those skills, and housing associations are already in competition with the private sector for those skills that are in demand. Councils that do not have stock of their own are now looking to get back into the housebuilding game. That is where there is far more potential for collaboration, because those councils will find it really hard from a standing start.

For example, in Middlesbrough the council had been intending to reopen its HRA and get back into development. They have now chosen instead to work with two local housing associations, specifically because those associations could bring resources and skills to bear and get the scheme moving far faster than the council could have on its own. That scheme is now coming forward with proposals for the first 200 homes. There is additionality there because of the land.

There are also opportunities around specialist provision, so councils talking to their colleagues within adult social care about what the specific specialist needs are in their area, so things like frail elderly schemes or schemes for people with autism. There is that join-up within a council where they can identify a very specific need and use the HRA to meet it.

I have one further thing to say if I could, Chair, about Public Works Loan Board funding. Obviously there has been an extra per cent added to that. That has a danger of slowing down some of the progress we have seen, in terms of council development.

Q173 **Chair:** Finally, we talked about councils and housing associations but there are also some for-profit providers now wanting grant towards affordable housing of various kinds. How do you view their role? Some of them have tried to call themselves housing associations. The Nat Fed challenged that and it was stopped, but, nevertheless, they are still there. Are they a welcome addition to the market, or are they a competition and a sucking away of funds that you could do without?

Brian Robson: We have not seen as much of that activity in the north yet as has possibly gone on down south. Again, the key question is additionality. Some of the schemes we have seen in the north have been buying up Section 106 sites that I think would have been acquired anyway by housing associations. The question there is what additionality the private sector provider is bringing if then the local housing association is going to struggle to find land-led sites to replace that Section 106 delivery. If they pick all the low-hanging fruit, it becomes very difficult for the housing associations to add additionality instead.

Victor da Cunha: We have to start on the basis that anyone contributing is a good thing. They are not serving the same market as housing associations. Our customers, our residents, are going to be the general needs rented customers and the social rented customers. My understanding is they are going for a different type of customer base in terms of earnings. As a contributor to adding more housing to the system, we have to support anyone who is willing to contribute.

Q174 **Chair:** If the grant is fixed and finite, should they be taking some of that grant, which will therefore come from housing associations?

Victor da Cunha: This talks to what grant and what quantum the Government set aside. The point I am making is, from my knowledge, these for-profit organisations are not going for your social rented end of the market. They tend to be going for your intermediate end of the market and your shared ownership end of the market.

Chair: Thank you all very much for coming to give evidence to the Committee this afternoon. It is appreciated.