

HOUSE OF COMMONS
ORAL EVIDENCE
TAKEN BEFORE THE
COMMUNITIES AND LOCAL GOVERNMENT COMMITTEE

PRIVATE RENTED SECTOR

MONDAY 11 FEBRUARY 2013

SIR ADRIAN MONTAGUE CBE

Evidence heard in Public

Questions 104 - 144

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Oral Evidence

Taken before the Communities and Local Government Committee

on Monday 11 February 2013

Members present:

Mr Clive Betts (Chair)
Simon Danczuk
James Morris
Mark Pawsey
John Pugh
Andy Sawford
John Stevenson
Heather Wheeler

Examination of Witness

Witness: Sir Adrian Montague CBE, Leader of the Review of the Barriers to Institutional Investment in Private Rented Homes, gave evidence.

Q104 Chair: Good afternoon. We continue now with the second evidence session of the inquiry into the private rented sector. For the sake of our records, could you identify yourself, Sir Adrian, and the capacity in which you are here this afternoon?

Sir Adrian Montague: I am Adrian Montague. I am here, I think, as the leader of the review into private rented homes.

Q105 Chair: I think that is just about right. Thank you very much for coming this afternoon; you are most welcome. To make sure we are completely in compliance with the rules of the House, we ought as members to declare any interests that we have. First of all, I have one flat, which I rent out privately; that is declared in the Register of Members' Interests.

Simon Danczuk: My wife has a small interest in a private rented property.

Andy Sawford: I have a small interest in a private rented property.

Q106 Chair: Those are our interests, and you have a particular interest in the review that you carried out, which you have come to talk to us about this afternoon. Sir Adrian, in your review you identified, probably fairly obviously, that individual landlords with small portfolios had driven the growth in the private rented sector in recent years and improved the quality. If that is the case, and it sounds like a good news story, what is the problem that we need to address, and why do we need large institutions to invest if the small landlords are doing it anyway?

Sir Adrian Montague: Perhaps I could start by saying that I think the Committee does not usually sit at this hour, and I am very grateful for the consideration shown in accommodating me now. It is very kind of you all. To turn to your question, I think that we need more houses. We need more houses. The statistic in my report was that in 2009-10 we built 115,000 new homes, but the estimated demand for new households increases by about

twice that number through to 2033, so we are simply not building enough homes. More people are renting. We have probably got twice as many people renting now as 20 or 30 years ago, and they are staying longer in rented properties, partly because of the economic climate but also because the way we are looking at rented properties is starting to change. As you rightly say, I think a lot of this growth has been accommodated by small landlords. Again, a statistic is that only 1% of landlords own more than 10 properties. So although the small landlord has stepped in to assure some of the growth, we are still behind on the new homes we need. I think that the proposition is that we have been relatively short of new build for rent on a substantial scale, and there is an opportunity for the institutions to meet that demand and mobilise fresh sources of capital.

Q107 Chair: Perhaps in general terms you could tell us whether you think this is a challenge—something that is going to be worthwhile doing? It is a big issue now, housing policy in this country, which needs a resolution.

Sir Adrian Montague: It is a big issue. Clearly there is great demand for rental properties. It is not all over the country; I think it is a little localised in big conurbations, and I am not sure the market is keeping up. The challenge is to try to see rented properties in a slightly new way. We were conscious when we did the review that on the continent and in the United States, the rented sector plays a very important part. A lot of the properties in those areas are held by big institutions, and it seemed natural to explore to what extent this shortage that we are facing could be addressed by mobilising new sources of capital, as I say, and the institutional investors in particular.

Q108 Chair: You thought there was a major need for some significant policy changes, and that was borne out.

Sir Adrian Montague: Yes. We saw an awful lot of people; I think we had over 60 responses to the call for evidence, and we probably had 40 meetings with interested parties. We saw people from right across the spectrum; we saw financial institutions, we saw housing associations, we saw developers, and we saw planning authorities. There was a widespread measure of agreement that this would be a welcome initiative.

Q109 Mark Pawsey: Sir Adrian, I think you said that institutions are not minded to invest in the kinds of volumes that you have just been speaking about, because the return is not there, and you therefore said that the Government should provide incentives to support institutional models. That is pretty hard on the small, independent private landlords that we took evidence from in our earlier sessions, each of whom has one, two, three or four properties. Why should institutional people get a subsidy and not those smaller individuals? When does one morph into another? Where is the cut-off point?

Sir Adrian Montague: Most of the large financial institutions are looking for developments of scale, so I think they would say that 100-plus units was the sort of level that they needed to see to make the investments worthwhile. I was quite careful in the report not to suggest any enduring subsidy, because I think that this is an area where a market must stand on its own two feet. In cases where there has been a failure of the market to gain momentum, it seemed to me legitimate to suggest that the Government might give it a kick-start.

Q110 Mark Pawsey: Would you see that support or those incentives going with an entire development? Policy tends to be more to support individuals. Is there not a dilemma? How would you make certain that that subsidy or support would end up benefiting those on the lowest incomes?

Sir Adrian Montague: That takes us into how private rented schemes fit in the market, because obviously over the years the affordable housing sector has rightly received a great deal of Government attention, and I think that its place needs to be assured and it needs to continue to prosper. However, the private rented sector, whilst it may take some of the strain off affordable housing, also extends to many different layers in the market apart from affordable housing. We are conscious that when planning authorities look at private rented schemes, they may look at them for a number of different reasons. In some cases they may see poor private rented stock in their area, and they may see PRS schemes as a way of improving the quality of the stock. They may see pressure on rented as people who move into rented accommodation aspire over time to move into owner occupation, and so PRS schemes can provide a bridge to owner occupation.

I think in some of the areas of the planning authorities we spoke to, they saw it as part of an inward investment strategy. I mentioned Hull in the report. Hull has ambitious plans to develop the environs of Hull as a centre for servicing North Sea wind turbines. Although I do not think they would qualify for affordable housing, there will be a new cadre of professional technicians and workers involved in the North Sea, who are perhaps not going to be in the town long enough to justify buying. here is a variety of motives that people might adopt.

Q111 Mark Pawsey: But the question is why the group of people you have just described should receive effectively a public subsidy through this incentive. In the existing social housing scheme, people demonstrate need and then receive an allocation. I am worried that this is a bit of a broad-brush approach rather than targeting scarce resources at particular needs.

Sir Adrian Montague: My view is that it is not a subsidy. If the Government and councils think that the private rented sector is worth developing—our view was that it would be worth developing—then there is a difficulty in getting the market moving. Again, I envisage not an enduring subsidy but a kick-start initiative of the sort that is quite common in areas of need. If you think about the green sector, you have a lot of kick-start initiatives there. It is not a subsidy intended to prefer, in an enduring way, any institutional investor. It is simply recognising that the market is immature and needs encouragement to develop.

Q112 Mark Pawsey: In response to your review, the Government has introduced the £200 million build-to-let fund and the £10 billion housing guarantee. Have you got a view about how effective those measures are likely to be in achieving the objectives that you set out to achieve?

Sir Adrian Montague: They respond very well to part of the rationale for the incentives. They are more focused on the developers of private rented accommodation, rather than the institutions that will be the long-term owners, because I think they are seen as construction phase support, with a view to the completed developments being sold into institutional ownership when the construction phase has been completed. There is not an enduring subsidy to the financial institutions.

Q113 Mark Pawsey: How long should we wait before judging whether or not those schemes are a success, in your view?

Sir Adrian Montague: I think a reasonable period would be 18 months or two years.

Q114 Chair: I understand why you have given qualified support to the £200 million build-to-let fund, which is about trying to stimulate a market—trying to get examples going that others can then follow. However, you were absolutely categorical in your review when you talked about being urged to get the Government to provide guarantees of different kinds

as a way of stimulating the market. You said, “We do not advocate guarantees of any of these descriptions as they tend to distort the market.” That is pretty categorical, yet £10 billion is hardly a kick-start, is it? It is a massive great wedge of money, and you are quite happy for that to act as a guarantee.

Sir Adrian Montague: I was not concerned with the policy decision to implement the housing guarantee scheme. I conducted the review; I have not had the responsibility of implementing it. I think that was motivated by the desire to stimulate the flow of funding into the sector, beyond what might be achieved by the build-to-let scheme. I think reasonable men can differ on the desirability of guarantees.

Q115 Chair: Right. So you would rather it was done another way?

Sir Adrian Montague: I think it is a step in the right direction; it may be a bound in the right direction rather than the modest step I was envisaging.

Q116 Chair: I am still not quite sure whether or not you are in favour of guarantees now. You have got me confused.

Sir Adrian Montague: I think what we are faced with is both a shortage of homes and a need to stimulate the economy. Had there just been a build-to-let fund, it would have done most of the job. A guarantee scheme offering the opportunity to raise finance at cheap rates on the back of a Government guarantee ought to have much more impetus than the quite modest incentives that I thought it was sensible to recommend.

Q117 Simon Danczuk: What comfort does your review offer those living at the bottom end of the private rented market, in poor quality, overcrowded accommodation?

Sir Adrian Montague: I do not think the focus of the review was on the certain need to improve standards for the stock as a whole. We were concerned more to try to raise the average level of stock by commissioning new units of an undoubtedly high character, so we did not focus on improvements at the lower end at all. It was a net increase of the stock of high quality that we thought was necessary.

Q118 Simon Danczuk: Your report said that “for housing benefit claimants, a material increase in rental stock in areas of high demand could make a real difference to their ability to access good quality accommodation”.

Sir Adrian Montague: I think it will, but what will happen is that it will to some extent take the pressure off affordable housing. The PRS sector will extend over quite a wide range of accommodation and rents. As the housing associations are finding, at the lower end of the rent spectrum, there is a bit of overlap between affordable housing and the lower end of PRS, and then there will also be more elaborate, more extensive accommodation available under PRS as well. PRS, in my view, sits just on top of affordable housing, and the net addition to the total rental stock will take some pressure off affordable housing as well.

Q119 Simon Danczuk: So your review was bothered about those at the bottom end of the private rented sector?

Sir Adrian Montague: Absolutely.

Q120 Simon Danczuk: Was it Dr Tim Brown who said this whole debate around institutional investment has “diverted attention away from the issues of quality of the existing private rented stock and its regulation”? What do you say to that?

Sir Adrian Montague: I do not think we attributed responsibility for any particular statement to any individual.

Simon Danczuk: No, that is what he said. He is quoted as having said that.

Sir Adrian Montague: Could you give me the reference?

Andy Sawford: To us.

Simon Danczuk: To us, in evidence.

Sir Adrian Montague: Oh, I see. Yes. That is probably correct, because the narrow focus of the report is to increase the stock of higher quality accommodation. As I said, I think that will have beneficial knock-on effects on the low quality stock at the lower end of the private sector, but this is not a report that is specifically directed at that problem.

Q121 Simon Danczuk: Just a final quick question. You mentioned earlier there were about 60 submissions and quite extensive involvement. Did you or your committee meet anybody, as MPs do on a weekly basis, who lived their life out in that sort of poorer private rented sector?

Sir Adrian Montague: I suppose we saw NGOs who were conducting studies into that sort of market. We spoke to a lot of housing associations, and we spoke to councillors. It is fair to say that no one came forward to talk to the review specifically who had the problem of living in low quality accommodation.

Q122 Andy Sawford: Your report said that investors were attracted by the stability of the regulatory framework, and you went on to set out how the relatively stable environment of the past 20 years was something that they generally found attractive. You are looking for a different environment with longer tenancies, and this Committee has heard evidence that the average request is for covenants of 15 to 20 years on land to ensure it remains as private rented housing. Given that you are looking for that kind of environment and index-linked rents, would that not inevitably create change in the regulatory environment?

Sir Adrian Montague: I do not think it needs to have a change in the regulatory environment. There used to be institutional investment in residential accommodation in the past. I think that the policies of the 1970s and 1980s, which envisaged quite significant rent controls and restrictions on the opportunity to regain occupation for landlords, caused quite a lot of damage to institutional confidence in this asset class. However, from the late 1980s onwards, the scene was entirely transformed. Institutions now have the confidence to invest again, but I do not think there is any need for structural changes in the market or increased regulation to make that possible. Indeed, I think it is probably best that there should be specifically no change to the existing regulatory structure.

Q123 Andy Sawford: How do you propose to ensure that longer tenancies are introduced?

Sir Adrian Montague: If we move into the planning side, I think that PRS regimes, PRS developments, find it a challenge to compete for land against owner occupiers, because I think that the values of sales of PRS developments to institutions have tended to be weaker than the values of sales for owner occupiers. One of the opportunities open to councillors is to try to encourage PRS schemes by saying that they will either modify or limit affordable housing requirements in relation to that scheme. I am not suggesting that is an automatic or universal response; it is a function of the balance that a planning authority is trying to achieve in home ownership occupation across its area. However, if in order to get the balance right they want to increase private rented schemes and modify Section 106 affordable housing requirements for that plot of land, it would be fair for the authorities to say, "If we are helping a PRS scheme with its viability by modifying 106 affordable housing requirements, we want to make sure it is a scheme that remains in rental occupation." What we specifically do not want is for a developer to feel he is free to sell the development into owner occupation within

a short period after completion. Locking it up in rental tenure for a long period of time would be a legitimate condition to attach to a planning consent.

I think it is material that from an institution's perspective, we received a range of opinions, but many institutions said they would have no difficulty keeping PRS developments in rental tenure for 10, 20 or even 30 years. That I think is the security that a council needs to have if it is going to waive 106 affordable housing requirements in relation to a particular development, and I think it provides tenants with a long-term perspective of occupation.

Q124 Andy Sawford: That pre-empts my question, which I guess you knew, which is whether you could see any difficulty with tying up—you have called it “locking in”—property for, say, 20 years. It is a problem further down the line, for example, if the rental market changes, could you have significant parts of estates lying empty for periods of time because of the rental market? It could be localised around demand for rental property in an area, or it could be a more general issue around the condition of the economy, house prices and so on. You said no, but I am surprised by your confidence in that.

Sir Adrian Montague: From the perspective of an owning institution, I think you want as little disruption to the rent-roll as you can achieve. Tenants who stay for year after year after year and pay a decent market rate are exactly what an institutional owner would want, because voids—the need to replace tenants—disrupt the flow of income. From an institution's perspective, the longer a tenant stays, the happier he is. Most of the large insurance companies we spoke to were at pains to emphasise that it is the stability of the rent-roll that will be an attractive feature to them in this sort of project; it gives more prospect.

From the tenant's perspective, if you go to the United States, the professional lessors of these apartment blocks will give you variable lease terms—certainly six months, certainly 12 months, and often longer. We did consider whether there was any attraction or merit in mandating a longer term for a PRS development. In the end, I think the institutions persuaded us that it was probably an unnecessary elaboration, because they have a very clear interest in maintaining a tenant as long as he wishes to stay there, providing he pays his rent and observes his covenants. There is a de facto longer term security of tenure. Does that answer the question?

Andy Sawford: Yes.

Sir Adrian Montague: It is a fairly grudging yes, but I will take it.

Andy Sawford: It answers the question of how you see it.

Q125 Heather Wheeler: Although you are not particularly using the term “kitemark”, I am really interested in your idea that there almost ought to be a higher standard, so the punter knows what they are going to get, and in effect they are therefore realising that it is an institution that has paid for that. How are you going to enforce those standards? Does the Government get involved?

Sir Adrian Montague: We had a really long debate about this, because there were both proponents and opponents of the kitemark. I think that the proponents, in the way you suggested, saw this as a sort of benchmark of quality for the new private rented sector developments. I think in this country we have always tended to regard, in a sort of popular way, renting as a short-term option. Many young professionals rent on their way to owner occupation. Some middle-income families rent for a longer period of time. However, the natural state has always been thought to be owner occupation, and I think that increasingly people are starting to question that. People are seeing benefits—flexibility benefits—in not being tied to an asset that perhaps does not automatically appreciate in the way we have been used to over the last 20 years. There are merits to renting, and I think that the proponents of this saw it as a way of establishing a sort of new class of rented accommodation.

Now, the antis were desperately down on yet another Government-administered piece of bureaucracy, as they would have seen it, and the difficulties of trying to reconcile, under Government leadership, all of these opinions. Many of the professional developers of housing, for owner occupation and for PRS, said, “Look, it’s our brand, which is what we sell on. We don’t need a kitemark. People understand the brand, and know where they can turn for that.” So we came to a satisfactory middle ground. You smile, but I think it is a satisfactory middle ground. We made the proposition that there needed to be a clearer definition of common standards. Encouragingly, people are moving that way; the trade associations, the professional institutions and some of the councils are moving that way. We may come on to the task force that I suggested. I see one of the functions of this task force being to stimulate that debate and draw together common practice. What is the expression—10 times better a volunteer than a pressed man? I cannot remember, but if we can get there through a voluntary association, a coming together of people who see the merit of really high standards, then that will be even more powerful than the bureaucracy surrounding the kitemark scheme.

Q126 Heather Wheeler: A couple of thoughts on that. Isn’t it still going to be bureaucratic? It just won’t be the Government doing it. So I am not terribly sure how you enforce it. The one that slightly gets me is that this is almost something going forward, but that is really unfair on other landlords who have perfectly good properties. They are just not going to be classed as that at all, are they?

Sir Adrian Montague: I think all of this lies in the definition of what the common standards will represent. They need not necessarily be limited to new build, because you may have had buildings put up in the last two or three years that meet all the proper standards, or buildings that have been refurbished from prior use that also do so. What I would encourage the task force to do is to look at this broadly. I used to be in the Treasury, and I conducted a similar exercise 15 years ago, when we were trying to coalesce the PFI industry around common contract terms and common standards. We found there was a great willingness to contribute to the findings and collective norms, because everyone realised that it guaranteed a quicker process and common standards. I hope that the task force will find the same thing in relation to this area as well.

Q127 Simon Danczuk: Your review talked of investors’ concerns about the shallow pool of management expertise. Could you say a little bit more about that, and what the concerns were?

Sir Adrian Montague: I think there are two areas in which an embryonic industry like this will need to develop more expertise over time. The first area is around planning authorities, and those concerned with the public sector side of these developments, because I do not think it is in the everyday business of planning authorities to engage in joint venture or sales discussions, and I think they need support in that area. That will be another function of this task force I envisage. The other area where a lot of work is needed is in raising the general standards of property management, and to try to reduce the costs as well.

Q128 Simon Danczuk: Of what, sorry?

Sir Adrian Montague: Property management. Those are the two particular areas where skills and experience need to be developed for this market to flourish.

Q129 Simon Danczuk: A supplementary question is around housing associations: do they have some of those skills that you are talking about?

Sir Adrian Montague: From their base in affordable housing, housing associations have started to move into market-rent developments, PRS by any other name. They have significant advantages. They will be core contributors to this sector as it grows. They have a very efficient funding model on the back of the investments that the Government has made in the past. They raise money very cheaply in capital markets. They are used to maintaining good relationships with their tenants, because that is really what a housing association is all about, and they have quite effective procedures for managing the assets. I think the housing associations will be absolutely at the heart of this initiative. They will be a necessary player, but not sufficient in their own right, because they cannot themselves develop enough new stock to fill the gap. There need to be new players in this market, but the housing associations will be a fundamental part of the process.

Q130 Simon Danczuk: Could the Government not have done more with housing associations to stimulate that aspect of housing associations' work?

Sir Adrian Montague: Housing associations are a broad church. There are some very large associations that are run in an extremely professional way. You may have heard from some of them; we certainly did during the review, and they are already making very effective steps towards developing market-rent propositions. Do not forget that there are lots of very small associations as well, which do not have a big development activity. Perhaps they did one or two developments in the past and have been sitting on those developments. One of the challenges for the sector as a whole is how to take advantage of all the value that housing associations created in the past, and use it as a platform for moving towards more market rent. You have to find some way of stimulating the activity in the associations that perhaps have not done very much over the years.

Q131 Chair: Do you see a role for housing associations, and maybe even councils, actually taking over the function of being management contractors, and taking over the management—not necessarily the development or even the ownership—of blocks, because of the expertise they have had in management?

Sir Adrian Montague: Again, it is a very varied pattern out there, because you have had council ALMOs over the past few years, some of whom have been very good in developing tenant propositions—really first class. Some of them have subcontracted the repairs and maintenance to the private sector, some of them have kept it in-house, and some who contracted it out are bringing it back in-house. I think that the authorities, again, are absolutely at the core of this new initiative, because it is their policies that drive the need for PRS. Perhaps in a place like London, where there is such a big market, PRS will develop a momentum of its own, but if you go out into the provincial centres, I think there needs to be a very strong partnership between the councils and the private sector. Some of the big councils in Birmingham and Manchester, for example, are becoming very active sponsors of new housing schemes with a PRS component, and that is all to the good. This is not just the province of the private sector; it really does need to be done in partnership between the two sectors.

Q132 Mark Pawsey: Can I ask you about making land available for introducing investment into the private rented sector? You said a few moments ago that the sector finds it difficult to compete for land versus owner occupiers, with the owner occupier always able to outbid. You have therefore suggested that there might be some sale of public land at less than full value to stimulate it. Is there not a broad principle that when the state, at whatever level, disposes of its assets, it gets a fair market price for them? Why do you want to bin or trash that in this instance?

Sir Adrian Montague: I think it is right to say I flirted with the idea, but there were red and amber lights flashing all over the place, so what I eventually said was that perhaps the Government would look at a controlled experiment. Can I give you an example? If you look at the basis on which the best-value rules operate, I think you are quite right to say that they narrowly focus on the cash or the financial value generally of a transaction. What they have not done generally is look at any economic value that flows from a particular proposition. I think there are probably generations of Treasury civil servants turning in their grave when I say this.

Chair: Carry on.

Sir Adrian Montague: It seems to me that there is at least the opportunity in a limited and controlled manner to consider whether the economic value that flows from a PRS development might form part of the planning authority's equation.

Q133 Mark Pawsey: But are there not all sorts of very, very good causes with a similar claim?

Sir Adrian Montague: You are flashing the same red lights to me as I was receiving during the review, but I am an unrepentant sinner in this regard.

Q134 Mark Pawsey: If it is worth a pilot and a trial, have any pilots started? How close is Government to getting a pilot under way?

Sir Adrian Montague: As I say, I have not been involved with the implementation of my report, but I think one of the intended objectives of the build-to-rent fund is to create and stimulate the pilots coming forward. I think that the HCA will be managing that process.

Q135 Mark Pawsey: On planning, you also said earlier that the waiving of the affordable housing requirements might stimulate institutional funding in the private rented sector. Many of us have seen the benefits of the mixed developments that have taken place. Is it worth putting on one side all of those benefits? Is the goal of getting institutional investment worth losing the benefits of mixed developments?

Sir Adrian Montague: Definitely not. Definitely not, but I do not think the two objectives are mutually exclusive. First of all, it is very difficult to produce a template of values, because land values differ and the affordable housing targets differ. The mix differs within affordable housing, so it is quite complicated to come up with a single rule of thumb. However, it is quite clear that you can run combinations of the mix and the proportion of housing under the affordable housing requirements in a way that helps PRS without detracting from either owner occupier or affordable housing.

Q136 Mark Pawsey: Of course the Government is already talking about relaxing affordable housing. Did they get their idea from you?

Sir Adrian Montague: No, I do not think so. I think that was entirely spontaneous.

Q137 James Morris: One of the central recommendations of your report was about creating a task force. Is this some kind of new quango that you are proposing?

Sir Adrian Montague: The provenance of these ideas is quite widespread from the review group, but I am afraid I have to hold my hand up to this one.

James Morris: It was your idea?

Sir Adrian Montague: It was my idea. What I think you find on the border between the public sector and the private sector are a lot of challenges for public sector bodies in transacting on commercial terms. It is an experience and confidence issue, largely. I mentioned my time in the Treasury earlier on, talking to Mrs Wheeler, and I ran something

called a PFI task force in the Treasury. This was in the days before PFI achieved the notoriety that it has recently acquired. This was in 1997, 1998, and the mandate was to stimulate the flow of PFI transactions to standardise them in order to improve the transaction times and deliver more predictable results, and to work very closely with public sector authorities to hold their hand through the process. In addition to trying to sponsor common standards for management, I think that a task force would have substantially that mandate.

Q138 James Morris: Because Government lacks capacity to do it in its current form?

Sir Adrian Montague: If you look at the skills you or I would expect a task force to have, I think it is institutional investment, development finance, land-use planning, property management, and the ability to broker deals. Now, I know that civil servants are renaissance men, but they do not necessarily have training in these areas.

Q139 James Morris: With respect to the other questions we have been asking, the remit of this task force seems to be focusing on stimulating institutional schemes, but should it not also be looking more broadly at the private rented sector?

Sir Adrian Montague: Yes, I think it should. It ought to do that as well. I do not think it is a quango, because it is intended to be a task force with a limited life of two years. It again comes back to the idea of trying to kick start the process.

Q140 James Morris: What does success look like after two years?

Sir Adrian Montague: Success would look like some common contractual framework that people would refer to as a benchmark for how to structure these transactions. You would see strong pilot projects coming through, where you would have institutional buyers lined up to take them, and you would see a flourishing resale market.

Q141 James Morris: It also seems to have as part of its remit “to promote a standardisation of the process—including a statement of expected standards—and of forms of contract”. Are you talking about transactions, or are you talking about standard forms of tenancy agreement?

Sir Adrian Montague: It might be tenancy agreements.

James Morris: So it might get down to that level of detail?

Sir Adrian Montague: Yes, because getting an initiative like this working is really a case of capturing the detail, and you have to become a master of process. You have to drive these things through very effectively; you need to be on top of the detail.

Q142 James Morris: But there is a vast difference between this being about stimulating transactions and then meddling—if that is the right word—in the minutiae of standard terms and conditions for tenants.

Sir Adrian Montague: No, I do not accept that.

Q143 James Morris: Is there no contradiction there?

Sir Adrian Montague: What tends to happen is that in the early days of a market no one has a sort of intuitive sense of what good looks like in relation to a transaction. You have all sorts of haggles between lawyers, and if you are able to standardise the process, and standardise the contract terms, you have a point of reference. You take the time out of it, you take the cost out of it, and you just make things move more quickly, but that requires some detailed engineering on the part of somebody like the task force.

Q144 Chair: Sir Adrian, thank you very much for coming this afternoon. I apologise; I understand that you were promised at the beginning that you would have the opportunity to make a short statement before we began, so to try to compensate for that, is there anything you would like to add to the evidence you have given so far? Are there any issues that we have not picked up on that you think it would be helpful for us to understand better?

Sir Adrian Montague: No, I do not think there is any need for me to deal with anything where there is any lack of understanding on the part of the Committee. I think you have given me a good run for my money this afternoon. Thank you very much indeed.

Chair: Thank you for coming this afternoon.