

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

### HOUSING AND PLANNING BILL

*First Sitting*

*Tuesday 10 November 2015*

*(Morning)*

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The Committee deliberated in private.  
Programme motion agreed to.  
Written evidence (Reporting to the House) motion agreed to.  
Motion to sit in private agreed to.  
Examination of witnesses.  
Adjourned till this day at Two o'clock.

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**Saturday 14 November 2015**

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY  
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IN GENERAL COMMITTEES

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**The Committee consisted of the following Members:**

*Chairs:* † MR JAMES GRAY, SIR ALAN MEALE

† Bacon, Mr Richard ( <i>South Norfolk</i> ) (Con)	† Kennedy, Seema ( <i>South Ribble</i> ) (Con)
† Blackman-Woods, Dr Roberta ( <i>City of Durham</i> ) (Lab)	† Lewis, Brandon ( <i>Minister for Housing and Planning</i> )
† Caulfield, Maria ( <i>Lewes</i> ) (Con)	† Morris, Grahame M. ( <i>Easington</i> ) (Lab)
† Dowd, Peter ( <i>Bootle</i> ) (Lab)	† Pearce, Teresa ( <i>Erith and Thamesmead</i> ) (Lab)
† Griffiths, Andrew ( <i>Burton</i> ) (Con)	† Pennycook, Matthew ( <i>Greenwich and Woolwich</i> ) (Lab)
† Hammond, Stephen ( <i>Wimbledon</i> ) (Con)	† Philp, Chris ( <i>Croydon South</i> ) (Con)
† Hayes, Helen ( <i>Dulwich and West Norwood</i> ) (Lab)	† Smith, Julian ( <i>Skipton and Ripon</i> ) (Con)
† Hollinrake, Kevin ( <i>Thirsk and Malton</i> ) (Con)	† Thomas, Mr Gareth ( <i>Harrow West</i> ) (Lab/Co-op)
† Jackson, Mr Stewart ( <i>Peterborough</i> ) (Con)	Glen McKee, Katy Stout, <i>Committee Clerks</i>
† Jones, Mr Marcus ( <i>Parliamentary Under-Secretary of State for Communities and Local Government</i> )	† <b>attended the Committee</b>

**Witnesses**

Richard Blakeway, Deputy Mayor for Housing, Land and Property, Greater London Authority

Mayor Sir Steve Bullock, London Councils' portfolio lead on Housing and Mayor of the London Borough of Lewisham, London Councils

Councillor Martin Tett, Leader of Buckinghamshire County Council and Vice-Chairman of the LGA Environment, Economy, Housing and Transport Board, Local Government Association

Councillor Phil Glanville, Cabinet Member for Housing, London Borough of Hackney Council

Councillor Philippa Roe, Leader, City of Westminster Council

David Orr, Chief Executive, National Housing Federation

Sinéad Butters, Chair, PlaceShapers

## Public Bill Committee

Tuesday 10 November 2015

(Morning)

[MR JAMES GRAY *in the Chair*]

### Housing and Planning Bill

9.25 am

*The Committee deliberated in private.*

9.29 am

*On resuming—*

**The Chair:** I welcome you all to the first Committee sitting of the Housing and Planning Bill. I hope to keep our discussions pleasant and civilised. There are a couple of little rules. We are not allowed to have coffees, or to drink or eat anything else, and if anyone's mobile phone goes off they will earn my strict displeasure, or a wiggle of my eyebrow at the very least.

Before we begin the more interesting part of the sitting, I ask Members who have interests to declare now to do so.

**Mr Richard Bacon** (South Norfolk) (Con): I am organising a seminar on 20 November called "How should Norfolk grow?" It has eight commercial sponsors: Barclays bank, the New Anglia local enterprise partnership, the local train franchise, Anglian Water, Saffron Housing, Norwich International airport, Swallowtail Print and the Maids Head hotel.

**The Minister for Housing and Planning (Brandon Lewis):** May I draw attention to my entry in the Register of Members' Financial Interests?

**Mr Stewart Jackson** (Peterborough) (Con): May I also draw the Committee's attention to my entry in the Register of Members' Financial Interests?

**Chris Philp** (Croydon South) (Con): May I likewise draw the Committee's attention to my declarations in the Register of Members' Financial Interests?

**Julian Smith** (Skipton and Ripon) (Con): Likewise, I draw Members' attention to my entry in the Register of Members' Financial Interests.

**Seema Kennedy** (South Ribble) (Con): I draw Members' attention to my declaration in the Register of Members' Financial Interests.

**Helen Hayes** (Dulwich and West Norwood) (Lab): Chairman, I would like the Committee to note that I am a councillor in the London Borough of Southwark and that I employ a councillor in my parliamentary team.

**Peter Dowd** (Bootle) (Lab): I also declare that I am a member of my local authority.

**The Chair:** A large number of interests. I wish I had some.

**Kevin Hollinrake** (Thirsk and Malton) (Con): May I draw Members' attention to my entry in the Register of Members' Financial Interests?

**The Chair:** All duly noted. Thank you very much indeed.

Before we move to the discussion, I need to deal with a few formalities. I first call the Minister to move the programme motion.

*Ordered,*

That—

(1) the Committee shall (in addition to its first meeting at 9.25 am on Tuesday 10 November) meet— (a) at 2.00 pm on Tuesday 10 November;

(b) at 9.25 am on Tuesday 17 November;

(c) at 11.30 am and 2.00 pm on Thursday 19 November;

(d) at 9.25 am and 2.00 pm on Tuesday 24 November;

(e) at 11.30 am and 2.00 pm on Thursday 26 November;

(f) at 9.25 am and 2.00 pm on Tuesday 1 December;

(g) at 11.30 am and 2.00 pm on Thursday 3 December;

(h) at 9.25 am and 2.00 pm on Tuesday 8 December;

(i) at 11.30 am and 2.00 pm on Thursday 10 December;

(2) the Committee shall hear oral evidence in accordance with the following Table:

<i>Date</i>	<i>Time</i>	<i>Witness</i>
Tuesday 10 November	Until no later than 10.00 am	Greater London Authority
Tuesday 10 November	Until no later than 10.45 am	Local Government Association; London Councils
Tuesday 10 November	Until no later than 11.25 am	National Housing Federation; PlaceShapers
Tuesday 10 November	Until no later than 2.45 pm	British Property Federation; Federation of Master Builders; Home Builders Federation
Tuesday 10 November	Until no later than 3.15 pm	Shelter; Crisis
Tuesday 10 November	Until no later than 4.15 pm	Peaks and Plains Housing Trust; Hastoe Group; Riverside; L&Q
Tuesday 10 November	Until no later than 5.00 pm	National Landlords Association; Residential Landlords Association; Association of Residential Letting Agents
Tuesday 17 November	Until no later than 10.15 am	Chartered Institute of Housing; Planning Officers Society; Royal Town Planning Institute; Town and Country Planning Association
Tuesday 17 November	Until no later than 10.45 am	Campaign to Protect Rural England



**Richard Blakeway:** The GLA welcomes the introduction of starter homes and the Government's focus on promoting home ownership. A number of things relating to starter homes will be in the regulations. For us to undertake a full assessment of the impact, we will have to see the regulations first. The first important point to make is that starter homes are not a substitute for all affordable housing. They are another affordable housing product. While there will be a quota that has to be delivered on site, we would still expect the London plan policy, which seeks to maximise affordable housing and therefore other affordable housing products, to apply once the quota has been sought.

The second important point is that we already have quite a well-established intermediate market in the capital. In particular, we have a significant number of shared ownership properties coming forward. Since this Mayor was elected, we have helped 52,000 Londoners purchase through intermediate products, predominately shared ownership, and we have a target to help a quarter of a million Londoners over the next decade. It is really important that starter homes complement existing products such as that, rather than substitute for them. The two have to work alongside each other, not least, because they will probably target people with different incomes.

**Q5 Helen Hayes:** As you know, the cap price for starter homes in London is £450,000. Could you say a little about for whom you think a starter home at £450,000 in London will be affordable? Are you content that the cap is appropriate?

**Richard Blakeway:** Clearly, starter homes will have to be valued in the normal way. There should not be any suggestion that this will inflate prices in any sense. We would expect a range of homes to be delivered at a range of prices. We strongly support the comments that the Prime Minister made when he said that he hoped that in London he would see a number of starter homes come forward in the £150,000 to £200,000 price bracket. It is also important to recognise what happens in the open market at the moment. Typically, according to Council of Mortgage Lenders data, we are seeing first-time buyers purchase at about the £280,000 or £290,000 price mark. That is typically what happens in the open market at the moment. From our perspective, it is very important that a range of starter homes are delivered at different prices. It is also important that there is still space for the equivalent number of other intermediate products—particularly shared ownership—to be delivered on schemes.

**Q6 Helen Hayes:** Finally, are you concerned that starter home development will be free from the community infrastructure levy and section 106 contributions?

**Richard Blakeway:** As we understand it, so-called exemption sites are free from the community infrastructure levy. Our expectation, however—our strategic land assessment has done a tremendous amount of work to identify brownfield opportunities—is that there are probably not many exemption sites in London where that would apply. Where it applies otherwise—clearly, starter homes should apply to all significant sites—affordable housing is already exempt from CIL, and it is just another affordable housing product.

**Q7 Matthew Pennycook (Greenwich and Woolwich) (Lab):** May I press you on the impact of the starter homes clauses on more innovative models of affordable

and intermediate housing? I am thinking, for example, of Pocket housing, which the Mayor has been very supportive of, and where eligibility is secured in perpetuity through a section 106 agreement. Do you think those clauses will have an impact on those types of models and their ability to expand across the capital?

**Richard Blakeway:** I emphasise the point again that starter homes are not a substitute for affordable housing and are not intended to be a substitute for all intermediate products. We would like to see both working alongside each other, and we would like to see products such as Pocket. The GLA is delivering a long-term investment partnership. I am sure Pocket would say that many of the people it helps to house are within the general expectation for starter homes—they are below the age of 40, for example, and within the price bracket to which the house-price cap applies. It is very important that starter homes work in London. They are a really important addition to help people achieve their aspiration to own a home, but they have to work alongside other intermediate products.

**Q8 Matthew Pennycook:** As the Bill stands, have you been assured that they are an addition and will not simply squeeze out other affordable housing in the capital?

**Richard Blakeway:** A number of the key points will be articulated in the regulations. What is on the face of the Bill at the moment means that starter homes can certainly work alongside other intermediate products in the capital. The key bit will be what is in the regulations. One of the key issues is the quota of starter homes that will be required, which will be articulated in the regulations. There has been speculation that it will be 20%, but we are waiting to see the regulations. It is important that they work alongside each other. Just to pick up on your point, we have a number of intermediate products where the investment is locked in in perpetuity, and we would like to see that continue.

**Q9 Mr Bacon:** Mr Blakeway, what possibilities are there for the provision of service plots within the GLA area for people who wish to build their own home, either individually or in what the Self-build and Custom Housebuilding Act 2015 calls “associations of individuals”, who come together to build their own houses?

**Richard Blakeway:** We think there is a real role for both custom build and self-build. On the identification of plots, we are working closely with local authorities to compile a list of potential sites. In addition, the GLA is acting as one of the Department for Communities and Local Government's vanguards and establishing a register of people with an interest. We are seeing a phenomenal rate of interest in London: more than 600 people have signed the register in the past three months. People often look at London and say that custom build and self-build cannot work in the capital, but we do not believe that is the case. We think it has a role to play in the capital—particularly in outer London. We also think that custom build, in particular, has a role to play among conventional house builders and housing associations. There is absolutely no reason why you cannot reserve a proportion of plots for custom build on a large regeneration scheme or development site.

**Q10 Mr Bacon:** You mean that a housing association itself could offer self-build and custom build to its clients?

**Richard Blakeway:** Certainly custom build, yes.

**Q11 Mr Bacon:** In relation to large cities, Berlin has more than 3,000 dwellings that have been developed very recently using self-build and custom house building. Are you saying that in large urban areas such as London it is not a problem to do it in the way that some people are suggesting?

**Richard Blakeway:** It is more challenging because we have a very heated land market and development opportunities tend to be more complex, but it should not be dismissed. We think it has a particular role to play, for example in outer London where the kind of density that might be built through custom build and self-build is appropriate to the local vernacular.

**Q12 Dr Roberta Blackman-Woods (City of Durham) (Lab):** Are you certain that the sale of high-value council housing will yield enough resource to fund the right-to-buy scheme? Do you think it will guarantee that enough houses are built?

**Richard Blakeway:** Certainly within London, our analysis—and we have had some support from Savills on this—suggests that there are sufficient capital returns and receipts from the sale of high-value council houses in the capital to cover the cost of discounts in the capital and the cost of re-provision, as well as other things such as debt financing and so on. The straightforward answer is yes, within London.

**Q13 Dr Blackman-Woods:** The Bill does not require social housing to be built in the same place that houses were sold off through the right-to-buy scheme, so how can we guarantee that enough of those houses will be built in London?

**Richard Blakeway:** The Government have very clearly set out their ambition that there is at least a one for one replacement of those homes, so you will get one extra home each time. That is a very clear statement by Government and is something that our modelling shows can be achieved within London. In addition, we would like to see it go further. We would like to see a two for one replacement in London, so that you get even more affordable house building as a result. I note the point that you make about where those homes are built and whether they can be built within borough. Given that the re-provision of council homes should, in the first instance, be undertaken by the local authority in our view, we would expect that it would look to achieve that within borough, but I think realistically, constraints around both finance and land will mean that not all homes are re-provided within the existing borough. The important thing from our perspective, given that we have one housing market within London, is that they are re-provided within the capital.

**Q14 Dr Blackman-Woods:** Nevertheless there is not a requirement to do that. Would it be more helpful if there was a requirement that the houses are replaced in the same area that they are sold from?

**Richard Blakeway:** There are a number of statements relating to re-provision which are very clear about that being done within the local area. We have an established role for the Greater London Authority as well as the London Government more widely around housing

provision. The Localism Act gave the Mayor of London the same functions as the Homes and Communities Agency. We would expect the re-provision to be done within the capital. Government have been very clear that that is their intention and their aspiration. The issue is whether we are doing one for one replacement or whether we are seeking to exceed that, and we would like to see two for one replacement.

**Q15 Seema Kennedy:** In relation to clauses 22 to 31 on rogue landlords, do you think the provisions in the Bill will raise the standard of property available in the rental sector in London?

**Richard Blakeway:** We very warmly welcome Government's measures on tackling rogue—often criminal—landlords, not just the measures in the Bill but more widely. We very strongly welcome that. One of the key changes which we would like to see is for us to have access to the data which will be collected around bad landlords. One of those clauses pertains to that. We would like the GLA to have access to that because it would enable us to build on existing programmes which are seeking to improve the quality of the rented sector in the capital, not least the London rental standard. We have something like 140,000 private rented properties already managed under that standard and the higher expectations which that demands. So we think it will make a significant impact, we welcome the changes, but we would like access to the bad landlord database.

**Q16 Kevin Hollinrake:** Mr Blakeway, one of the biggest challenges in providing more housing is delays in the planning system. There are a number of measures in the Bill, such as insisting on local plans by 2017, simplifying overall plans and more timely decisions in planning in principle. How do you think these will work out in terms of expediting the planning system?

**Richard Blakeway:** We welcome all the measures that are being introduced by the Government to try to accelerate or expedite the planning processes. As you know, since the GLA's inception, we have had a long-established strategic planning role and in particular we are keen to build upon clause 101, which gives the Mayor greater authority to exercise those strategic planning powers. In addition, we would like to be able to play a role around permission in principle and issuing development orders, as well as the register of brownfield sites and our ability to co-ordinate that. As a basic principle, we would like to see the Mayor of London exercise the kind of functions that the Secretary of State envisages exercising in the rest of the country.

**Q17 Mr Jackson:** Obviously there is a predisposition in the Bill towards support for residential accommodation and housing in London and across the country. What impact do you think that might have, specifically in London, on commercial and business premises?

**Richard Blakeway:** I think that some of the issues in relation to the conversion of office to residential are actually outside the Bill. None the less, we very much welcome the Government's agreement that there will be an exemption until May 2019 for some of the existing areas that we have sought exemptions for, such as the CAZ—the central activities zone—the royal docks enterprise zone, tech city, and the northern part of the

Isle of Dogs. We really welcome the Government's move on that. Clearly, the article 4 measure allows those areas to formulate an application to extend the exemption beyond 2019 and there is obviously a window to do that.

**Q18 Brandon Lewis:** May I take you back to the conversation a few minutes ago about starter homes? Are you able to give us an idea, even if it is a ballpark figure, of the average price paid by a first-time buyer for a home in London?

**Richard Blakeway:** A ballpark price would be about £290,000. I think that is based on CML data.

**Q19 Brandon Lewis:** So that is somewhere below the cap for starter homes?

**Richard Blakeway:** Correct.

**Q20 Brandon Lewis:** So at what sort of level would you like or do you expect starter homes to be provided for in London?

**Richard Blakeway:** A similar level. That is why I do not see the cap as an issue. It is striking, for example, that the purchase price with shared ownership is broadly the same price as first-time buyers pay on the open market; again, it is about £290,000. It is logical, therefore, to expect starter homes to be in a similar price bracket.

**Q21 Brandon Lewis:** From the work you have done looking at this and the opportunities for London in the starter homes brand, do you see that as an opportunity to get an overall increase in the housing supply in London—to push that supply up?

**Richard Blakeway:** Yes. We see a real role for starter homes within the capital. As I have set out and as you know from our conversations, we expect that to happen alongside other products, such as shared ownership, which can play a different but similar role to promote low cost of ownership in London. We think there is a real opportunity to increase not just the volume, but the proportion of low cost of ownership opportunities in London with a suite of products, including starter homes and shared ownership. What we would like to see is a role for the Mayor of London to co-ordinate that being reflected in the Bill—a change to the Bill to enable that.

**Q22 Dr Blackman-Woods:** How can you be so confident? Have you carried out work on this to know that other affordable housing products will also be delivered alongside starter homes?

**Richard Blakeway:** I think I have expressed some caution to the extent of saying that some of the issues in relation to starter homes will be set out in the regulations, and that to undertake a full assessment we need to see the regulations. One critical thing is what percentage of starter homes are required on each site—that is a critical issue that will be set out in the regulations. What we have said very clearly, however, is that the quota of starter homes will be applied, but then we would expect that the London plan policy, which seeks to maximise affordable housing, will also be applied afterwards. So the two tests are still applied to schemes.

**Q23 Brandon Lewis:** Just to finish off my query on starter homes, bearing in mind your comments a few minutes ago about planning permission in principle on brownfield land and the London Land Commission—I should declare that I am joint chair—do you see a role for the work that the London Land Commission is doing in identifying land, working with that brownfield register and planning in principle in being able to deliver homes such as starter homes?

**Richard Blakeway:** Yes, and that is why I think some of the changes that we are suggesting to strengthen the strategic role that already exists for the Mayor of London are important so that we can co-ordinate each of those elements. As you say, each of them are connected and interrelated. So the changes to allow us to strengthen the Land Commission and have that duty of co-operation, the changes so that we can issue development orders in relation to planning in principle—PIPs—and the changes to allow us to co-ordinate and ensure that boroughs are in conformity with the brownfield register are all really important, and it is important that the GLA and the Mayor play a strong role.

**Q24 Brandon Lewis:** Okay, I have two other areas that I want to touch on. I know my colleague wants to jump in as well. The current Mayor and your office have had some fairly ambitious targets around housing provision for London and have achieved some really good numbers. I know you have big ambitions going forward—on Second Reading we heard my hon. Friend the Member for Kingston and Surbiton (James Berry) outline some of his ambitions, which involved having more extra homes built in London for every home sold, which is the point you were making. With the brownfield registers, planning permission in principle, the compulsory purchase order changes, the section 106 changes and so on that are outlined in the Housing Bill, and the work that the London Land Commission is doing, what do you think that means for affordable housing provision in London and for the work of your office?

**Richard Blakeway:** I think it strengthens our ability to drive house building within the capital, and it helps us to achieve our target of seeing 49,000 homes completed each year—a level that has not been seen since the 1930s. Clearly, it gives a stronger role to the Mayor to build upon his existing strategic planning powers. It also enables new roles in relation to co-ordinating affordable products in the capital, particularly around low cost of ownership, and enabling surplus land to come forward and identifying brownfield opportunities. So I think the combination of those measures will help us to achieve our goal to double house building.

**Q25 The Parliamentary Under-Secretary of State for Communities and Local Government (Mr Marcus Jones):** Good morning, Mr Blakeway. Much of the Bill is rightly predicated on supply, but using the existing stock we have to support people into housing is also extremely important. How do you think the Bill will support landlords in recovering properties that have been abandoned?

**Richard Blakeway:** It is clearly useful that the Bill seeks to enable landlords to do that. We need to undertake a full analysis of how it would work in the capital, but we think it is a useful measure that has been introduced.

**The Chair:** In the two minutes left to us, Teresa Pearce.

**Teresa Pearce** (Erith and Thamesmead) (Lab): Given what is in the Bill about starter homes, do you think the Mayor's housing zone bids that have already been successful will need to be revisited? Secondly, where housing associations are undertaking the build—their tenants now have the right to buy—because of the quality that needs to be in a housing zone bid, some of those properties will cost more to build than the market value. Is it your understanding that they will be recompensed the full cost or just the difference between market value and the sale price?

**Richard Blakeway:** Taking your first point about the relationship between starter homes and housing zones, once starter homes are introduced formally they will be incorporated within housing zones—

**Q26 Teresa Pearce:** Will they be revisited?

**Richard Blakeway:** Well, there is no reason why that would undermine the ability of the housing zones to deliver. It is also important to set out that a number of housing zones already have schemes that have planning permission and will therefore just continue. On your second point in relation to the value of the stock and replacement value, that needs to be looked at, but there should not be that many instances in London where that is the case.

**The Chair:** Mr Blakeway, may I thank you very much on behalf of the Committee for coming to give evidence? It is very useful indeed. We will now move on to the next witnesses.

#### Examination of Witnesses

*Mayor Sir Steve Bullock, Councillor Martin Tett, Councillor Phil Glanville and Councillor Philippa Roe gave evidence.*

10 am

**The Chair:** First of all, welcome to all our witnesses. Thank you very much for coming to give evidence to the Committee. For the record, please would witnesses introduce themselves to us?

**Sir Steve Bullock:** I am the Mayor of Lewisham, and I am the executive lead for London Councils on housing.

**Martin Tett:** I am leader of Buckinghamshire County Council, but I am here in the capacity of a representative of the Local Government Association, where I am vice-chair of the housing board.

**Philippa Roe:** I am the leader of Westminster City Council.

**Phil Glanville:** I am a cabinet member for housing in Hackney.

**Q27 Dr Blackman-Woods:** We have just heard evidence from the Deputy Mayor with responsibility for housing. He was fairly confident that, in addition to starter homes being delivered, other forms of affordable housing would be guaranteed. Perhaps we could have your views on this. Do you agree with him?

**Philippa Roe:** I do agree with him, but it is about giving us the flexibilities to be able to deliver those homes. I certainly believe that within London we can

provide significantly more housing than has been provided to date. The sites are there. From the local authority perspective, our hands are somewhat tied in what we can deliver; there are a number of reasons for that. First, there is the funding side of it and how we can use the money. We have the housing revenue account, but the amount we can borrow against it is capped at a relatively low level. We could lift that cap quite sensibly and still borrow prudentially, and use that money to build. We are limited on where we can spend that HRA headroom, as well as section 106 or community infrastructure levy monies. I will come on to talk about the issues we face in Westminster which are driving this, but we in Westminster would like to be able to team up with other boroughs outside Westminster but within London to deliver our housing need. Also, I think we ought to be able to put into that pot money from high-value council house sales and from right to buy. It should be voluntary.

There are several reasons why we in Westminster have a real issue with housing, although they are true of central London and across the parties. It stems from the fact that there is enormous demand—people want to come and live in central London—and the way that the regulations work on taking on a duty to house means that your local connection does not have to be that deep. About 40%—39%, to be precise—of the people we take on a duty to house each year have less than a year's connection to Westminster, and many of them have no connection at all because they have come from abroad and we are the first authority they register with. They do not necessarily have a particular need to live in Westminster, because they are probably not working in central London. There is no particular need for them to live in Westminster. What they need is good-quality housing.

Combine that with Westminster's existing density of all its building, not just housing, and the high value of those units, and we are put in a position where it is just about impossible to house that huge demand within the boundaries of Westminster. We therefore need to be quite selective to support people with a genuine long-term connection to Westminster; we also prioritise people with work needs or who perhaps need to stay in Westminster because they have connections with health support services or whatever here.

I think that I am speaking on behalf of London Councils when I say that we believe that there is a mechanism which would free up local authorities to team up together. Perhaps several central London boroughs with money could team up with one or two outer London boroughs with land, in order to produce not just housing but proper regeneration. One of the issues we face in this debate is that we talk about housing in a silo. Actually you cannot do that if you are to create a proper community. You have to talk about proper regeneration of an area.

If we could pool those funds—perhaps even get some GLA money as well and work with a private sector developer—we could create mixed communities with the market housing, intermediate housing and social housing that we need, alongside a GP surgery, a school and hopefully, although it would be much more expensive, transport infrastructure that we could work with the GLA to put in place. That way we would be creating communities, not just homes. In return for that, it is

important that the funding boroughs have some nomination rights, but it would all be voluntary and by negotiation with the receiving boroughs. Everybody would be happy; it would not be foisted upon a borough.

**Martin Tett:** Just to add to that, the LGA very much recognises the Government's aspiration to build a substantial number of new houses every year. Probably, 230,000 houses is the minimum we need to build in order to accommodate the rapidly growing population. We are very keen to work with the Government in order to make that happen; we think that local councils can be part of the solution to this problem, rather than part of the problem itself. We are very keen to have those negotiations with the Government.

On increasing the supply of affordable housing, clearly there is a change in the definition of affordable housing, which is obviously material. The other concern we have is about infrastructure. I completely agree with Philippa's point that it is not just about putting up houses. It is about securing the infrastructure alongside them that makes houses into communities. We obviously need to make sure that the exemption from section 106 for starter homes, for example, does not result in additional congestion, additional pressure on school places, addition pressure on doctors' surgeries—all the sorts of things that lead local communities to resist house building in their area.

My last point is that there is still some detail to be worked through as to how the financial process will work for the funding of some of the processes, particularly for the discounts involved. We need to make sure that houses sold, for example, from the registered social landlord sector are replaced on a one-for-one basis in the same area. Obviously, a replacement in a different part of the country by the same RSL will not meet the housing need in the area where the original house was.

**Sir Steve Bullock:** I will not repeat what Philippa has said—

**The Chair:** You do not all have to answer every question.

**Sir Steve Bullock:** —but she is right about the need for the boroughs to work together. That is something that we are very keen to do. To get to the heart of your point, I have to say that I am less confident than the deputy mayor about the impact of starter homes. We welcome them as another way of getting people onto the housing ladder in London, but we have two anxieties. One is that they might drive out other forms of affordable home ownership, rather than being additional. Secondly, they are time limited, by definition. One thing that I suspect we may come back to is the mix of units that we need to deliver in order to meet the housing needs that we have as individual boroughs.

**Phil Glanville:** I am a bit more pessimistic than some of my colleagues. I think we are going to squeeze out social housing and truly affordable housing in the planning system. We are already seeing a lot of challenges across London in terms of viability in planning schemes. Where we would have seen developments come forward with 30% or 40% affordable housing, it is falling to 10% or 20%. It is not an alternative to shared ownership as a truly affordable, low-cost housing option. Of people in Hackney that are registered on the Share to Buy website, nearly 3,000 of those that have registered for an affordable

housing purchase product earn less than £40,000. If we are talking about an accessible product, a product that has a cap of £450,000 in inner London is simply not affordable. That would bring the cost down to around £420,000. That is not accessible for those who aspire to home ownership but are earning less than £40,000. If we want to have a creative, vibrant inner London, where people of different communities can afford to live and buy—we aspire to let people buy—then we need a range of products. Starter homes are not a replacement for shared ownership.

**Q28 Seema Kennedy:** Councillor Tett, what is the LGA's view on the Bill's provisions on brownfield sites? Will the power for local authorities to compile registers of brownfield land help to protect the green belt, particularly in places such as Buckinghamshire? I know that your view is of the whole LGA.

**Martin Tett:** Yes, I have to be very clear that I am representing all of the LGA here, not my particular area. We are very supportive of the idea of building on brownfield first, rather than going into open countryside or particularly into the green belt; we support the Government's policy on that. The issue we have is the actual process for identifying brownfield sites. We need to be very clear about what they are and how they are defined, as well as the additional burden placed upon local authorities to compile and maintain those registers in, frankly, very financially stretched times, when, particularly in planning departments, it is quite difficult to attract and retain experienced staff. We need to ensure that, if this becomes an additional burden for local authorities, it is fully funded by the Government. As a concept it is a very good idea; we just have concerns about the financial implications and the practicality of it.

**Q29 Seema Kennedy:** So as a concept you think it is a good idea. Do you also think that it helps communities to have ownership of these things, because there will be something very visible for them to see and feed into?

**Martin Tett:** I think you have asked a slightly different question. Brownfield sites—previously developed sites—are normally more acceptable to local communities. In terms of the development hierarchy, it is nearly always the area that local communities would support first, rather than going into greenfield or green belt sites.

As for local communities, that is a different issue to do with the infrastructure surrounding them and that is where people look. I go back to my previous observation about ensuring, for example, that any development does not lead to undue pressure in terms of road congestion, pressure at junctions, doctors' surgeries and so on. That is a separate issue that goes back to section 106 and CIL obligations, which most local authorities look to housing developers to provide.

**Q30 Helen Hayes:** From your understanding from your respective boroughs and work undertaken across the LGA, do you believe the sale of higher-value council homes can cover the costs of both the right-to-buy scheme and the levels of replacement of both the housing association homes lost to the rental sector and the loss of those council homes? Is that a realistic scenario?

**Sir Steve Bullock:** The difficulty in giving you a definitive answer to that is that it depends on how you implement the scheme. The definition of high value will

be crucial to this. The initial work done on this, certainly from the London perspective, does indicate that there would be an outflow of funds from London to the rest of the country, which we are deeply concerned about. We are clear that we would need to know more before we could give you a hard and fast answer on this.

**Philippa Roe:** I completely agree with what Steve has said, and I would certainly endorse what Rick Blakeway said about trying to keep as much money as possible within London, where the greatest housing crisis is, so it seems sensible to keep the money there.

One thing that has been mooted that, instead of the money being put in a pot for literally every high-value council house sold, the boroughs should be given a fund—a sum of money that they have to find, however—which is then supposed to be driven by the council house sales. One concern we have in Westminster about that is that obviously we have some very high-value properties, but our churn rate is very low. Up until very recently we gave tenancies for life and they could even be inherited. Having a sub-market-value rental property in central London is an extremely valuable asset. People do not give them up easily, so our churn rate is incredibly low. I would call for recognition of that if any targets are set, particularly for central London boroughs. I do not think ours is the only one to face that issue.

**Martin Tett:** Taking a wider perspective than just London, one of the ambiguities I mentioned earlier, as my colleagues have said, is about the definition of high value. How would you define that in different parts of the country? High value in London may be different from high value in Buckinghamshire, which may be different from high value in Doncaster or Teesside. There is ambiguity at the moment on that. In addition, what is the definition of a vacant property? If you have a tenancy exchange, is that property vacant or an occupied property in transition?

So we need to work through some of those ambiguities and negotiate with the Government. The other issue we have is how the model actually works. How do you predict for a particular year how much money is required for the RSL discount, which means you know effectively how much you have to charge to local authorities as a levy? That in turn dictates how much they have to sell. We are not clear yet on the details of how that will operate. Again, we are happy to negotiate that with the Government.

**Phil Glanville:** We need to see some clear exemptions around the value of new properties that are being built. Councils such as Hackney and Islington, Camden and Southwark have ambitions to build new affordable housing on their own land in London in order to meet that housing need. If that is taken into account when they become void, building any new home in the centre of London is likely to see those homes included within any cap or formula. Although there could be flexibility on exempting them, if their value is still included in the formula, the effect is the same: you would have to sell more of your existing stock.

It is worth saying when we are talking about high-value properties in London that Hackney is still the 11th most deprived borough in the country and the wards on the City fringe are some of the most deprived in Hackney. On Rightmove today I saw properties there that are worth £450,000. That is for a two-bedroom flat in a block that was built in the 1930s and '40s; it is not a

street property in Kensington, Islington or Stoke Newington. That is the effect that the overheated London market is having on our council stock. These are still very humble family properties on council estates in London; that is not the definition of places where poorer people should not live, which is what I think was the genesis of the policy in the Policy Exchange report.

**Q31 Helen Hayes:** Given some of the uncertainties that you have all outlined, do you think too much is being left to regulations when it should be in the Bill?

**Phil Glanville:** Yes.

**Philippa Roe:** I would say no, because the Bill is going through now, this is complex, and if we tried to rush it through too quickly now there might be unintended consequences. I would like to see proper time given for the regulations to be introduced, picking up on those unintended consequences.

**Martin Tett:** I agree with Councillor Roe about unintended consequences. If you try to shoehorn everything into the Bill, there is a danger of locking in things on which you might need flexibility later. The LGA is keen to sit down with the Government, understand some of the intentions behind the Bill and try to work through the best solutions that lead to the best outcomes for not just the Government's policies but local councils and their housing responsibilities.

**Sir Steve Bullock:** Going forward, the Bill is interesting in the way it proposes to create that space. I suspect that that means that if we are going to be in an ongoing process of negotiation beyond the Bill becoming an Act, local and central Government need to step up their games to demonstrate how they will make that work and how we can have sufficient transparency to provide the reassurances that people will want.

**Mr Jackson:** I was rather remiss earlier for not declaring another interest that might not be in the Register of Members' Financial Interests: I am a vice-president of the LGA, so that is on the record. That brings me neatly to Councillor Tett.

**The Chair:** Mr Jackson, it is an unpaid post, is that correct?

**Q32 Mr Jackson:** Yes, regrettably.

If the Bill becomes law, the Secretary of State will acquire powers in respect of local development plans. With your LGA hat on, Mr Tett, why do you think a significant number of local planning authorities have still not adopted local development plans? Is there a systemic issue that is preventing them from doing as other local authorities have done?

**Martin Tett:** I can give a generic answer to that, but we would have to get down to some specifics as well. There is a complex answer to what sounds like a very simple question. In some cases I suspect that, quite frankly, local authorities have not risen to the challenge sufficiently. In some areas, though, I think they have made their best efforts but, during the process, have fallen foul of various requirements. The one that is cited to me a lot is evidencing the duty to co-operate to the satisfaction of the planning inspector.

There is a lot of frustration in some councils because they have been found to be inadequate and effectively have to restart the whole process. A lot of councils say to me, “Why can’t we go back to where we were found to be inadequate, rather than having to start again?” Councils in my area have failed their local plan on two occasions and are now well into their third, whereas had they been able to short-circuit that, they would probably now be well into adopting a plan. There is a variety of reasons throughout the country and it is a long-drawn-out process. In some cases, councils have not risen to the challenge; in other cases, the process itself is convoluted, complex and difficult.

**Q33 Mr Jackson:** Is that officer capacity or political leadership?

**Martin Tett:** It is both. There is a variety of answers to that. In some cases, if one is honest, there has probably been inadequate political leadership, but often local councils are really struggling with sufficient professional, experienced officer capacity. One thing we have all experienced across virtually every council in the country is that experienced, professional planning officers are very difficult to recruit and retain. They are being hoovered up—I use that expression quite often—by the private sector. As the building and civil engineering industries have recovered nationally, they have been able to pay substantially higher salaries than local councils. It is very difficult to recruit and retain the experience required for the successful implementation of a local plan.

**Q34 Mr Jackson:** May I ask the London representatives about the parts of the Bill that relate to rogue landlords, banning orders and so on? How do you see that working within the context of London boroughs?

**Martin Tett:** First, although we welcome the provisions in the Bill, we are not clear that they will necessarily go far enough to make the impact that we all feel is needed. For example, on the level of fines, in my borough we had a landlord who was making £319,000 a year. That is at the extreme end, with landlords who are close to being criminal. A fine of £5,000 would be a minor inconvenience to them. Secondly, we would welcome the proposed register, but it needs to be very accessible. The deputy Mayor has been talking about that. It may be something that individual or would-be tenants need to be able to access.

**Philippa Roe:** We similarly support the proposals. They sit alongside the tools which, as a council, we already use very effectively—for example, to do with environmental health—to pick up on landlords who are providing substandard properties. The proposals will be another tool in our armoury, which is good.

**Phil Glanville:** I would go along with what has been said: the proposals are positive. Sharing the tenancy deposit database with local authorities allows them to build up a better picture of landlords in a given area or neighbourhood. It is a question of where thresholds lie in terms of banning orders and the register, and where they will end up. Moving to a fine-based system rather than having to take things to a full prosecution is a positive step—though one questions whether the fines would be enough of a deterrent. In building more tools for our armoury the proposals are a positive step.

**Q35 Matthew Pennycook:** I would like to return to part 4. There is nothing on the face of the Bill that would ensure the proceeds from the sale of high-value council homes—or payments to the Secretary of State, in cases where local authorities do not want to make those sales—will be kept in the local area. Miss Roe, you told the Evening Standard in July that as a result of this policy:

“What we will see is a reduction in the number of social housing units in London and more units built outside.”

There are concerns in rural areas, too, that we will not see that link. Let me ask all the witnesses—what would you like to see, or what would need to be amended in the Bill, to give you certainty that the proceeds will be kept locally, to meet housing need in the area from which the proceeds have been taken?

**Philippa Roe:** First, I was misquoted in that article—that was not quite what I said, although it has been used and used.

As Richard Blakeway said, we understand that London is going to generate far and away the largest proceeds from this measure, given the value of our housing stock. The Government need to find a solution to funding right-to-buy sales outside London, and there is an acceptance that some of the proceeds will have to go outside London. However, there needs to be a mechanism within the regulations for keeping most of that money in London, because it is London that has the biggest housing crisis. It seems sensible to use that money to create housing where it is most needed, so I am hoping that we can find a balance.

**Q36 Matthew Pennycook:** You say there is an acceptance that some of the proceeds will leave the capital. Do you think, therefore, that the amendment tabled by the hon. Member for Richmond Park (Zac Goldsmith) to keep the proceeds within London is unrealistic?

**Philippa Roe:** I would like him to see it succeed. Whether the Government will accept that, given the financial pressures they will face with right-to-buy sales outside London, I do not know. It is worth trying, but I am not sure whether he will succeed.

**Q37 Mr Bacon:** Councillor Glanville, you said that you want to build, in your authority, affordable housing on land that you own. You emphasised the importance of exemptions. Are you promoting housing co-operatives as a way of delivering affordable housing? Perhaps the other witnesses could answer for their own authorities.

**Phil Glanville:** To answer that question, we have quite a few housing co-operatives within the borough already. They tend to be managing existing stock that they have been bequeathed through CPOs in the past and through the squatting movement in the ‘70s and ‘80s. As far as I am aware, they are not currently seeking to develop. We are focusing on working with housing association partners and our own new build programme that will deliver 3,000 homes over 10 years, 52% of which will be truly affordable. The rental properties there will be council rented homes on our land, making best use of our assets. We are bringing forward 18 sites. In fact, the borough is the largest house builder of any kind within Hackney, including building homes for sale, which is important as we are not against building homes for sale

or for low-cost home ownership; we just do not think that the Bill will help with that process in borough such as Hackney.

We are also doing regeneration with our partners. We are tripling the density of an estate called Woodberry Down in the north of the borough, where we are building 5,500 homes over the next 20 years. We have no lack of ambition to develop such homes within the borough. With some of the freedoms that Councillor Roe mentioned around the HRA, we could do a lot more.

**Q38 Mr Bacon:** To be clear, for the land that you own on which you plan to build affordable housing going forward, the council is not proposing that those be held as housing co-operatives.

**Phil Glanville:** No.

**Sir Steve Bullock:** We also do not expect some of our existing housing co-operatives from that historical period to play a significant part going forward, although we are doing other things. Harking back to an earlier question, we have literally just agreed on a scheme for self-build. However, there is an issue with a number of these alternative approaches that is simply about scale. To get the volume of units that we need, we are having to build in thousands, rather than tens and hundreds. However, we have a housing association that is owned by the tenants, which is now beginning to develop itself. We think that that is potentially a useful development going forward.

**Q39 Mr Bacon:** Could you clarify what you meant by “scale”?

**Sir Steve Bullock:** The housing co-ops tend to be very small. We are talking about building 15,000 additional units of housing in Lewisham over the next period. They would not be in a position to build anything like those kinds of numbers.

**Mr Bacon:** The existing housing co-operatives.

**Sir Steve Bullock:** Yes.

**Martin Tett:** I represent the LGA, rather than an individual borough, so it is probably better if I defer to Councillor Roe on this.

**Philippa Roe:** Similarly, we have big regeneration plans in Westminster. Everybody thinks that Westminster is extremely wealthy, but we actually have four of the poorest wards in the country with extreme deprivation in them. We have massive regeneration plans for those areas, but it will be us, the council, driving that regeneration programme. We will work with the housing associations that happen to have properties in those areas, but it will be mainly driven by the council, working with the private sector. Again, we will be building market housing to help fund the whole scheme, intermediate housing and social housing.

**Q40 Mr Bacon:** But not housing co-operatives.

**Philippa Roe:** We do not really have housing co-operatives in Westminster.

**Q41 Mr Bacon:** The reason why I mention housing co-operatives is because they are exempt from the right to buy.

**Philippa Roe:** They are.

**Q42 Mr Bacon:** Given that there is a lot of concern about right to buy, I am puzzled why authorities that wanted to protect affordable housing would not use the housing co-operative route as an obvious exemption. It is certainly obvious from international evidence that it can be done at scale using housing co-operatives.

**Philippa Roe:** It has crossed our minds as a route that one could look at.

**Mr Bacon:** You might want to look at Berlin.

**Phil Glanville:** Returning to what Mayor Bullock said about scale, it is the scalability of the housing co-ops that exist in London that makes it challenging. We are looking at working with, say, the almshouse movement to build new, affordable homes that are also exempt because people are beneficiaries rather than tenants. Where we can innovate on our land, we will do so, but the scale of the crisis in terms of the thousands of homes that we need to build makes it difficult to use the co-op movement as it is currently constituted.

**Q43 Kevin Hollinrake:** The National Audit Office recently produced a report saying that some local authorities had reduced their budgets for planning and their planning departments by up to 50%. The Bill contains a number of changes that should expedite the planning process. Will this mean that authorities are more likely to staff up their planning departments with the right number of competent people to be able to turn round applications?

**Philippa Roe:** The absolute key to having the right staffing within our planning departments is to be able to charge a fee that covers the cost of expediting the planning process. At the moment, we cannot charge anything like enough to cover that cost, so basically our council tax payer is subsidising the developers. We are very lucky in Westminster, because of where we are. We have a Westminster Property Association, which funds six planners, to whom its members have access. We can pay appropriate salaries to attract good people, but they are limited to the Westminster Property Association members. I think other local authorities struggle, as we struggle with the rest of our planning applications. As was mentioned earlier, our good people who have Westminster experience are very valuable in the private sector, and they are being hoovered up. We cannot keep them unless we can pay them the appropriate salaries. We really need planning fees to be raised.

**Martin Tett:** I completely support the Councillor Roe on this. There is an almost universal plea from local authorities, whatever their political complexion, that they be allowed to recoup the costs of planning with appropriate planning fees. That would do a great deal to help us to resource up. I also re-echo the point that some of the salaries that the private sector pays good, experienced planners are very high compared with what local government can pay. It is a real challenge.

**Q44 Kevin Hollinrake:** But would you accept that cutting a planning department's budget is a false economy?

**Martin Tett:** I want to echo one thing, to put it in context. Remember that lots of authorities, particularly municipal boroughs, have responsibilities that also include social care for children, safeguarding adults and so on, and almost universally those statutory responsibilities are growing as a proportion of total council budgets, so

councils are in a very difficult position. I understand your point, but we have to weigh that against some of the other responsibilities that councils have.

**Sir Steve Bullock:** I was going to say exactly the same thing. The funding stream that goes into the planning department comes out of the same pot as social care, libraries, youth services and so on.

**The Chair:** We are drifting slightly wide of the Bill itself.

**Q45 Brandon Lewis:** Councillor Glanville, to take you back to your earlier remarks, can you clarify something for me? I think you said that you have recently been able to negotiate down to—did you say 10% of affordable housing? You linked that to starter homes. Can you clarify exactly what you were saying?

**Phil Glanville:** I think that close to 10% of the Mount Pleasant sites on the border between Islington and Camden—the Royal Mail redevelopment—are affordable.

**Q46 Brandon Lewis:** How does that link to starter homes, which have not actually come in yet? I am struggling with why you were linking a scheme that you are negotiating at around 10% with a policy that has not actually come into force yet.

**Phil Glanville:** Well, the developers work to the viability principles that are set out by the GLA.

**Q47 Brandon Lewis:** I am trying to understand how that links to starter homes, which are not yet in force.

**Phil Glanville:** I think the starter homes will be seen as the first port of call when it comes to the delivery of affordable housing.

**Q48 Brandon Lewis:** Right. Just to clarify, the local authority's negotiation to 10% has nothing to do with the starter homes policy, because that policy is not in place yet.

**Phil Glanville:** No, but I fear for the future.

**Q49 Brandon Lewis:** You also said that you want to build on a lot of the land that you, as a local authority, own. How much land have you got and not built on yet?

**Phil Glanville:** I do not have that figure in front of me, Minister.

**Q50 Brandon Lewis:** Why have you not started building programmes on that land already?

**Phil Glanville:** We are building 3,000 homes on 18 sites, which is the largest development programme in inner London, and we are looking at a further 15 sites that we hope to develop on-site before 2018. We are making good use of our right-to-buy receipts, which we do not have to return to Government. We are doing all we can to develop new homes on our land within the housing revenue account cap. Once we have been through those sites and built that capacity, we will look at innovating, whether with almshouses, co-ops or housing associations. We are very ambitious about building new homes on our land. As I say, we have one of the largest development programmes in the capital.

**Q51 Brandon Lewis:** I have been to see things such as City Mills, which is a really good example of great regeneration work that is bringing back more density. You talked about the HRA cap. How big a cap do you need? What extra capacity do you need in your HRA?

**Phil Glanville:** We have £168 million, and we have had some recent extensions, which obviously I welcome, from DCLG. It is about having flexibility. Nobody wants to go out and borrow £200 million, £300 million or £400 million, but the way the deals are structured means that to get the best value for the council, you often front-load the development costs to get the best value out of the development. That means that you need more flexibility around the cap, so you can have negotiated periods in which you can exceed the cap for two or three years and then come back down below it. All these schemes would need prudential borrowing requirements and proper financial management—they would not be signed off by the relevant council officers if they did not. A process, even where we had to go to the Secretary of State for that kind of permission, would be useful. I do not think anyone wants to run up the national debt, but the point is to have the flexibility to ensure that the development we need gets off the ground.

**Q52 Brandon Lewis:** Are you using your un-ring-fenced reserves for this kind of work or just relying on the HRA?

**Phil Glanville:** We are looking at using the general fund to fund some of the private homes in those developments.

**Q53 Brandon Lewis:** So with your current programmes, you have had an increase in building of over 60% since 2010, which is really good. We want to see more homes, and it is particularly good to see that kind of increase in supply. I assume from your earlier comment, that you also support housing supply and home ownership. Bearing in mind we are rebuilding—the reality is that we dropped below 200,000 first-time buyers in 2009; the figure is back to double what it was then, but we want to see that go further, so that more people have the chance to own their own home—surely starter homes have an important part to play in that. I emphasise, as I think Rick Blakeway did earlier, that there is a difference between the price and cap. I appreciate we all want to see houses below that price, but surely creating affordable homes for first-time buyers is quite an important part of the mix?

**Phil Glanville:** They could be part of the mix. The challenge of meeting the aspiration for home ownership is whether starter homes are truly affordable in boroughs such as Hackney and inner London where incomes are around £40,000 and below. That can work in shared ownership at the moment within the borough. We are building 500 shared ownership ourselves, because we want to meet that aspiration for low-cost home ownership.

The challenge is where the affordability is. The reality is also that, whether shared ownership or other forms of low-cost ownership like Pocket, they are there in perpetuity, whereas with the starter home discount only the initial purchaser benefits from and is locked in for five years. That is also a challenge when we go back to the planning process and communities and social mix.

One of the things the planning process is there to do is to ensure that we have a mixed community and development—to have people like “them”, I suppose, in context. When people protest against new development, they often say, “My sons and daughters couldn’t purchase a home there.” The challenge is that, because starter homes come in before other forms of affordable housing, we will not see local people being able to afford to buy them. They will just be on the London market. The need is there, but I think we need to have another look at starter homes.

**Q54 Brandon Lewis:** So to an extent, you would agree with what Rick Blakeway said—that they are an important part of a mix. Do you want to see a mix?

**Phil Glanville:** I just want to see a truly affordable mix, yes.

**Q55 Brandon Lewis:** Councillor Tett, on a completely different topic and just taking the LGA—we have become very London-focused in the last half an hour.

**Martin Tett:** I hadn’t noticed.

**Q56 Brandon Lewis:** I appreciate you sit on a county council, having visited you a few times in Buckinghamshire. Looking at Part 6 of the Bill on neighbourhood planning, you have a number of areas in your county going through a neighbourhood plan process or which already have the plans. Some 1,600 or so are going through across the country. In terms of giving more flexibility, ease and speed to that process of creating the plans, do you think this could potentially play quite a big part in making sure that communities are more supportive of local development, where they feel they have that control? One of the challenges behind neighbourhood planning is that, like local plans, it is time-consuming. Do you think speeding up the process across local government and more importantly in the communities themselves will be welcomed?

**Martin Tett:** Are we supportive of neighbourhood planning? Absolutely. There is an enormous advantage in allowing local communities to shape the future of their own area, be they villages or towns; not just in terms of housing, but in terms of the style and architecture and where the facilities are based. We have seen significant engagement across the country where neighbourhood planning has been introduced.

One of the issues that arises is that sometimes neighbourhood planning runs ahead of the other local plan, for example, in district councils in rural areas. We have a number of examples where neighbourhood plans are in place but there is no local plan for the surrounding district, so they lack the overall planning context of how many houses the area will have. They may face the disappointment that, in the future, they have to effectively redo their plan because the housing numbers are significantly higher than were originally anticipated. Certainly in terms of community engagement, they have been successful. From the point of view of Buckinghamshire and from talking with other county leaders, I think neighbourhood plans have gained a lot of traction across the country.

**Q57 Brandon Lewis:** If we are able to get the neighbourhood plans simpler and a bit quicker to get through for communities, but with links to areas that

have a local plan, do you think that that proper, joined-up approach for community engagement and for ultimately delivering the housing we need would be welcomed by the local authorities?

**Martin Tett:** I am just trying to make sure that I fully understood your question. In terms of speeding up the delivery of local plans, we welcome anything that makes the local planning process simpler. We still believe that democratic accountability in local planning is important. That is what gets the local community buy-in to the ultimate adoption of local plans. Not in every case will the local community be fully supportive of a local plan, but if it is seen to be the local councillors they voted for who can explain to them why something has been done and why it is necessary, by and large you will get more acceptance than, for example, if there were, in extremis, a Government inspector appointed from Bristol who comes in and effectively writes the local plan for a community. We would like to ensure that local communities and local councillors effectively remain in the driving seats in developing local plans for their areas and that neighbourhood planning fits within the context of an overall local plan adopted by a council.

**The Chair:** Minister, can I be rude enough to say that with an eye on the clock, I want to hear from Roberta Blackman-Woods?

**Q58 Dr Blackman-Woods:** I was struck by your opening remarks, where you all talked about having infrastructure to support housing development and building housing in communities. I wonder whether you think the Bill should do more to address the need for infrastructure and what you think about the provisions that could exempt some starter home sites from paying CIL. Would you like to see that amended?

**Sir Steve Bullock:** One of the things that will be important is that the Bill does not get in the way—this will largely be around the exemptions—of some of the big and complex schemes that we are doing. Those are, in effect, sweating land that is already there and intensifying the development. Some of that takes time and there are risks that we need to avoid. If the number of leaseholders on a development goes up and you are planning a comprehensive regeneration, you can make it unviable. It is those kinds of things. Crucially, working across Departments will be important. I am not sure whether the Bill can help that, but we need to be sure that it does not hinder that.

**Martin Tett:** I will comment on the generality. I mentioned the importance of infrastructure at the beginning. When I go to public meetings, it is the big topic raised by local communities whenever a development is talked about, and it is obviously significant when you have a major development of many hundred houses. There is also the cumulative impact of lots of small infill developments. People tend to ignore the impact of 10 or 15 houses, but if you have lots of them, particularly where large houses are being redeveloped in rural areas, you can cumulatively have a significant impact. People see the difference in their commute, their journeys and so on. There is a large impact in the south-east, which is already densely populated and seeing significant housing growth. The need to address the issue of adequate contributions towards local infrastructure is fundamental.

**Philippa Roe:** Some parts of the Bill are still being ironed out and discussed, such as those relating to who has which powers between the Mayor and the London boroughs. It is absolutely vital that any housing development regeneration is driven by the boroughs, because they have a far better understanding of the infrastructure impacts in their local areas. I just cannot see how a top-down approach, given how diverse the 33 boroughs are, can work in that holistic approach.

**Phil Glanville:** The 20% discount for starter homes is probably not enough to be offset in terms of the community infrastructure requirements. There is an element that some of that is local decision making. We decided to exempt the Woodberry Down regeneration from CIL, because of the challenges of the infrastructure: building the new schools, delivering the employment opportunities and delivering the public realm. You need flexibility at a local level to make some of those decisions, but I am not sure that the 20% discount warrants a full exemption.

**Q59 Matthew Pennycook:** There is broad agreement that we need to increase supply, but, as you said, Councillor Glanville, affordability is key. There is no statutory definition of affordability, and the Bill gives the impression that the working definition is 80% of market rent. Do you think there is an opportunity here to define what we mean by affordable?

**Philippa Roe:** No, I think that would be too prescriptive. The definition of affordable is up to 80% of market. That is absolutely crucial because it will be different in different boroughs. Each borough has different needs. For example, in Westminster about a quarter of housing stock is social housing; about 1% or 1.5% is affordable for that next tier of low to middle-income workers, and the rest is very expensive, either to rent or to buy.

Our real gap is that intermediate. Our businesses are telling us that that is a real gap. All the supermarket shelf-stackers, people working in our restaurants and theatres and so on, need homes where they can commute at a reasonable cost and time. That is Westminster and we are quite different from perhaps an outer London borough or Tower Hamlets or, indeed, some of the boroughs round the table. As long as we have the flexibility of up to 80%, given as the definition of affordable, then each borough can do it appropriately for their area.

**The Chair:** Without being impolite to the other witnesses, I fear that we have come to 10.45 am, which is the end of our allotted time for the session. Thank you very much to all four of our witnesses for their extremely useful and interesting evidence. I ask the next panel to come to the floor.

If there is anything members of this panel want to say and have not had an opportunity to say, we welcome written evidence at a later stage.

### Examination of Witnesses

10.47 am

*David Orr and Sinéad Butters gave evidence.*

**Q60 The Chair:** This is the final session of the morning, running to 11.25 am, when I will cut us off quickly. I welcome our final panel, Mr Orr and Ms Butters. Will you kindly introduce yourselves for the sake of the record?

**David Orr:** I am David Orr, chief executive of the National Housing Federation.

**Sinéad Butters:** I am Sinéad Butters, chief executive of the Aspire Group, but today I am chair of PlaceShapers and represent the views of 116 local community-based housing associations across the country.

**Q61 Matthew Pennycook:** Mr Orr, regarding the voluntary agreement that you came to with Government over the right to buy, many housing associations voted no, many were unable to convene their boards and come to a decision, yet clause 58 of the Bill brings them within the remit of a compliance mechanism under the home ownership criteria. What options do those housing associations have, given that this will be a statutory measure imposed on them?

**David Orr:** That is an interestingly framed question. The offer that we put to our members and then to Government was a voluntary deal on the right to buy that would cover the whole sector. Everyone who voted, even the small number who voted no, understood that what we were crafting was an offer that included the whole sector. Indeed, quite a number of the individual responses that we got from people who said no none the less said, "We understand that if the overall result is yes, we will be involved."

**Q62 Matthew Pennycook:** And those that did not have time to reply?

**David Orr:** In overall terms, that was a relatively small number. We have continued to have conversations with those organisations, as we have with all of our members. People had the opportunity to take part in that vote; they expressed their views; many of those who voted yes had reservations that they described to us; some of those who voted no said that they could see some value in it. None of this was easy and straightforward. We have continued to be in regular contact with all of our members about the implications. We will be working with Government and others on a piece of work to craft more of the detail that follows from the deal.

**Q63 Matthew Pennycook:** Following on from that, there are lots of areas of the Bill where we await further regulations and statutory instruments. What would be the sector's reaction if the Government did not deliver on commitments given under that voluntary deal?

**David Orr:** I have been asked this question on a number of occasions and my answer is always the same: this is a voluntary deal. If the Government, for whatever reason, fail to meet the commitments that they have agreed to under the deal, the deal falls. If we fail to meet the commitments that we have agreed to under the voluntary deal, the deal falls. I have no expectation that that is going to happen—I think that the core principles that we wrote into the deal will be the basis on which it operates but, if not, the deal will fall.

**Q64 Helen Hayes:** Some of the housing associations that recently appeared before the Select Committee on Communities and Local Government indicated that they thought the likely impact of this Bill would be fewer homes delivered by housing associations for social and other forms of affordable rent. I wanted to ask both of you, first, what you think the net impact of the

Bill will be on housing associations' delivery of social and other affordable forms of homes for rent and, secondly, whether you fear developers deserting housing associations in favour of delivering starter homes themselves?

**Sinéad Butters:** Our members have raised significant concerns about the potential erosion of social rented housing as a result of a combination of impacts. That combination includes the pay-to-stay option, the starter homes initiative and, depending on what is replaced under right to buy, the erosion of social housing under right to buy. What I would like to make absolutely clear is that our members collaborated with the Government on the home ownership options and see home ownership as one part of something—it is not “either/or”, it is an “and” for our members.

The impact on the future for social rented housing prompts the question, where will the poorest live? If there is nowhere for poor people to live in future, one might imagine that poverty is decreasing, yet I do not see that. It is a very real question. We would ask for the flexibility to have local solutions in the areas where we work closely with local authorities to determine what is needed in that area, including a range of social rented housing, home ownership options, market rent and sale. Our members would embrace the opportunity to work locally to make sure that what the community needs is what the community gets.

**David Orr:** The Bill itself is a relatively small part of a combined package. If we are going to build a whole lot of new homes we need land first and foremost. Anything that this Bill can do to help to release land for new home building would be helpful. Like Sinéad, I have anxieties about the competing priorities in the space where section 106 presently operates. It has been a useful mechanism for delivering affordable homes for rent and for shared ownership, and a useful mechanism for volume developers to front-end the cash for their developments. If all these things are squeezed out by starter homes, the impact is likely to be a reduction in the overall supply. If we are able, as Sinéad has said, to have an environment where we see significant growth in new home building across all tenures—some for market sale, market rent, social rent, shared ownership, starter homes—that is where we need to be. We need to have this mixed-tenure package. The new homes that we build need to be across all tenures.

With regard specifically to the ability to provide social rent, I think that the Government have made it clear that they do not consider social rent to be their top priority. It remains the top priority for housing associations. The spending review will obviously be an important component, depending on what money, if any, is available to support that. Right to buy, certainly in some markets, has the potential to liberate assets that would then be turned to cash and could be used to build social rented homes. That will vary according to the different markets in different parts of the country. There is a range of factors that will influence this, but I am anxious about starter homes appearing in the section 106 space and crowding everything else out.

**Q65 Kevin Hollinrake:** I also sat through the Select Committee hearing, and listened to the evidence from the housing associations. I took the absolutely opposite view, so perhaps we should review the evidence together.

In an article on your website, Mr Orr, under the heading, “More homes to rent (and buy)”, you state that,

“our offer to the government will see an increase in the number of...homes built, which has the potential to ease pressure in all parts of the market, including the rental market.”

Do you still stand by that in the overall context of this agreement?

**David Orr:** I completely stand by that being the offer that housing associations want to be able to deliver. We published a document called “An ambition to deliver” and I commend it to you, because it is a very strong statement of ambition about getting—at some point in the future—to a position where we are able to build perhaps 120,000 homes a year, half for sale and half for rent, half market value and half subsidised. That is exactly that: making a contribution across all parts of the market. We are completely committed to doing that. Ideally we would want to be working with Government—whichever Government—and local government to work in partnership to deliver that kind of package.

The most fundamental thing that will make a difference is access to land, both publicly and privately owned land. If you look at the pattern of provision, we have failed dismally to build the number of new homes that we need, particularly in rural England, and part of the reason is that we just say, “There’s no land.” We have kind of given up. We need to stop giving up because there is plenty of land that we could build on. Measures that speed up planning are helpful. Measures that give priority to the expectation of delivery of new homes are helpful. Accessing land is the thing without which the rest will not really work.

**Q66 Kevin Hollinrake:** Can you see measures in the Bill that will speed up the planning process?

**David Orr:** I see measures that have the potential to speed up the planning process.

**Q67 Dr Blackman-Woods:** At the moment, it seems as if homes sold under the right to buy will not have to be replaced in the same area. Do you have any concerns that that might lead to further regional disparities in the amount of affordable accommodation available? Would you like to see an amendment that would ensure that they are replaced in the same area?

**Sinéad Butters:** Our members certainly would. They are concerned about like for like replacements in the same geographical areas. The overriding factor is that local authorities working with their housing association partners can decide on what is appropriate for that community and have the flexibility to apply that. Some of the provisions in the Bill, such as the pay-to-stay provisions, are blunt instruments applied nationally which do not take account of local factors.

We would like to see that. Our members would be keen to ensure that those strong relations with local authorities in helping meeting housing need are maintained.

**David Orr:** I think this is a matter for individual housing associations and the conversations they have with local government partners and others. If, in any given local authority area, housing associations sell under the right to buy, I think how they are replaced is a matter for them in discussion with their local authority partners. I am not keen to impose unnecessary restrictions.

It seems to me that we are under a great deal of pressure. There is much less public money going into new housing and we need to retain as much flexibility as we can. We have to look at the objectives and the pattern of behaviour of housing associations across the country. They mainly want to invest in the areas that they work in. That is what they care about, right across the country. I am anxious that we are creating a debate that will not turn into anything in real life because, in practice, if people sell they will want to try to replace in those areas where they can.

**Q68 Dr Blackman-Woods:** I might come back to that later if there is time. I wanted to move on very briefly to the pay-to-stay provisions, because you mentioned them. I wonder how workable you think the provisions in the Bill are and whether, as a result of pay-to-stay, some of your tenants will not only have to pay a higher rent, but be able to claim housing benefit. Is that an economically competent set of proposals?

**Sinéad Butters:** We have case studies and examples that demonstrate just that: people who are at the margins of the £30,000 for a variety of reasons—bear in mind that that is two working adults outside London earning £15,000 a year—are judged to be able to pay a market rent. It is of significant concern to me and to our members when people are at the edges. The case studies indicate that some working-age adults in those particular circumstances would find that a disincentive to work or to gain promotion or to take on extra hours. That is why we are really concerned about the one-size-fits-all figure.

While we recognise that people who could pay more for a product should be able to, we can make those choices locally, but the blunt instrument of £30,000 outside London is really going to act as a disincentive. We have a number of examples of people who are, say, on zero-hours contracts or in part-time work where it would not be in their interests to take a promotion, because they would not be able to afford their rent.

**David Orr:** I think pay-to-stay is wrong in principle. Government should not be setting rents for housing associations, and personally I believe that Government should not be setting rents for local authorities either. Accountable boards and accountable local authorities should set the rents that they think are appropriate for their organisations, their neighbourhoods and their tenants.

The challenges we recently encountered with the Office for National Statistics and the classification decision all make it more difficult for housing associations to operate independently. I am very pleased that the Government said that they wish to see housing associations be independent bodies in classification terms. We should not be taking measures where Government tell; we should have measures where Government enable.

This is an absolutely clear case in point. For some housing associations, pay-to-stay, externally imposed, will be an administrative nightmare that will end up costing a huge amount of money and have an adverse impact on the day-to-day relationships with tenants. In an environment where housing associations had a much broader ability to set their own rents, they could think more strategically about markets, neighbourhoods and places where you would charge higher rents and where you would charge lower rents, and that is where we have to get to.

**The Chair:** You have sparked a great deal of interest and quite a lot of people are catching my eye, so may I ask for both questions and answers to be as crisp as possible in the 20 minutes left?

**Q69 Mr Jackson:** May I ask you, Ms Butters, to restate your specific opposition to pay-to-stay? It seems that you might be overlooking fairness and social equity issues and the release of funds that the policy may very well give rise to. London aside, I would contend that £30,000 is significantly above an average wage in somewhere such as Stoke-on-Trent or Newcastle-under-Lyme or several other parts of your area. Therefore, apart from the administrative, bureaucratic issues that Mr Orr mentioned, on what basis do you oppose the policy?

**Sinéad Butters:** There are two reasons. One is the need for local housing providers to be able to make judgments about what their area needs and to reflect the points you made about affordability. An imposed national figure of £30,000 will not take account of local need and local incomes.

In Stoke, 38% of the working adult population earns £16,000, so two adults together would be above the £30,000 limit, yet that is a marginal figure for being able to pay a market rent. I accept that market rents in Stoke are low, but in other areas they are not. We had the example of a tenant in Oxfordshire whose particular circumstances could mean that her rent would be tripled from £600 to £1,800. Obviously, there are issues about tapers and how they would apply, but this national approach with a single £30,000 outside of London does not take account of local circumstances, and that is our greatest fear. For me, it is about the ability of housing associations to set rents that are appropriate for that tenant, and the freedoms and flexibilities that the National Housing Federation has talked about. That will mean a range of different choices, working with our local authority partners, on how to pitch and what is right for their area in terms of affordability. This does not allow us that flexibility.

**Q70 Mr Jackson:** But you agree that registered providers, with the extra income that may arise from this policy—I do not know whether you have any examples; you mentioned some examples earlier—may have the authority and autonomy to ring-fence for developing other sites for social rented housing.

**Sinéad Butters:** Absolutely, but the point I am making is that that ability to use the additional receipts should be based upon known local circumstances—local incomes and local affordability—and not set nationally. That would allow flexibility.

**David Orr:** May I add something here? Rents in our sector are a shambles because of Government intervention in rent-setting for the past 17 years. Decisions that are made for short-term reasons, which do not understand the long-term impact, have created a pattern of rents that is almost incomprehensible to anyone. We would like to be in a position to relocate responsibility where it lies: with the boards of individual housing associations, to provide housing and associated amenities in accordance with their objectives and to be responsible for charging appropriate rents. The rents will be different for different people in different parts of the market. Part of pay to stay says, is it sometimes appropriate to charge people higher rents if they have higher incomes? Yes. Is it right for Government to be imposing it? No.

**Q71 Mr Jackson:** That is a fair point, Mr Orr, but this is at the beginning of the process and Ministers might surprise you in a pleasant way.

**David Orr:** Good. I am always happy to be surprised in a pleasant way.

**Q72 Mr Jackson:** Far be it from me to speak for the Ministers, but are you really suggesting that registered providers operate in a hermetically sealed bubble, given that the housing benefit bill has spiralled significantly over the past 20 years? The Government surely have a fiscal responsibility to make big strategic decisions in the provision of public housing when they have a spiralling housing benefit bill.

**David Orr:** The housing benefit bill is spiralling primarily because the number of people who need to claim housing benefit has grown as rents have grown, and because of the number of people in work in the private rented sector who have to claim housing benefit. It is not fundamentally about the growth of rents in the social sector, but, where rents have grown in the social sector, that has been a direct consequence of Government decision making. So I can sit here and say, "It's not our fault, gov. It's your responsibility. It's Government decision making." I don't think that is acceptable. I think that local government and the public should be able to hold housing associations to account for the rents that they charge. It has been the case in the past that when the Government were setting rents, they also said that housing benefit would cover the cost of those rents. I am afraid that the decision to set the overall benefit cap at £20,000 and £23,000 means that rents that the Government have themselves set are not now, in a significant number of cases, covered by housing benefit. So if the Government want to limit their exposure by what they do with housing benefit rules, they should withdraw from rent-setting.

**Q73 Grahame M. Morris (Easington) (Lab):** I want to go back to starter homes and the issues that you have touched on. A survey found that 6 million people—5.84 million, in fact—earn less than the living wage. That is not a TUC figure; it is from KPMG. Some 23% of the labour force earn less than the living wage, and the numbers are going up. There are 750,000 people on zero-hours contracts. What is there in the Bill to address the housing needs of that substantial sector of people who we refer to as the working poor?

**David Orr:** There is little in the Bill that addresses that group specifically. The only real new housing or tenure product that it contains is the starter home initiative. As a component of a much wider, mixed-tenure, mixed-priced series of developments, starter homes have a role to play, but a comprehensive transfer away from social rent or shared ownership towards starter homes would be a mistake. They have a role to play as part of a broad pattern of provision, but not instead of the other things we are doing.

**Q74 Seema Kennedy:** Mr Orr, I want to ask you about affordable housing in rural areas, and the portable discount in particular. Will you expand on that? How do you think it will affect the affordability of housing in rural areas?

**David Orr:** In the voluntary deal, we have agreed with the Government that in small, rural areas, in most cases, housing associations will almost certainly say no to a

request to sell a home that a tenant is currently occupying, but they will have the opportunity to use the portable discount, which I hope will help to stimulate the development of new supply.

The fundamental challenge in rural England is that we need to build more homes, especially ones that are affordable for young families. Rural England is being hollowed out. As the 25-45 population grows in the country at large, it is declining in rural areas, because people cannot afford to live in villages that are often becoming like theme park villages, and that are in danger of becoming mausoleums. How we invest in new supply to keep rural England dynamic is a huge strategic challenge. The portable discount might create some of the financing that will allow that to happen, but we need to take a broad view and say it is time we addressed what is a genuine crisis in rural England.

**Q75 Mr Gareth Thomas (Harrow West) (Lab/Co-op):** What is your estimate of the net impact of the Bill on London?

**David Orr:** I do not have a detailed estimate.

**Q76 Mr Thomas:** You must have an instinct, though.

**David Orr:** Well, it is quite difficult to assess how many homes would be sold under a voluntary right to buy in London, because values are so high that although—

**Q77 Mr Thomas:** With respect, the housing associations among your membership must have given you some indication of their view of the Bill's effect in London.

**David Orr:** They have. If you assume that over time 5% or 10% of homes might be sold under the right to buy, that will raise very considerable sums that can be invested in new supply. I do not have a statistical analysis to back this up—we can ask our research team and provide further information if we have it—but my view is that it is likely to deliver an increase in both the number of homes built and the number of homes for social rent. Under the existing arrangements, it is very difficult to build for social rent unless you trade, sell and make a profit, and then use that profit to create the subsidy. The voluntary right to buy has the potential to release some of that trapped equity and allow it to be used for building new homes. It is likely that London housing associations will focus on building for social rent, as well as shared ownership and other products.

**Q78 Mr Thomas:** What is your sense of the impact the Bill will have on co-operative housing?

**David Orr:** Fully mutual co-operatives are not contained in the deal, because people who live in them are not tenants of housing associations.

**Q79 Mr Thomas:** Do you think that the rest of the Bill will help to increase the supply of co-operative housing, or will it just leave it as a tiny fraction of the housing stock?

**David Orr:** I think it is likely to be relatively marginal.

**Q80 Kevin Hollinrake:** Ms Butters, I think you referred to the provisions under clause 74 on high-income social tenants as a blunt instrument, yet you conceded that there is provision to charge a proportion of market

[Kevin Hollinrake]

rent—I think you made some cursory reference to the taper. Is that not proof that the clause is not a blunt instrument?

**Sinéad Butters:** For us it is about the freedom and flexibility to set our own rents—decisions for our local areas, made by our boards, working with our communities and our local authority partners. I can understand that the taper has been set to mitigate some of the negative impact of applying that blunt instrument, in terms of an immediate move to market rents from social or affordable rents; however, that would not be my answer. My recommendation would be locally set rents, determined by local areas, with boards and local authority partners. We would still see the potential for those choices about higher-income tenants, but they would be based on real evidence and real income data and analysis, not on a judgment about what level is set nationally.

**Q81 Kevin Hollinrake:** But the principle is that it is inappropriate for taxpayers to subsidise someone who can live in market-value housing. Do you accept that principle?

**Sinéad Butters:** Yes. Absolutely.

**Q82 Teresa Pearce:** Mr Orr, on the voluntary deal, your organisation and the G15 will work very closely. It is my understanding that the G15 opposes the forced sale of vacant high-value council homes. Is that the position of the National Housing Federation?

**David Orr:** Just to be clear, the G15 are all members of the National Housing Federation, so we are all part of the same group, as is PlaceShapers. The deal that we have done with the Government is one that says that if the Government provide funding for a discount we will organise the sales. It is the job of the Government, under that voluntary arrangement, to find the finances to fund that. We have never proposed the sale of high-value council stock as a means of paying for it—that is a proposal that came from the Government—and we have not and will not endorse the proposal.

**Q83 Teresa Pearce:** So you are in the same position as the wider federation of the G15?

**David Orr:** As a wider federation, what we have been trying very clearly to do is to locate the responsibility for the decision where it lies, which is with the Government. It is not a decision for us, and it is not a proposal we have ever sought or have ever endorsed, and we have no plans to do so.

**Sinéad Butters:** Similarly, we pride ourselves on our strong relations as community-based housing associations, and therefore we do not endorse the sale of high-value council homes in order to fund this.

**Q84 Maria Caulfield (Lewes) (Con):** If I understand it correctly, you both say that you agree that those who earn more should pay more, and I think you have both said that housing associations should have the discretion to set rates, but I understand that there is already provision to set higher rents for those who earn £60,000 or more. How many associations use that provision at the moment and, for those that do not, why not?

**David Orr:** Very few of them do, partly because there are very few people in those circumstances and partly because housing associations do not always know because they do not have a particular obligation to require that information from their tenants. We do not have very detailed data. Also, it is partly because it is very administratively complex to impose such things.

My view is that we should not think about this in terms of specifically focusing on individual households. We should offer different products at different prices in different parts of the housing market, among which people have the opportunity to choose. Our housing market is not nearly varied enough, and housing associations are an integral part of providing more variety and different pricing in different parts of the market.

I also think that we need to be smarter about how we turn things from a threat into an offer. If someone is a tenant of a housing association and their income increases. Rather than pay-to-stay, I would much rather the housing association was in a position to say, “If your income is increasing, we would be happy to sell you a small equity share in the property that you live in”. That has the same effect of providing cash that the housing association can use, and the tenant gets an active benefit from it rather than just paying a higher rent. We have to be much more creative about how we look at all of this and how we change that relationship. In order to do that—to echo what Sinéad was saying—housing associations have to be much more free to run and manage their own businesses. This is a theme that we will be coming to all the time.

**Q85 Maria Caulfield:** I agree with you in that sense but, if you are not actually collecting that information, that makes it very hard to gather evidence for that argument. If we really need to target—

**David Orr:** We don’t need to collect evidence about people’s income if we are making them an offer by saying that, if they are in a position to buy an equity share that will gain in value over time, we will provide that for them.

**Q86 Maria Caulfield:** Okay, but if we really want social housing to be for those on a lower income, if you are not collecting that information it makes it very difficult to gain support for your argument. You are not collecting information on which of your tenants actually earns that amount in the first place. I find it hard to understand how you have that evidence if you do not collect it yourselves.

**David Orr:** We presently have no legal basis for requiring that information. We can ask.

**Q87 Maria Caulfield:** Hence why it is in the Bill.

**David Orr:** Well, pay-to-stay is in the Bill. One of the mechanisms that would deliver that is by requiring information to be given—

**Maria Caulfield:** Sorry, maybe I am not making myself very clear—

**The Chair:** Order. We have four minutes, and four Members are trying to catch my eye. The current point has been explored reasonably well.

**Q88 Matthew Pennycook:** Mr Orr, you have clearly given an indication that you would like to see more freedoms around rents. Clause 73 specifies further reductions in regulations to come. What specific freedoms will the National Housing Federation be pressing for?

**David Orr:** We have said for a long time that housing associations must have much greater freedoms to manage their own assets. We have to change the present disposals consent by which a housing association requires the consent of the regulator to dispose of any building or any asset. I just gave the example of the sale of a £1,000 equity share in a property, which at the moment requires a valuation of the property and a specific disposal consent. That is just completely absurd. We need to remove all that kind of unnecessary bureaucracy, which basically leaves the regulator with a determining say in how an independent social enterprise uses or disposes of the assets that it owns. There are a number of other things which follow from the ONS determination which need to be looked at again, and also the circumstances in which the regulator might be able to intervene at board level. We need to be much clearer about what those relationships are.

**Q89 Matthew Pennycook:** And specifics on allocations?

**David Orr:** I think that we need to have a different approach to nominations and allocations, which is much more about local negotiations between housing associations and local authorities, and then contractual relationships which are potentially subject to change. Housing associations do not want to move away from the business of providing housing for people who are in the greatest housing need, and working with local authority partners to deliver it. However, they do want to be in a position where they can say that, if they are charging a rent which is 70% of the market value, they do not think it is appropriate to allocate that to someone who is in the

greatest housing need far away from the jobs market, and who will become more trapped in benefit dependency by being offered that product. We need to have greater variation in those local discussions.

**The Chair:** Finally, very briefly, I call Brandon Lewis.

**Q90 Brandon Lewis:** Very briefly, returning to the first part of the Bill, Mr Thomas made a comment earlier about linking right to buy and starter homes. Mr Orr, bearing in mind that the voluntary agreement means that for every home sold an extra home will be built, do you think that right to buy will lead to a housing supply increase? Within that, do you think that housing associations will be looking to deliver starter homes as part of the mix of housing that they deliver, and will be able to do this?

**David Orr:** Yes and yes. There will be an increase in supply, which will liberate some presently trapped assets that can be used for building new homes. Housing associations will build some starter homes, and they will build a lot of shared ownership homes. They will build as much social housing for rent as they can, and they will continue to build for market sale and market rent. We are becoming much more pluralist in the offer that we make to the nation.

**Sinéad Butters:** But—

**The Chair:** I am sorry, Ms Butters, but we have come to 11.25 am, which is an absolutely sharp cut-off point. I apologise for cutting you off in that way. I thank both our witnesses for their evidence. It has been extremely useful and interesting, and we are most grateful.

11.25 am

*The Chair adjourned the Committee without Question put (Standing Order No. 88).*

*Adjourned till this day at Two o'clock.*

