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GENERAL COMMITTEES

Public Bill Committee

HOUSING AND PLANNING BILL

Second Sitting

Tuesday 10 November 2015

(Afternoon)

CONTENTS

Examination of witnesses.
Written evidence reported to the House.
Adjourned till Tuesday 17 November at twenty-five
minutes past Nine o'clock.

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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)	† Lewis, Brandon (<i>Minister for Housing and Planning</i>)
† Blackman-Woods, Dr Roberta (<i>City of Durham</i>) (Lab)	† Morris, Grahame M. (<i>Easington</i>) (Lab)
† Caulfield, Maria (<i>Lewes</i>) (Con)	† Pearce, Teresa (<i>Erith and Thamesmead</i>) (Lab)
† Dowd, Peter (<i>Bootle</i>) (Lab)	† Pennycook, Matthew (<i>Greenwich and Woolwich</i>) (Lab)
† Griffiths, Andrew (<i>Burton</i>) (Con)	† Philp, Chris (<i>Croydon South</i>) (Con)
† Hammond, Stephen (<i>Wimbledon</i>) (Con)	† Smith, Julian (<i>Skipton and Ripon</i>) (Con)
† Hayes, Helen (<i>Dulwich and West Norwood</i>) (Lab)	† Thomas, Mr Gareth (<i>Harrow West</i>) (Lab/Co-op)
† Hollinrake, Kevin (<i>Thirsk and Malton</i>) (Con)	
† 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>)	
† Kennedy, Seema (<i>South Ribble</i>) (Con)	† attended the Committee

Witnesses

Ian Fletcher, Director of Policy (Real Estate), British Property Federation

Brian Berry, Chief Executive, Federation of Master Builders

Andrew Whitaker, Planning Director, Home Builders Federation

Campbell Robb, Chief Executive, Shelter

Jon Sparkes, Chief Executive, Crisis

Mark Patchitt, Director of Development, Riverside

David Montague, Chair, L&Q London Housing Association

Sue Chalkley, Chief Executive, Hastoe Group

Tim Pinder, Chief Executive, Peaks and Plains Housing Trust

Carolyn Uphill, Chair, National Landlords Association

David Smith, Policy Director, Residential Landlords Association

David Cox, Managing Director, Association of Residential Letting Agents

Public Bill Committee

Tuesday 10 November 2015

(Afternoon)

[MR JAMES GRAY *in the Chair*]

Housing and Planning Bill

The Chair: Welcome back to the second evidence session of the Housing and Planning Bill Committee stage. I particularly welcome our three witnesses from the British Property Federation, the Federation of Master Builders and the Home Builders Federation.

Examination of Witnesses

2 pm

Ian Fletcher, Brian Berry and Andrew Whitaker gave evidence.

The Chair: Gentlemen, for the record, will you kindly identify yourselves?

Andrew Whitaker: I am Andrew Whitaker, planning director at the Home Builders Federation.

Brian Berry: I am Brian Berry, chief executive of the Federation of Master Builders.

Ian Fletcher: I am Ian Fletcher, director of policy at the British Property Federation.

Q91 Dr Roberta Blackman-Woods (City of Durham) (Lab): It has been suggested that it will be more profitable for developers to build starter homes than other types of affordable housing. Do you think there is a risk that starter homes will crowd out other types of affordable housing on developments? Do you think there should be any exemptions to developments having to provide starter homes, and what would those exemptions be?

The Chair: Answer as you will; just freelance it. You do not all have to answer all questions. Just jump in.

Brian Berry: It will be more profitable for builders to do starter homes; they will get 80% of the market value, compared with other types of tenure where they would have to negotiate section 106 agreements or give the land. On exemptions, you might want to look at very small sites—five or fewer, or even 10 or fewer—because that could affect the viability of small developments coming forward.

Andrew Whitaker: I think it is more of a balanced approach than that. You are looking at providing housing for all sorts of people, right across the housing market. Therefore, hitherto we have focused a little bit too much on social rented housing and full market housing. Therefore, allowing for this more intermediate market to be met—and there is a need for this kind of housing—I think you will see a much more balanced picture across the country with different types of tenure to meet different needs.

Ian Fletcher: To respond to the last part of the question about exemptions, we have a specific issue on the site-specific requirements for starter homes. My life's work has been trying to get a build-to-rent sector off the ground in the UK where pension fund money is investing in rented accommodation. That is happening. We have just measured and we have about 25,000 units in the pipeline. But a site-specific requirement for starter homes does not really work with build to rent and could kill off that sector before it gets going.

Q92 Dr Blackman-Woods: It might be useful to have more detail on that specific point but I will move on. In addition to raising queries about the type of property being built, there is nothing about the standards to which the new homes should be built, or improving the quality. Do you think we can rely on developers pushing up the quality of what is delivered?

Andrew Whitaker: Yes, I certainly think you can. You can rely on the building regulations to meet all sorts of requirements for new homes. In terms of urban design, the Home Builders Federation is very keen to promote the building-for-life standards. That will apply just as much to starter homes as to other kinds of house building development.

Brian Berry: I would just add to that. Small builders' business depends very much on their reputation, so they tend to build quality homes. If they were not building quality homes that met market needs they would be out of business. In that sense, the concerns you may have about quality should be allayed, particularly if you bring in more developers that are small and medium-sized enterprises.

Ian Fletcher: I have no concerns about the quality of the build of the accommodation, for the reasons that colleagues have set out. What makes a housing development is not just the built quality of the housing but the other services—social services, schools and healthcare—that support it. I have some concerns about the relief that could be given on community infrastructure levy contributions and section 106. From where will the infrastructure on those developments be funded?

I want to come back quickly to the build-to-rent point. The reason a site-specific requirement for starter homes does not work for build to rent is that the institutions that invest in that sort of accommodation do so for 10, 20 or 30 years and want to have control over the development to ensure it remains a quality place to live. If you have a specific requirement for some starter homes, they lose control of their investment.

Mr Richard Bacon (South Norfolk) (Con): I would like to ask Mr Berry about chapter 2 of the Bill, on self-build and custom house building. Specifically, do you think the Bill provides enough motivation for people to be on the self-build register, in terms of linking the presence on the register to decisions about how serviced plots are brought forward and allocated?

Brian Berry: May I start by saying that most of our members think that this is a very encouraging market and support the whole principle of custom build? The Self-build and Custom Housebuilding Act 2015 set up the register for interested people, but we are concerned about how it is coupled with the provisions in the Bill, which seems to water down the obligation to locate

plots for people on the register. It suggests that local authorities must ensure that there are sufficient planning permissions, which is rather different. We are concerned that those on the register could be put off even hoping for a plot of land to build on. We would like to see that changed, because 89% of our members say they are interested in looking into this market.

Q93 Mr Bacon: The Bill provides for exemptions and states that the Secretary of State “may” direct that a local authority is not subject to the duty to give suitable development permissions in respect of enough serviced plots of land to meet local demand. Do you think that is potentially a big let-out clause?

Brian Berry: I think we need to look at the whole exemption side. There is a danger that it will be a let-out clause. Local authorities should be looking at all ways of delivering custom built housing, even if that means looking at existing buildings that could be converted and customised. I share that concern.

Q94 Mr Bacon: I have a question about the definition of “self-build” and “custom house building”. The Bill rightly excludes plots where the person selling the plot is the person who wholly or mainly decides the plans or specifications. That is obviously to avoid the gaming of the system, but will the definition work in practice?

Brian Berry: That is a good question. We also have concerns about the definition. You obviously want to make it sufficiently encompassing that it does not deter various forms of custom build housing, but you do not want to make it so wide that it includes minor or superficial adjustments to standardised housing. That part of the Bill needs to be looked at in detail to ensure it is clearer.

Q95 Mr Bacon: So a volume house builder offering a fifth choice of tile colour, rather than just four choices, would not meet your standard.

Brian Berry: Absolutely. That is right.

Andrew Whitaker: We are rather concerned about that, too. A lot of the smaller developers who are members of our federation are very keen to provide what you would imagine to be custom build. The parody that you paint of course should not be allowed, but we think the definition goes a lot further than that and will exclude some genuine custom built products.

Q96 Mr Bacon: Really?

Andrew Whitaker: Yes, where the customer can determine how the house is built but the developer still builds it. We think the clause goes far too far.

Q97 Mr Bacon: Really? Can you give an example of a custom house building product that would be excluded under the definition?

Andrew Whitaker: If a developer is offering a custom build product—we have members who are doing this—whereby you get to choose, for example, the internal layout of your property, that to our mind would be excluded by the clause, yet that is a perfectly reasonable definition of custom build.

Q98 Mr Bacon: Why? The specification would then be wholly or mainly determined by the client, would it not?

Andrew Whitaker: No, because you do not have the ultimate choice about the internal arrangement of the house. You get to pick from a range. Not all house types fit within the skin of a particular house.

Q99 Mr Bacon: The exterior walls are obviously defined, but if the client or customer can decide where the walls and floors go or do not go in the interior, that would be wholly or mainly decided by the client, would it not?

Andrew Whitaker: Not if you were picking from a pattern book, which could be any number of different layouts. How many are you suggesting would not be entitled to be a custom build product—two different choices, or five, or 10? That is not made clear.

Q100 Mr Bacon: When you say it is a pattern book, that makes it sound like a pattern book offered by the volume house builder. Is that what you are saying?

Andrew Whitaker: Not at all—it is not the volume house builder that is providing this custom build product. It is smaller developers who are offering custom build products. They have been given money from the Department for Communities and Local Government to investigate custom build products. That is precisely what they are doing now. They are concerned that this clause will stop them from doing what they are currently doing, under custom build.

Q101 Mr Bacon: Is not the whole point of a custom build approach that it is the customer who decides, not what you call a pattern book?

Andrew Whitaker: If you start from the point of saying, “Here is the outer skin of the building and that has been determined for all sorts of good planning or urban design reasons,” what you can put in it is limited. That will be explained to you by the relevant builder.

Q102 Mr Bacon: It is limited by the laws of physics—yes, I accept that. But other than that, it is not very limited, is it?

Andrew Whitaker: Very, yes. The developer will say, “Right, you can choose from 10 different internal floor types.” That is what I am saying. Well—does that meet your definition? We do not think that it does.

Q103 Mr Bacon: I have one more question, Mr Whitaker. You were talking earlier about quality. The new nationally described space standards are currently guidance. Do you think they should be building regulations?

Andrew Whitaker: We do not think they should be building regulations. We think that all the national regulations do is set out guidance for people so that, locally, they can determine whether they need them. Therefore they would have to provide evidence as to why they wanted to see bigger houses built in their area and why they were applying the national standard. If people are already proposing houses that meet the national standard, there is no need to have that national standard.

Q104 Mr Bacon: Mr Berry, do you think it would be helpful if space standards were turned into building regulations, so that there was a minimum to which builders had to adhere?

Brian Berry: Not necessarily, because we do not want extra layers of regulatory requirements on SMEs who are already struggling in terms of access to the market. I understand the concern you raise, because people have talked about space standards and the fact that houses are getting smaller. That probably reflects the state of the housing market in this country, though, where we are struggling to deliver the number of homes that are required because of certain barriers that need to be addressed. There are other issues, therefore—one of which is to get more SMEs back into the market, which might overcome this and deliver the homes that are required in terms of supply and demand.

Q105 Matthew Pennycook (Greenwich and Woolwich) (Lab): I have two questions, if I may. First, many people who are likely to access starter homes are likely to be in a position to buy in any case. Do you think the Bill as it stands will widen the pool of potential home buyers?

Brian Berry: I would have thought that it would. We know that 86% of people in this country aspire to owning their own home. Owner-occupation levels have dropped over the last 10 years. We support owner-occupation and this is a means to encourage more people to get on the housing ladder. We feel that this is another leg up for people, when prices are moving year on year. Yes, I conclude that it is positive.

Q106 Matthew Pennycook: In terms of general supply and building, can you explain why you think this will deliver additional homes? Will it do anything to deliver and build out the 200,000-plus permissions that already exist?

Andrew Whitaker: Certainly it will create a different market. That will therefore increase the overall supply of houses, because you are targeting a different market. As Mr Berry says, you are focusing on specific areas of the market and that will open it up to new people. We would be concerned if all you were doing was robbing Peter to pay Paul. We would stress that this must open up new markets.

In terms of building out the existing permissions, that is a far more difficult picture. We do not envisage a lot of people going back round the planning system to put starter homes in their existing planning permissions. We see this probably as going forward. In terms of building out the permissions that people have already got, that is normally subject to the market rate for that particular area. Therefore, if you follow the logic of my first statement that we would want to see this hit different markets, then yes, it will mean that people can build out permissions going forward at a faster rate, because they will be targeting more sectors of the market.

Ian Fletcher: My view would be that we cannot look at the Bill in isolation from wider Government policy on housing. I think that starter homes may get existing players to build more homes. However, when you are looking at extending capacity of the house building sector as a whole, things like build to rent, which we are promoting, are doing that.

Your second point was around—

The Chair: You have both forgotten, so we will move on instead.

Q107 Mr Stewart Jackson (Peterborough) (Con): I remember my question. Mr Fletcher, first, may I thank you and the British Property Federation for your helpful—and brief—brief on the Bill? Can I challenge you about the demonstrable evidence that supports your assertion? I think you said that the starter homes policy will kill off build to rent. Where is the evidential basis that that will happen? If you have a multi-tenure site in a good location with good transport links and otherwise reasonably good infrastructure, why would investors not wish to invest in long-term residential letting? I do not understand how the introduction of starter homes will drastically affect that or make it unviable as a business proposition.

Ian Fletcher: The build-to-rent sector mainly seeks to build at scale, so it will be building 100-plus units and the investors, who include most of the big pension fund companies and investors from abroad—we represent most of them—are adamant that they will not invest in broken blocks; they want to keep control of their products. Many of them are introducing new concepts to the private rented sector in the UK in terms of branding and so on, and once you lose control of a part of your development you cannot get that back and you do not know where it will go. An individual may buy a starter home and sell it after five years into the buy-to-let market, so you cannot keep control of that development.

Q108 Mr Jackson: Are you asking us to believe the premise that they are happier with a residential development of, say, 45% pure social rented housing and the other 55% being build to rent?

Ian Fletcher: Their ideal scenario, which is just being implemented as supplementary planning guidance in London, would be that the affordable offer would be discounted market rent. That works well in terms of being managed as a whole.

Mr Jackson: So affordable rent.

Ian Fletcher: Discounted market rent: it is an intermediate rent rather than the lower, social rents.

Q109 Mr Jackson: What is the quantum difference between that and a starter home, which is a discounted, effectively intermediate property?

Ian Fletcher: It is the issue I iterated, which is the ability to control and manage the thing as a whole.

Q110 Mr Jackson: What do you mean by “manage”?

Ian Fletcher: If you have a block of flats, that has to be managed on a daily basis. It will have a concierge and the common parts will be kept by the manager of the property. The feel of the property can be managed only as a whole, as the members wish.

Q111 Mr Jackson: The legislation covers urban extensions and new build in the planning envelope of small towns. It is not just about flats in central London.

Ian Fletcher: Clearly on a large, strategic land site—I can think of a particular member that has two or three such sites in the south-east—having some starter homes in one corner and a build-to-rent development in the other is no problem.

Mr Jackson: Okay. I am not convinced.

The Chair: Before we move on from that point, can the Minister come in quickly?

Q112 The Minister for Housing and Planning (Brandon Lewis): Mr Fletcher, I assume that you are talking about developments such as the multi-family housing we see elsewhere in the world. I understand the point you are making. In that situation, I assume that the developers, knowing that they have to do their bit for the community as negotiated on affordable housing, would look to do what we see elsewhere: if they can make a case for an apartment block, for example, they might provide affordable housing or starter homes on a different site but in that area with the local authority.

Ian Fletcher: Absolutely, Minister. I said in my first remarks, I think, that I was talking specifically about the on-site requirement. I have no qualms about the other part of the Bill, which is about the duty of local authorities to provide starter homes.

Q113 Mr Jackson: On paragraph 14 of your briefing—I am sure members have copies—about automatic planning permission, you make the case that this should move on from simply residential housing to multi-use sites, including leisure, retail, industrial, etc. How would that work? Surely that would be an overly permissive regime—to have that in the Bill and extend what is essentially a welcome proposal to drive the number of houses up to a free-for-all, having every economic activity on a brownfield site?

Ian Fletcher: That part of our brief is trying to express a concern that the permission that is granted in advance on the brownfield sites will drive a lot of those sites into housing use. That is, therefore, a concern in terms of ensuring that we have a balanced economy. We have evidence that illustrates that about 50%, I think, of local authorities and local plans are out of date with respect to things such as industrial uses. The local authorities that are particularly out of date are some of the places you would most expect to have expansion of industrial use places, such as the Thames valley and the northern powerhouse. We are just expressing a concern that this policy might drive more brownfield land into housing use at the expense of other uses.

Q114 Mr Jackson: But this Bill addresses those issues in terms of the discretion that the Secretary of State has for intervening directly in adopted development plans.

Ian Fletcher: And we very much support that.

Mr Jackson: Thank you.

Q115 Helen Hayes (Dulwich and West Norwood) (Lab): Just returning to section 106, at the moment that section makes a very important contribution to delivering social housing for rent, school places, high-quality green space, GP practices and so on. With the starter home obligation, to what extent do you think house builders will still be happy to make those contributions to creating successful communities where you are delivering new homes?

Andrew Whitaker: I think those contributions have to be proportionate to the development and, therefore, excluding an element from the community infrastructure levy does not exclude them from site-specific section 106

requirements. Overall, developers will continue to pay planning obligations towards social infrastructure, even with the starter home obligation. On brownfield sites of around 100% starter homes, I think we then struggle a little to see the overall contribution to the cumulative impact of development, which is of course supposed to be addressed by the community infrastructure levy. That takes some sites out of their fair contribution towards that and we have some concerns about that. The problem is, you have to do something to make those sites viable for residential development with their 20% discount and that is one of the few things you can do to ensure that those sites are still viable.

Ian Fletcher: I am sympathetic to the points that Andrew was making. I would just add that we have a comprehensive spending review coming up, and if those brownfield sites are going to work and are going to be great places to live, there needs to be some way of supporting that social infrastructure. If it is not coming from the developer then it has to come from other sources.

Q116 Helen Hayes: If I may, I wanted to ask about permission in principle. The Minister came to the Communities and Local Government Committee yesterday and said that his understanding of permission in principle is that it is simply a site that has been agreed by the local authority that will have permission for housing. Could you explain to me, from the industry perspective, what is the value of that? How does it give you any more certainty and any more leverage with your lenders than a site allocation, on the basis of which a local authority could still not turn down an application on a matter of principle without losing an appeal?

Brian Berry: I think it is particularly attractive to small builders, because getting the permission in principle at the beginning gives them the confidence actually to bring the application forward. It also means they are not having to spend large sums of money on providing technical details at the first stage. That, as I understand it in the Bill, is removed into the technical consent part. Turning it into two parts and getting the permission in principle at the beginning will, I think, bring forward more applications from smaller builders, and it does not pose any risk in terms of discussing the merits of the scheme because that will be in the second part. This is a welcome development and very similar to the redline application route endorsed in the Lyons review.

Andrew Whitaker: I would like to share your optimism that an allocation in a local plan would mean that you did not have to argue the principle of development on that site when making a planning application. Unfortunately, I can point you to many, many examples of where the principle of development gets discussed at length even for an allocated site. I think what this will do is ensure that local authorities, when allocating sites, do a lot more due diligence about whether they are committed to bringing that site forward for development. If we never need to make an application for permission in principle, that will be fantastic, because it will mean that local authorities become more committed to the delivery of the sites that are in their local plan.

Q117 Kevin Hollinrake (Thirsk and Malton) (Con): This Bill, taken in the round, is designed to tackle the fundamental problem in the housing market, which is

[Kevin Hollinrake]

lack of supply. And the lack of supply is partly about who is going to build the houses of the future. I am thinking particularly of SMEs, Mr Berry. SME house builders used to build about 100,000 homes a year in the UK. I think that at the moment they are building about 18,000 homes every year. Is there enough in the Bill to help SME house builders?

Brian Berry: You are absolutely right. The number of house builders has declined rapidly over the last 25 years. In 1988, two thirds of all new homes were built by SMEs; that fell to 30% last year. There is a desperate need to get more SMEs into the market if we are to deliver those homes. The challenge, of course, is that there are barriers to SMEs coming into the market. Those barriers fall outside the scope of this Bill, but access to finance remains a concern for SMEs—62% of our members say it is a barrier to bringing forward developments—so it would be useful if the Government considered some form of help to build, perhaps underwriting homes. That would be very beneficial.

The other key issue that affects the house building sector is the growing skills crisis and how we are to address that, because if we do not have the skilled labour, we are going to have a serious problem. It is already an issue. We know this from our own surveys: 60% of our members are having problems recruiting bricklayers, and 50% are having problems recruiting carpenters. It is right across the board. There are a number of issues that are outside the scope of the Bill, but that are absolutely fundamental to delivering the number of homes required and that we all need to work with Government on.

Q118 Peter Dowd (Bootle) (Lab): Could I get a clarification from Mr Fletcher? I think you referred to the issue of local authority plans being out of date with regard to industrial use.

Ian Fletcher: That is a recent piece of work by one of the big planning consultants, Turley, which has looked at the evidence base that local authorities are using. More than 50% are pre the introduction of the national planning policy framework. Significant periods of time have passed and significant changes in policy have passed since they put their evidence base together on their requirements for industrial land.

Q119 Peter Dowd: In relation to brownfield sites, do you have any estimates of the volume of brownfield land that would be viable for housing development?

Brian Berry: I'm afraid we don't.

Ian Fletcher: You caveated your question with the word "viable", and I think that that is wise. I have seen estimates that you could build as much as 1 million homes on brownfield sites in the UK, but they have to be viable; they have to be connected. Some brownfield sites actually have very good ecology and should be left as brownfield. That 1 million is hypothetical and it is not necessarily real.

Andrew Whitaker: I would not underestimate how much of that brownfield land is already coming forward for residential development. Over half of the figure of 1 million which is often touted is already within the planning system, and it is already either allocated or being developed for housing. The house building industry does already prioritise brownfield development.

Q120 Peter Dowd: There is an argument that because local authorities are being pushed in relation to the national policy framework, they are putting sites into the planning framework which are not necessarily viable in relation to brownfield. Is that not the case?

Andrew Whitaker: That is our fear. Encouraging them to maintain a register is certainly a great idea in theory. Being able to pinpoint the land you want to see being brought forward for development is an excellent idea. However, if enough work is not done in terms of viability, then the amount of land which could come forward and which is viable, as Ian said, could be overemphasised or over-egged.

Q121 Peter Dowd: I have one more question on that. Do you have any idea at all of the cost of the remediation of brownfield sites nationally that you as a developer would not want to pay for, or that developers would not want to pay for?

Andrew Whitaker: No. I think that is a bit like asking us how long a piece of string is. Every single site differs in terms of the amount of money needed to make it viable. That is not just in terms of the actual viability of ensuring the land is developable, but in terms of meeting the landowner's requirements for the price of the site, meeting the developer's requirements for the profit element on the site, and meeting the planning obligations on that site to make sure that the infrastructure is provided. That differs on a site by site basis. Over the last few years, where viability has become more of an issue in planning and local plans, we have found that making these decisions on a generic basis invariably does not allow for the massive fluctuation in site-by-site assessment.

Q122 Chris Philp (Croydon South) (Con): I would like to continue this line of inquiry in relation to permission in principle and the brownfield register. To get straight to the heart of this, I ask each member of the panel to comment on whether they think that those measures would increase, decrease or have no effect on the number of housing starts we see in our country.

Brian Berry: I think the new consent of permission in principle is a forward step. That will help to bring forward more SME applications. The brownfield register is a positive step, because there are very small parcels of land which our members could build on. Having that transparency will be a help. That would encourage more development.

Q123 Chris Philp: Okay. So you think it will be a net positive?

Brian Berry: I do.

Ian Fletcher: I think both measures will make a positive contribution. The most advanced register in the UK is the effort of the Mayor of London, and the power in the register is not in the register itself but in the Minister sitting round the table with the public authorities and the advisers to discuss what can be done with this particular land and then getting it into use. A Domesday Book of land in itself is only half of the effort. It is what is done with it that is important.

Q124 Chris Philp: I am going to come back to that in a moment. Mr Whitaker, do you think that these measures will increase supply, decrease supply, or have no effect?

Andrew Whitaker: They will definitely increase supply, because this is a positive step towards finding the sites that local authorities actually want to see developed. As Mr Berry said, that will make it easier for SMEs, which want to enter the market, because they will know very clearly that they will get planning permission on those sites.

Q125 Chris Philp: Good. I am delighted that there is unanimous agreement on the panel that these are positive measures that will increase supply. Let me return to the point that Mr Fletcher touched on. In relation to London in particular, the London Land Commission has had power over specifically Government-related land and has had some measure of success, particularly with Greater London Authority land. Perhaps you would comment on whether there is any opportunity to go further in terms of how the state goes about bringing forward its own land—for example, the 6,000 acres owned by Transport for London—and what specific measures you believe might encourage that to happen.

Ian Fletcher: In the case of our sector, some things that get in the way are best value and best consideration rules, which are written for a model of housing that we have had for the past 30 years, which is that you build for sale and then you contribute an element of social housing. When you are doing a build-to-rent development, which is something new to local authorities, they are very cautious about whether they are getting best value or best consideration. That would be a help. I can see the difficult politics but it would be helpful to get a clear set of rules as to how that land commission works, and what public land can be brought in, whether it be from other Government agencies or local authorities. The beauty of the London Land Commission is that it has some very good private sector advisers, who can start to think about what those parcels of land can be best marketed and used for. I would encourage the other regions or localities that set up registers to engage with the private sector early on.

Q126 Chris Philp: Okay. Moving on, Mr Whitaker, to a remark you made in your summary note. You say that clause 106 will be helpful in that it requires local authorities to make the financial benefit of development proposals clear. Were you commenting generally, or in terms of trying to get the CIL money more clearly allocated to projects that are beneficial to a particular locality? An issue that I have encountered historically is that constituents feel that a large amount of CIL money disappears into the borough's pocket and does not directly benefit the immediate area of a development. Is that a problem and are there measures in the Bill to help to address that?

Andrew Whitaker: That may well be a problem of CIL, but it is a different issue that is not covered by the Bill. It will be covered elsewhere. We see the idea behind making local authorities be very clear about the financial benefits of developments and about their decisions on those developments as being a much wider benefit to ensure that people start to recognise how much development brings to their area, rather than always seeing development as the downside of development and the effect on their immediate neighbourhood of development where there once was no development. The fact that people will be able to see how much new homes bonus and CIL, and what planning obligations and amount of council tax increases, are brought to their area by these developments will be beneficial in trying to overcome some of the people who are against development.

Q127 Chris Philp: Good, and that is the purpose of clause 106, is it not?

Andrew Whitaker: It is indeed, yes.

Q128 Chris Philp: My final question is to Mr Berry. Some smaller developers complain about some onerous aspects of the planning process, not all of which are addressed in the Bill, for example the requirement to do newt and bat studies and all that sort of stuff. How will the Bill help smaller developers? Are there any areas outside the scope of the Bill that may need attention in future? It might be helpful to hear about that.

Brian Berry: One of the issues that came up on Second Reading by the former Housing Minister is the fall in resources in planning authorities and the loss of experienced staff. That is an ongoing concern. Our members have come to the conclusion that they would pay to fast-track and get things done quicker because of the delays that they experience in the planning departments. The complexity and delays in the planning system are always criticised but they have got worse over the past few years. The Bill tries to address that. Therefore, we are very supportive of the provisions. There sometimes is a concern about accountability. Sometimes, small applications are not taken as seriously as larger ones. Therefore, the Bill's extension of planning performance is a welcome move forward for small applications. Overall, the Bill is a positive move.

Chris Philp: I am delighted to hear that.

Q129 Mr Gareth Thomas (Harrow West) (Lab/Co-op): Following on from Mr Philp's interest in SMEs, presumably the situation facing SME house builders is even worse in a London context than it is nationally. Therefore, would you go into a little more detail about some of the other challenges faced by SME house builders, particularly those wanting to operate in London? With imagination—imaginative drafting, in particular—some of the issues that you have touched on, perhaps regarding access to finance and the skills shortage, might be able to be included in the scope of the Bill through possible amendments.

Brian Berry: As I said, access to finance remains a serious issue, so a help-to-build measure would be very useful in underpinning loans to SMEs. The availability of small sites has been a problem, because local plans have tended to allocate larger parcels, but our members need smaller parcels. The brownfield register of small sites—five units—is a step in the right direction.

The skills thing is actually a much bigger debate about challenging the perception of vocational training and about the university route not always being the best for every child when they could be learning a trade. We have a role within the industry to demonstrate and improve the image of construction, because this serious problem will only get worse.

The other thing is about making better use of existing buildings, 85% of which will still be in use in 2050. The changes to permitted development to bring more residential back into city centres are positive, particularly in creating sustainable communities. That mix of people living and working, for which there is provision in the Bill, creates dynamic cities. There is a lot in the Bill that is positive, but the finance side would be particularly helpful.

Q130 Mr Thomas: Specifically, would a section 106 requirement on big sites to offer apprenticeships be a helpful requirement for the SME sector? It clearly would not affect SMEs building on smaller sites, but they could benefit from construction apprentices coming through.

Brian Berry: The real solution is a cultural one, so that young people recognise that a career in construction is positive. We have to overcome some of the stereotype thinking. A survey by the Construction Industry Training Board revealed that 35% of careers advisers were advising young children not to go into construction because of the mud and boots image. If that continues, it will be no wonder that the best are not coming into the building industry. Our role is to change the image of the industry. The main challenge is to get more young people and more apprenticeships.

Q131 Maria Caulfield (Lewes) (Con): To follow on from the unanimous verdict that permission in principle would really help to kick off house building, I know from talking to developers and builders in my area that planning is a real stumbling block. With the technical details consent, are you concerned that we are just pushing blockages and delay further down the pipeline? Are you worried that you will get permission in principle but that there will still be a blockage further down the line?

Andrew Whitaker: No, we do not see that as a problem at all. As I said in my earlier response, we see this as bringing valuable focus to local authorities, who may say, “Yes, there is nothing wrong with the principle of development. We have identified this site and always knew that it was going to come forward for development. Let’s bring it forward as quickly as we possibly can.” A lot of what the Bill is trying to do is exactly that. It is trying to draw local authorities’ attention to the fact that they can facilitate more sites coming through the planning system to facilitate greater delivery of housing to alleviate the housing crisis that we find ourselves in. If we are to deliver more houses, it is important that the Bill does that and that local authorities refocus what they are doing.

Brian Berry: I would echo what Mr Whitaker said.

Ian Fletcher: I would echo that, but I would just add that one of the remaining challenges when you get to the technical stages is resource at a local level, which is variable across local authorities in terms of support in the planning process.

Q132 The Parliamentary Under-Secretary of State for Communities and Local Government (Mr Marcus Jones): Do you think that the provisions of part 7 of the Bill, which deals with compulsory purchase orders, will help streamline the compulsory purchase system?

Andrew Whitaker: Again, it is about trying to help local authorities to facilitate the delivery of sites. If they need to use compulsory purchase powers to do that, it is helpful, if only because local authorities will need to reread all the compulsory purchase provisions and may find that they are actually beneficial in bringing forward the sites that they want to bring forward. It is an important part of the Bill.

Ian Fletcher: I would agree with that. We represent mainly very large developers. Often, there will be a particular part on a site that will unlock it using CPO powers, and the improvements that you have made to them in the Bill are welcome.

The Chair: That brings us very neatly to the end of the time allocated. I thank all three witnesses for their evidence, which has been very useful and helpful. I am most grateful to them. I call the next panel.

Examination of Witnesses

Campbell Robb and Jon Sparkes gave evidence.

2.46 pm

The Chair: We are now glad to be able to welcome Shelter and Crisis to the panel. We have a total of half an hour to take evidence from you. Perhaps you could start by introducing yourselves for the record.

Campbell Robb: I am Campbell Robb, the chief executive of Shelter.

Jon Sparkes: I am Jon Sparkes, chief executive of Crisis.

Q133 Helen Hayes: Both of you, in your written submissions—thank you for them—have emphasised the need to address supply issues in order to address our housing crisis. To what extent do you think that the starter homes proposal will do that?

Campbell Robb: The first thing to say is that the drive towards more building is a welcome one, and the Bill is attempting to do that. Our concern with starter homes is that they will replace, rather than be on top of, existing provision. We are fearful also that the type and the cost will be out of the reach of what would be considered to be average families. The removal from section 106 of the requirement to fund social rented, and the replacement of that with starter homes, is the issue that we would have with that.

Jon Sparkes: I would make a very similar point. The concern for us is what happens to people at the very low end of income, for whom the starter home is a mile away. We think that if starter homes are instead of truly affordable rented homes, we will see an increase in homelessness.

Q134 Helen Hayes: Who do you think will benefit from starter homes?

Campbell Robb: In the analysis that we did, we were quite generous in the types of deposits people would have and the costs, so we took a reasonable approach to our analysis of what would be available. I am afraid that our analysis showed that in about 60% of the country, even people on middle incomes would be outpriced. For people on what would be the new national living wage introduced by the Chancellor, when that comes in, in 90% or more of the country, starter homes will be unaffordable. We think that a very specific group of people in a very specific, quite high-end income bracket will get them. That is not to say that it is not a good thing, per se, for them to get a leg up and to own their own home, but the problem is with it replacing social rented and genuinely affordable homes.

Q135 Helen Hayes: You both lead charities that seek to support homeless people. Will the starter homes benefit any of the clients you seek to help week in, week out?

Jon Sparkes: No. The clients we work with—about 8,000 clients a year—are living in shelters or sofa-surfing, and some of them are rough sleeping. There will not be

a benefit to them from this. As Campbell said, that does not mean that it is not a good thing for the people it does help, but it will not help the clients we work with.

Campbell Robb: From our analysis, it genuinely will not help most people who are on an average wage. It should be the aspiration, I think, of any home ownership policy to open that up. That is where we see the problems with it. It would not help many of our clients.

Q136 Seema Kennedy (South Ribble) (Con): Mr Sparkes, I am looking at paragraph 14b of your submission, in which you say:

“Outside of the North of England, Starter Homes will be unaffordable to the majority of households on wages below the median”.

What is the north of England, first of all, in geographical terms? How many people comprise the north of England? I am interested in how you came to that.

Jon Sparkes: I have to say, we lifted that item completely from Shelter’s research, so I will pass it to Campbell.

Campbell Robb: I do not know off the top of my head what the north of England is in terms of the analysis, but I will happily send the detailed geography to the Committee. In terms of incomes and numbers of people, we took Government statistics on average wages and national income and used that analysis against what the cost of starter homes would be, on average, what an average deposit would be and what a normal deposit would be. That is the analysis data.

Q137 Seema Kennedy: I appreciate that you are going to submit it. It seems to me, as somebody who represents a northern constituency, that the north is a term that is sometimes bandied around. Do you accept that it is quite a lot of people?

Campbell Robb: Yes.

Q138 Seema Kennedy: And comprising a large geographical space, with massive variations between one area and another?

Campbell Robb: Absolutely, but the analysis we did across the whole country was based on national Government statistics on average wages. I am sure we can do a bigger breakdown, if that would be helpful.

Q139 Seema Kennedy: I would appreciate that. Do you accept, though, that when you say that outside the north of England they will be unaffordable—we do not accept that—therefore they will be affordable in large parts of the north of England?

Campbell Robb: Potentially, yes, because the average income is lower and the cost of housing as we go further is generally cheaper—not always, but consistently; whereas the south-east, as you know, dominated by London, is far more expensive, but there are pockets around the country, in England and in Scotland, where house prices are out of control as well.

Q140 Seema Kennedy: On that London point, we heard from the Deputy Mayor for housing this morning and he said that first-time buyers’ house prices were £290,000.

Campbell Robb: That sounds about right.

Q141 Seema Kennedy: You accept that that is right? It is well below the cap.

Campbell Robb: £290,000 is the average. It depends on the type of property. That could be a one-bedroom property.

Q142 Seema Kennedy: This is for a first-time buyer.

Campbell Robb: Indeed. The mix of starter homes includes family homes as well, so there is a price range. We are not sure yet; we are still waiting to hear what range of types of starter homes will come forward from builders and from the Government, because there will be a range of variations.

Q143 Andrew Griffiths (Burton) (Con): Mr Robb, may I come back to you on that? I am sure you would not want to leave the Committee with the wrong impression.

Campbell Robb: Absolutely not.

Andrew Griffiths: You talk about pockets of the country where prices would be lower. Are you not actually talking about the vast majority of the country? In the midlands, the north-east, the north-west, there are huge swathes of the country where starter homes at 80% of market value, perhaps coupled with Help to Buy, help with the deposit, are hugely affordable for the vast majority of first-time buyers.

Campbell Robb: As I said, we estimate that 60% would be unaffordable, 40% would be affordable, definitely. It depends, also, on where people want to buy. Not all those areas are where people want to move to jobs. As members of the Committee will know from their own constituencies, it is a challenge for young people to find work. Prices in Birmingham and the west midlands, around those hubs of employment, are going up. So, yes, by our estimate it will be 40% of the country. It is very positive, as I said earlier, for those that can get it. Our point was that, on our analysis, which we are very happy to share and which we continue to look at, on our first look at it, it looked like there are significant parts of the country and certain parts of the population who would not be able to afford it. That does not need to be the intention of the policy, but in terms of the clients we work with and getting a lot of people on to the housing ladder, we felt that this policy could go further than it did.

Q144 Andrew Griffiths: Can you share some more of the specific evidence that you have? You seem to be talking in generalities, but focused on the south-east. Could you be clearer where those figures are coming from? For instance, I look at my own constituency of Burton upon Trent. You talk about high employment areas; we have record low employment in Burton and a starter home in my constituency, at 20% cheaper than market value, coupled with help with a deposit, would be hugely affordable to people on an average income of £20,000 or £25,000. Can you share with us the evidence, the statistics that you have that point to this not being affordable for the vast majority of people?

Campbell Robb: As I said, when you take into account the population density in the south-east and all around there as against Burton, you get to higher numbers as a natural consequence of people who will not be able to afford it. That is not to say that it is not working and

could not work in Burton. I do not dispute that it may be excellent in your constituency to get a certain type of person on average income; that is great.

We looked at this policy nationally and against national statistics. I am happy to share and look at what more we can do to break them down. They are based on Government statistics and analysis. I am happy to share with the Committee and will go away and ensure that we send as much detail as we can back to the Committee.

I do not dispute that in certain areas of the country it will be affordable for some people, but over the whole piece of the national policy, which it is, we were concerned about certain areas—60% of our analysis. I would also have to look at the national living wage, which was the point we were making, because that is another group of people, not on the average wage, to see if this is affordable for them. I absolutely take it that it may be useful for your constituents.

Q145 Andrew Griffiths: Could you share those numbers, so we can get some further analysis?

Campbell Robb: I am absolutely happy to do that.

Q146 Mr Thomas: On that point, I appreciate you are going to send some more information about affordability in Burton upon Trent. I wonder if you could look—

Campbell Robb: I will send as much of the breakdown as I can give.

Mr Thomas: Forgive me, Mr Robb—may I finish my question? It would be great to have the stuff on Burton upon Trent, but it would also be great to have the stuff on London.

Campbell Robb: Absolutely.

Mr Thomas: Perhaps you could look at Croydon, Wimbledon, Harrow maybe as well.

Campbell Robb: I think we might find that in those areas comparatively, starter homes will be less accessible to those on the average wage. I suspect that would be true, as opposed to in Burton.

Q147 Dr Blackman-Woods: We will get more evidence from you and can come back to that. What I have picked up is that you have real concern about whether the starter home scheme will crowd out genuinely affordable housing. What do you think can be done to prevent that from happening?

Jon Sparkes: Clearly, the Bill makes it advantageous to build affordable starter homes as defined. It not being advantageous, leaving local authorities to have the flexibility to have houses for the population that they have, and to make an assessment on the availability of truly affordable social rented housing for the people who need it. The answer to it being crowded out is to not crowd it out, and to leave it for local authorities to decide and be flexible.

Campbell Robb: I would agree with that. Section 106 currently delivers about a third of all genuinely affordable for rent properties in England. Removing that stipulation on local authorities could reduce those numbers and replace them with starter homes. That is the difficulty in that situation. More local flexibility would definitely help us to answer it.

Q148 Dr Blackman-Woods: Have you thought of any exemptions there might be applied to the policy?

Campbell Robb: More discretion is absolutely key. I suspect, as the Committee has shown, that as starter homes come in, which they obviously will, we need to monitor who is actually getting them. Are they genuinely reaching the people you want them to, so that constituencies do benefit? Is the level of debt being accrued and the ability to repay being positively looked at, to ensure that people genuinely can afford the home and that it is giving them the leg up that they want rather than a burden they do not want? Those two things would certainly be helpful. The point about section 106 and the consideration of how mandatory it is would be a very important thing to look at.

Q149 Mr Jackson: Without labouring the point, my impression of the map you produced was a line from the Bristol channel to the Wash. I am mindful of the fact that one in three of the Committee are from London, but this analysis is rather centred on London and the south-east. Surely it depends very much on factors such as the differentials between the market prices of homes and affordable homes. My constituency is quite competitive in that respect, not least because until recently Peterborough had the second worst increase in house prices. There are lots of factors.

Would you concede that, in respect of your specific areas of expertise, starter homes have never been designed to tackle the housing difficulties of your client group in particular: very challenged vulnerable younger people from dysfunctional families and so on? Given the totality of the Bill, and the extra funding that would be released from some of its measures, it does not circumscribe the capacity of the local association to provide specialist supported housing for people with mental health problems, extra care for older people or moving-on accommodation for young people. That can still be done, which is obviously something you would welcome.

Jon Sparkes: You are correct, in that it is not a policy which is designed to support people at the lower end. We can argue about the level of discount as much as we like, but it does benefit the people that it is designed to benefit.

While you say that it does not stop anybody from doing anything? I think it is pretty clear that where there is going to be development investment in housing, it will follow this policy. This will give a level of priority and will take away from the incentive and willingness to do precisely those things that you describe.

Mr Jackson: Following on from the points made by Mr Griffiths and Ms Kennedy, is there not an argument that says it would use the market mechanism to potentially dampen down the overheated housing market in the south-east and London, and allocate housing to working people in areas that hitherto have not been viable, such as the east midlands, the north-west or Yorkshire and Humberside? That surely must be a good thing because it will drive economic activity, not least in the construction industry.

Jon Sparkes: Again, where it benefits people, it is absolutely a good thing, but when we are talking about people on minimum wage or on zero-hours contracts—people way below the average earnings that we are

talking about—then absolutely it does not benefit them. The trickle-down effect, if ever proven, is just so far away from those people that it does nothing to bring them into the housing market.

Q150 Mr Jackson: But you would not disagree with the idea that in the areas where economic activity, growth and prosperity are most needed, where hitherto you have had de-industrialisation and a poor housing market—I remember the pathfinders programme and so on—the starter home programme may potentially assist in that regeneration.

Campbell Robb: We were very welcoming of the original proposals around starter homes because the use of brownfield is obviously, as you heard in previous evidence, potentially very positive. There is great potential there for regenerating in different areas. Our concern continues to be that it is a replacement. If it was in addition to, rather than a replacement—which it is—then you could do that. In essence, using brownfield to create homes needs to go hand in hand, as you will well know, with jobs being created. People want to buy in places they can settle, where there are good schools and where they know that they can get reasonably close to their jobs. If that all pans out, then that is very positive for the group of people who benefit from it.

The Chair: Keeping an eye on the clock, may I ask for both questions and answers to be crisp and to the point, please?

Q151 Peter Dowd: According to my figures, the number of people living in the private rented sector has increased by 2.5 million in the last five years. If only 5% of those people were affected, that would be 125,000 people affected by rogue landlords. Are the penalties for rogue landlords and agents sufficient to protect tenants?

Campbell Robb: First, I welcome the Government's commitment in the Bill to further strengthen the legislation around the private rental sector. Just before the end of the last Parliament, we had some strong wins in terms of rogue landlords and revenge evictions, and there are more welcome things in the Bill. We would be interested in understanding whether there is more that we could do to prosecute rogue landlords and I think we could have a helpful discussion about that. So I think we could go further; that is what we would like to see and we would be very happy to share with the Committee and others about how we could do that. A relatively small percentage of landlords are rogue—I am conscious of not going on too long, Chair—but the stronger the message that we can send out, the stronger the power that local authorities have, the more that we can do on this. But there are some welcome measures in the Bill.

Q152 Peter Dowd: Do you agree that if only 5% of people in those tenancies were affected by that, that is 125,000 people? That is 125,000 people too many.

Campbell Robb: It is, absolutely, and every day we see people coming into our surgeries and phoning up our helpline who are really at the hands of some very bad behaviour, and we would absolutely support doing more to stop that type of behaviour.

Q153 Stephen Hammond (Wimbledon) (Con): To follow on from that, you both give an unequivocal welcome to part 2 of the Bill. Presumably you are also

keen that the database is effective. Looking at Criminal Records Bureau checks and their successor, it seems to me that a database mechanism has been as effective in driving up standards. Are you optimistic that it will do the same in this area?

Jon Sparkes: Yes, I think it will. I think the Bill can actually go even further. Certainly, sharing information about banned landlords and banned letting agents is absolutely crucial and will have an impact. You can see landlords going across local authority boundaries. Once a landlord or letting agent is banned, the professionalising of the sector by making sure they undertake accredited training before they are unbanned is important, so there are areas where we would even support amendments that would take it further—all of which is caveated with proper protections for tenants. If you are the tenant of a banned landlord, you need an awful lot of protection, otherwise you just become evicted by default.

Campbell Robb: I agree with all that. I want to put on record that we have one caveat to unequivocal support, which is about the clauses about abandonment. It may not be the time, Chair, but I would like to share that there are potentially some unintended consequences of bringing that forward and of the lack of court oversight or local authority oversight in making sure that the proposals achieve what is wished but that they do not give a licence to some landlords to use them in a way that we would not support. I just want to put that on record.

Q154 Teresa Pearce (Erith and Thamesmead) (Lab): On abandonment, is legislation not already available for landlords to reclaim abandoned premises?

Campbell Robb: There is. Under section 21 of the Act.

Q155 Teresa Pearce: So is this necessary?

Campbell Robb: We do not think it is. We think that landlords already have those powers and that we would not need to do this. If this is to go through, there are significant caveats we would like to add and areas, in terms of security, that we would like to strengthen.

Q156 Teresa Pearce: On that point, if the clause goes through, do you think it will put additional pressure on local authority housing departments by people appearing evicted without due process?

Campbell Robb: There is a danger that without that due process, certain types of landlords may use this to create evictions. That might happen, yes.

Q157 Chris Philp: You touched earlier on the question of affordability. Without going again through the comments you made then, do you agree that generally speaking, the best way to address any concerns about affordability is to increase supply and that, if we do increase supply as the Bill aims to, both rents and prices have a chance to just cool down a bit?

Jon Sparkes: I agree, inasmuch as it is about supply of the right kind of houses at the right kind of prices and the right kind of tenures. Simply building houses and diluting the supply of social housing will increase homelessness. So I agree, but it has to be the right kind of supply.

Campbell Robb: I would agree with that.

Q158 Chris Philp: In the interests of time, I will move on to my second question. In your briefing note, particularly in sections 8 and 6, you draw attention to the disadvantages of renting—for example, you point out that getting kicked out of a private rented house accounts for 29% of homelessness, and you note that 30% of private rented houses do not meet the decent homes standard. Would you therefore agree that—provided people can afford them, of course—moving people away from rented accommodation into homes that they own themselves is a fundamentally good objective?

Jon Sparkes: We are not against the aspiration of home ownership, but we are against taking the aspiration away from those people who cannot own their own home. Renting has to be available. Just because there are flaws in renting does not mean that renting cannot be available, particularly where it is at the right price and the right standard. That is why we are supportive of the clauses around the conduct of landlords and letting agents in the private rented sector.

Campbell Robb: I would agree, and I would add that that needs to be mixed. Social rented has proved a real stepping stone to home ownership for many people in this country, because the low rents have allowed them to save and gather deposits. At the moment in many places—not everywhere, I agree—high rents mean that very few people whom we speak to can afford to save anything towards a deposit. It is in that balance of what you build and where—exactly as Jon said earlier.

Q159 Chris Philp: That brings me on neatly to my final question. One proposal in the Bill is for social housing tenants, once they reach a certain level of salary at the end of the taper, to move to market rents. That will presumably encourage some people on higher earnings, who had moved into social rented but have progressed in their career, to move out of social rented and into some other tenure, creating space for exactly the kind of vulnerable people you are describing. I presume that therefore you would welcome that clause in the Bill.

Jon Sparkes: The principle that social tenants who can afford to do so should pay more is something that we are not against. There is a detail in there, which is about the onus of evidence. If someone is unable to provide evidence of their income we do not believe that they should be put on to a market rent by default. That will impact on vulnerable people, but the principle of paying more if you can pay more is not something we have a problem with.

Campbell Robb: I agree with that—we are not against the principle of it.

Q160 Mr Thomas: Given the anticipated rise in population in London over the next decade, do you think this Bill will help us to tackle the housing crisis, or do you think the housing crisis in London will get worse?

Campbell Robb: Some of the policies, as we discussed earlier on, may not have as much impact in London as they will have in other parts of the country, as has been pointed out. Some of the sell-off of high-value council homes, in London in particular, will have a bigger

impact in London to pay for the right to buy. Overall, I suspect that London will struggle without further measures to tackle the housing crisis.

Q161 Mr Thomas: So you do not anticipate that the housing crisis will get worse in London, notwithstanding the various provisions within the Bill?

Campbell Robb: It will be interesting to see whether Help to Buy and right to buy—those types of measures—will generate new development. London needs to build a lot more homes, pretty quickly—up to 50,000 a year. It is hard to see at this stage whether these measures will work. Some of the evidence you are hearing from the builders and developers may help, but it is hard to believe that that is definitely going to happen.

Q162 Mr Thomas: One last thing: the Bill has not been written with the interests of renters primarily in mind. What other measures to help those in rented accommodation would you like to have seen in a Bill such as this?

Campbell Robb: The one that we would like to see is a move towards longer tenancies. The very short nature of the shorthold tenancy—it has been shortened to six months—is a massive detriment, particularly to families living in the private rented sector, with children in schools who want to be able to settle. Many leases are rolled on, but knowing that every six months you might face moving is a real challenge. We have made proposals about three-year tenancies and even five-year tenancies. We are seeing big institutional investors that offer long-term renting offering longer tenancies, and not just in London. That gives security. We could have seen more on that area, which would have helped.

Jon Sparkes: I agree, but in addition to that, we would like to see as much effort being put into stimulating the supply of suitable and truly affordable rented property as the Bill puts into stimulating the supply of houses to buy.

Q163 Mr Thomas: How would you do that?

Jon Sparkes: The way the Bill does it is ensuring that there is a priority around affordable houses to buy and that grants are available to make sure they are top of the priority list. Do the same for the others. There are models that show that investment in social housing is beneficial to the public purse over time, so invest in those as well. But it should not be “instead of”—our biggest fear is that affordable houses to buy are instead of truly affordable houses to rent, so do both.

The Chair: This will be our final, and brief, question.

Q164 Kevin Hollinrake: You have both expressed concerns about the sale of high-value homes, but is that not just releasing assets to fund more building of more affordable homes? David Orr of the National Housing Federation said that it will increase new homes in all parts of the market, including the rental market. Is that not easing your concerns?

Jon Sparkes: I do not agree that it will increase the availability—

Q165 Kevin Hollinrake: Even though he said that it would?

Jon Sparkes: If I could finish my sentence, I do not believe that it will increase the availability of social rented property.

Q166 Kevin Hollinrake: Even though he said that it would, in all parts of the market?

Jon Sparkes: I do not believe it will.

Q167 Kevin Hollinrake: We have heard evidence here today to that effect. One of the largest housing associations in the north say they will quadruple their numbers of properties—of new supply.

Jon Sparkes: There is a disincentive to build new council houses inherent in the Bill. There is a right to purchase social housing, but there is nothing to stimulate the availability of social housing.

Q168 Kevin Hollinrake: David Orr said himself that housing associations do not want to move away from the business of providing houses for those in need—why would they?

Jon Sparkes: I would be very pleased if they do not, but I do not believe there is an incentive here to build social rented properties.

The Chair: With that we come neatly to the end of our session. Before we close, I thank our witnesses for their evidence and for taking questions so gamely, and our Committee for asking questions so sensibly. We move swiftly on to the next panel.

Examination of Witnesses

Mark Patchitt, David Montague, Sue Chalkley and Tim Pinder gave evidence.

3.15 pm

The Chair: We are looking forward to hearing from this big panel. It will be quite a lengthy session lasting for an hour. Our witnesses are from the Riverside Group, from the London Housing Association, from the Hastoe Group and from Peaks and Plains Housing Trust. Please will you introduce yourselves for the record, starting on my right?

David Montague: David Montague, chief executive L&Q.

Sue Chalkley: Sue Chalkley, chief executive of Hastoe Housing Association.

Tim Pinder: Tim Pinder, chief executive of Peaks and Plains Housing Trust.

Mark Patchitt: Mark Patchitt, director of development and growth for the Riverside Group.

The Chair: Colleagues, we have an hour.

Q169 Dr Blackman-Woods: Thank you, Mr Gray. The Government have suggested that the voluntary agreement on the right to buy was necessary to avoid legislation. How voluntary was the voluntary agreement? Why did you decide to accept or reject it and should a voluntary agreement be subject to statutory monitoring?

David Montague: I am on the board of the National Housing Federation. I also chair G15, as well as being chief exec of L&Q. We were concerned at L&Q from the outset that a statutory right to buy would give us less flexibility over the long term, so we were keen to support a voluntary proposal. We believe that it would be better for housing associations in the long term, better for our tenants in the long term, and better for social housing in the long term. We supported it from the outset, as did the vast majority of housing associations. That is not to say that we do not have some concerns. As others have mentioned, we are concerned that it will have a negative impact on supply, particularly in London. Having said that, along with my G15 colleagues, we are determined to ensure that there is a net increase in social housing in London.

Sue Chalkley: We voted no for two reasons. First, the proposal is not adequately rural-proofed. We have quite a few concerns around the impact on rural communities. Secondly, we do not believe the proposal is future-proofed. It is mandatory for us because it will be in the regulatory framework, but it will be voluntary for the Government, because they could change their view as to what proportion of the discount might be paid in years to come. We felt it put us in a very uncertain position. We would rather something was in legislation so that there was certainty about what the deal contained.

Tim Pinder: Our association voted no as well, on the basis that, as a charity, they felt uncomfortable voluntarily giving up their charitable assets. They absolutely respected the fact that the Government had made it clear in their manifesto that they would bring forward legislation. Our board was of the view that it would happily go along with any kind of legislative provisions, but was not comfortable voluntarily giving up its charitable assets.

As the Bill is drafted, we still have concerns about the use of the word “may” in terms of the Secretary of State’s powers for potentially providing grants. The language was very different to a voluntary agreement that we were asked to vote on, which talked about full compensation for the discount at which we would sell our properties. The whole notion of a grant does not strike us as giving the same kind of powerful commitment that we will not be out of pocket. The fact that it says “the Secretary of State may” sounds a rather weaker commitment than we were led to believe the voluntary agreement had struck, which was that we would be, without condition, reimbursed for the discounts that are available under the right to buy.

Mark Patchitt: We voted yes for the voluntary offer—we thought the voluntary offer made was very clear about the conditions, that we would go through with the right to buy and that it is on full compensation. Our board thought long and hard about it and we also asked our residents and tenants to see what they thought of it. We are a charity as well. As long as we can get the one-for-one replacement so that we are able to help just as many customers in the long run, we are in favour of the voluntary deal. It is on those terms that we have set out.

Q170 Dr Blackman-Woods: What about the statutory monitoring of this? What do you feel has happened to you, becoming categorised now in the public sector? Are you concerned about it? Do you think that should be addressed?

David Montague: We are satisfied that our regulator will be required to monitor and we think that is an appropriate level of monitoring. As far as reclassification is concerned, naturally we were disappointed that we were reclassified, but we were pleased that the Government came out so swiftly after that announcement to confirm that it would take deregulatory measures to place us firmly back in the private sector. We believe that that is where independent charities belong.

We were also satisfied that, the day after the announcement, the chair of the regulation committee wrote to all of us and confirmed that, until the Government took the action that it had proposed to take, it was business as usual in terms of borrowing and expenditure plans.

Sue Chalkley: We were reassured by messages from the Secretary of State and the regulator but slightly disappointed that this was used as a reason for needing to say yes to the deal, whereas in fact it does not seem to be that much of a big deal after all.

Tim Pinder: There is a bit of an inherent contradiction between the regulator being given the power to enforce, monitor, control a voluntary agreement at the same time as the Government are making the commitment that they want us back in the private sector and to reverse the Office for National Statistics classification. Those two seem at odds to me.

Q171 Mr Jones: In relation to this point about reclassification, Mr Pinder and Mrs Chalkley, you mentioned that would rather see the right to buy firmly in legislation and the whole thing legislated for. Do you not think that that would pose a significant risk of the ONS continuing to classify as they have done?

Sue Chalkley: My understanding is that in deciding the ONS takes into account whether there is a certain level of Government control, regulation and legislation, so I am not sure whether it would have made a lot of difference whether it was in one or the other; it is still Government control and that is what they take into account. That is my understanding.

Tim Pinder: As far as we are concerned, just to be clear, we absolutely accept the democratic vote of the sector. Our position was that our board was not comfortable accepting the voluntary deal but we respected that the majority of the sector did and at that point, therefore, we were happy to accept the voluntary deal rather than legislative provision.

Q172 Matthew Pennycook: Some 1.3 million housing association tenants expect, I think, on the basis of this Bill, the right to acquire or buy their own home. I would assume that you would not be able to cope with that level of take-up; I wondered what level of demand you think you can cope with annually, say next year. Are you concerned that there are not any measures in the Bill to help you to cope with the demand of people accessing that right?

David Montague: Our estimate is that 10% of our tenants will be eligible and will be able to afford the right to buy. That estimate is supported by the National Housing Federation, which also estimates that 35% of housing association tenants in the midlands and the north will be eligible and able to afford the right to buy. We expect our 10% to exercise their right to buy over

probably a five- to 10-year period and we think that we can manage that level of demand. The average L&Q tenant has an income of £13,000, so even with a discount of £100,000, the vast majority of L&Q tenants will not be able to exercise their right to buy.

Sue Chalkley: We have some older stock in suburban areas but the vast majority of our schemes are in 250 rural villages. I know that this sounds really counterintuitive but we have had hardly any inquiries—fewer than five—from our tenants. Twice a year I do chief executive's free-phone day, when people can ring me about anything. On my previous free-phone day in August, I only had one inquiry. I really do not know how you interpret that, but we do not have a sense that we will be overwhelmed.

Tim Pinder: Nor do we. We are a stock transfer housing association, so any tenant that was a tenant of Macclesfield borough council in 2006 retained their right to buy when they transferred across to us. Obviously that number has diminished each year as new tenants move in, but we have always managed to cope with the demand from that group. The new tenants who will be entitled to this right to buy do not represent such a significant challenge for us, so we are quite confident. I was interested to read the Minister's comments about the potential for phasing in right to buy. We would be interested to understand whether that is a geography-based phase-in or whether it is about particular groups of tenants. How would that work? I am not so sure that we need that to manage the demand but gaining an understanding of those proposals would be welcome.

The Chair: The Minister has been called away to a meeting with the Secretary of State but I know that the officials are present and they will no doubt take note of the fact that you would like information, and provide it for you.

Q173 Matthew Pennycook: Do you think there is a risk, if this is phased in or if you are not able to meet all the demand, that housing association tenants who want to purchase their own homes may feel let down?

Tim Pinder: They may well do. I do not know what lay behind the initiative to think about phasing in. One of the issues must be a concern about whether the amount of high-value properties in the local authority sector, which are designated as funding the discounts to housing associations, will be sufficient to allow the demand that you are identifying may well be out there to be met. For us, one of the issues is that we are aware of a very strong lobby from London-based local authorities to ring-fence any of the proceeds from its high-value properties. If that is successful, it prevents that money from heading north to where we are, where most local authorities have transferred the housing stock. The ability for local authorities in our neck of the woods—the north-west of England—to dispose of high-value stock if it was there is very limited because they are no longer stock-owning local authorities. That is my suggestion for what might lay behind the phasing in.

Q174 Matthew Pennycook: Just picking up on the logic of what you just said, can I take from that that you think that like-for-like replacements in the local area where the forced sales will happen is unlikely?

Tim Pinder: No, when we say like for like, we are confident that we can replace at least one for one.

Q175 Matthew Pennycook: With the same 10-year entitled spending?

Tim Pinder: Yes. However, where I take slight issue with the definition of like for like is that the area that we work in has some incredibly high-value properties and high-value areas. I was just looking yesterday at some land in Prestbury, where we have properties that will be attractive under the right-to-buy provisions. We are looking at £1 million-plus per acre. Now, there is no way that we can compete in the market to purchase land and build new in that village. We would be able to replace for every home sold in Prestbury, but it would not necessarily be replaced in Prestbury. That is the disadvantage.

Q176 Dr Blackman-Woods: In areas of low-value housing, do you accept that it might not be possible to do a one-for-one replacement in the area because it would cost perhaps two or three times as much to replace the home that has been sold than the value of the home itself?

Mark Patchitt: It is going to be a challenge. We expect the average sale price of our right-to-buy properties to be about £82,000 or £84,000. That is probably less than it will cost to replace it, like for like, with a rented property. On your previous point about like-for-like properties and where you build them, it is important that there is some flexibility about where we build so that we can get the maximum efficiency in how we are building so that we can do the deals on the land now and try to get the land to replace these properties. We will have to look at whether we can replace exactly for all the affordable rented sales, but certainly we would expect to be able to replace affordable accommodation one for one.

Q177 Seema Kennedy: Mr Patchitt, you said that when your housing association took the decision to vote for the voluntary agreement, you consulted your tenants and your customers.

Mark Patchitt: We did, yes.

Q178 Seema Kennedy: Could you expand a little on how you did that? Do you think that they were interested in the proposals of the Bill overall and this idea of starter homes and expanding?

Mark Patchitt: We consulted them specifically about the voluntary right-to-buy offer. That was all that we consulted them on. We consulted our board and our residents at the same time. That was on the basis that if they voted no, there would potentially be a statutory right to buy, and if they voted yes that would be in favour of the voluntary right. They saw the benefits of the voluntary deal over a statutory deal in preserving some of the flexibilities that we had hoped for, and it was very much on the basis that they wanted one-to-one replacement. They did not want to see a net loss of affordable homes in Riverside, and they thought that was the best way of achieving that.

Q179 Seema Kennedy: Can I ask the other panellists whether they went through a similar process? I am sure that you did on your boards, but was there any of that sort of consultation with the actual people living in the homes?

Tim Pinder: We did not, no.

Sue Chalkley: No, we did not.

David Montague: Nor did we. We consulted our board, which includes residents, and we have a resident board.

Q180 Seema Kennedy: You have representatives on the board. Mr Pinder, you are based in Macclesfield, and you have cited the example of Wilmslow. Where else do you have homes?

Tim Pinder: We have homes in some very affluent parts of the borough, in places such as Alderley Edge, Wilmslow, Knutsford and Bollington. I think that is interesting because quite often the housing debate is characterised by a kind of north-south divide, which is far too crude.

Q181 Seema Kennedy: That is why I asked, because I know the area well. You gave the example of Wilmslow for a family on £40,000. How far would that go? Would you get a house in Warrington or in Macclesfield itself?

Tim Pinder: Macclesfield is lower value than those areas, and even within some of those towns with a reputation for being incredibly affluent, there are lower value properties and lower value areas. It is quite a complex mix.

Q182 Seema Kennedy: Would you accept that the example that you gave of a family spending 56% of their income is an outlier?

Tim Pinder: I would not say that it is an outlier. There are more properties in that field than there are lower values one. I would say that that is more typical than not.

Q183 Seema Kennedy: Perhaps that is because of that stock transfer from Macclesfield borough council, but surely in the rest of Cheshire there are definite examples where this sort of percentage would not be paid.

Tim Pinder: Absolutely. I would agree with that.

Q184 Helen Hayes: I wanted to ask your views on the pay-to-stay measures in the Bill. I would be interested in your views on what you think the impact of pay-to-stay will be on your organisation, administratively and in terms of your capacity, on your tenants and your relationship with them, and also on the wider communities that you manage as housing associations.

David Montague: I will start by saying that we welcome any flexibility on the way that we set our rents. As charities, we will always use that flexibility carefully and prudently. We would prefer to see that flexibility extended across all of our stock, particularly given that we are not sure what will happen to rents in five years' time. We think that the best people to set rents are the boards of charitable housing associations. We broadly welcome any flexibility that we are given.

On this specific measure, we think that pay-to-stay, for those who can afford to, will equal right to buy. It will encourage people to exercise their right to buy. They will have a choice of either seeing their rent doubled or accepting a discount of up to £100,000 to buy their home. It is a big incentive to buy their home. The difficulty is that if someone is living in a one-bedroom

flat in Westminster and they cannot exercise their right to buy, then they could be stuck. That is why we welcome the flexibility that we are being offered through the voluntary deal, which will mean that the discount is portable—people can take it to a more affordable area. We are concerned about the administrative complexity of pay-to-stay. It is going to be a bit of a burden, and we are not yet convinced that the income we will receive will outweigh the cost of collection. It will require co-operation between us and statutory agencies in a way that has not happened before.

We would like to see some of the detail as well. We are not sure whether the same rules apply to a single person on £40,000 as to a couple on £40,000. There is a danger if it does that we could be drawing more people into the benefit system as a result of this policy.

Sue Chalkley: If it was a simple system to administer, we think that pay-to-stay might help to offset some of the rent reductions that we are facing. However, there are rural considerations with this initiative as well, in that many of the schemes that we have built for rural communities have been built with an undertaking that we will hold them as affordable housing in perpetuity. This could trump that deal with the rural community and cause a lack of confidence going forward, so that is a concern.

The other issue from the point of view of a rural community is that many families have seasonal part-time work and they have a portfolio of jobs, so it will be potentially quite complex to decide what the income is and how the rent is calculated on that. On top of that, there is plenty of evidence to show that living costs in rural communities are between 10% and 20% higher than they are in urban communities. Should the taper be in some way tapered to reflect the difference between rural and urban communities? We really just call for this to be fully rural-proofed.

Tim Pinder: We welcome pay-to-stay. I said before that our association had taken its view on right to buy because of its charitable status. On the same basis, pay-to-stay makes sense to us as a charity because to maximise our charitable assets, they should be going to the people in greatest need. We actually welcome it as a principle. I think, again, there is a bit of a potential conflict here with the Government's intention to have us reclassified as private bodies, because they are talking about a legislative provision rather than a voluntary arrangement.

Some of our concerns are around the proposed level. For us, it is £30,000 outside London. From April 2015, a couple on the living wage would be at that £30,000 mark, so in our view £30,000 does not feel like the right level to reflect a high income household. Some of the details around how this would work in practice also give us some concern. If you are £1 above the £30,000 limit, does that immediately mean that you will move to market rent? If so, you are suddenly faced with an extra £3,000 rent per annum, which seems to fly in the face of the whole concept of "work must pay" and people bettering themselves in a way that does not have a financial disincentive. We very much welcome the principle. We would very much like, perhaps through the National Housing Federation, to work with the Department for Communities and Local Government to look at how that would pan out in practice.

Q185 Mr Jackson: First of all, Mr Pinder, I think you are slightly gilding the lily in quoting Prestbury, because Prestbury is probably in the top 3% in the north-west, if not in England, as a super-output area for wealth. You could easily have said Widnes, Warrington, Winsford, Crewe, Chester or various other places. It illustrates the point that Ms Kennedy was making. There are obviously social and demographic variations even within one region.

Can I just address the issue of pay-to-stay? Because we ran out of time, we were not really able to challenge David Orr to the extent that we would have liked. The evidence that was given earlier seemed to suggest that housing associations were not expeditiously collecting data on the household income of their tenants. Is it not incumbent on you to have been doing that from day one? You are trying to allocate very scarce public housing resources. Why is it only now that you are saying, "We are not going to have the capacity," or, "It is too bureaucratic to collect data on the income of our tenants"? You should have been doing that some time ago.

Tim Pinder: We certainly do for new tenants. The point you are rightly making is that, at the point at which we allocate a new property, to ensure that we are discharging our charitable responsibilities appropriately, we absolutely do check. In our case, having inherited 5,000 tenants from a local authority, if they are still our tenants now we have no record of their earnings.

We are in a very strange situation where we have really no right to know the earnings of existing tenants, but we have for new tenants. From the Information Commissioner point of view we should restrict the amount of information we hold on tenants to that which we ought to collect.

Q186 Mr Jackson: But the legislation says that they have a retained right to buy. Am I correct in saying that?

Tim Pinder: Yes.

Q187 Mr Jackson: Surely their financial bona fides are pertinent to an application for retained right to buy, if they wish to purchase a property?

Tim Pinder: What we find in practice is that a huge proportion of right-to-buy applications are funded by family members rather than by the applicant or tenant themselves. I am not so sure that helps us in the processing of right to buy. That remains a big challenge for us. If we do not have that data, how do we get them? There has been talk that Her Majesty's Revenue and Customs will make those data available to us. How easily accessible they are is another matter.

Q188 Mr Jackson: So the Government are doing you a favour in prompting you to collect information better, to use the resources at your disposal better. Would you agree?

Tim Pinder: I am not so sure it helps, no.

Q189 Peter Dowd: With your permission, Mr Gray, I will use Mr Patchitt as a case study, to tease out an issue. Many of the houses under your control, Mr Patchitt, are in my constituency. I have some figures here. You say that you have 53,000 homes. Is that correct?

Mark Patchitt: Yes.

Q190 Peter Dowd: So, on the figures we were given before, around 10% of them were sold. Is that a fair figure? Let us take that as an example. That is 5,300 at £85,000 a home, as you were saying before, which is £450 million, if my maths are correct. The full receipt to replace is not received because of the difference between the replacement cost of £100,000 as opposed to £85,000. The cost to replace at £100,000 leaves you short of about £20 million does it not, if you were replacing like for like?

Mark Patchitt: It could do. There are different ways we can procure homes. This is an important point. Currently, we are able to acquire some homes under section 106 agreements with developers. That discounts the cost of rented homes, so we are able to get properties purchased from developers at around £80,000 in the north at some point, some time. That would help offset some of that, but to build new would definitely cost more. We are looking for a balance and we may have to consider some affordable home ownership to replace that.

Q191 Peter Dowd: Would you agree that, if you had the absolute guarantee, or at least the guarantee in the Bill, that you were going to get, not just pound for pound, but perhaps £1 for £1.10, to rebuild all the houses that have been sold—

Mark Patchitt: It is a national offer. Nationally, as a sector, we say we will replace one for one. It may be that in some parts it is a bit more of a challenge for somebody to replace exactly one for one, but somebody might be able to replace a little bit more than one for one, and as a sector we will do that. We have signed up to the fact that roughly one-for-one replacement should be possible, if we get full compensation for the sale of the property.

Q192 Peter Dowd: Can I pursue this further? You are a charity and are concerned with your charitable status and the people you deal with. You are not interested about what is happening in London or Manchester, or wherever it might be. The bottom line for you as a charity is whether you have the guarantee that you will, pound for pound, or £1 for £1.10, get that money back. Have the Government given you that guarantee in the Bill?

Mark Patchitt: The voluntary offer that we have signed up to—we have said why we would sign up to it—is that we get full compensation for the sale of our properties. If that falls, I do not see how we could provide the one for one, and our board would probably take a different view.

Q193 Peter Dowd: That brings me to the question: are you confident that the Bill—not what Ministers say might be there—guarantees housing associations the full value of homes sold through the right to buy?

Mark Patchitt: The Bill mentions grants, and I have mentioned full compensation for the right to buy. Whether that is in the Bill or outside it, and how it is legislated for, I leave for others to decide.

Peter Dowd: That is a no, then.

The Chair: Before I call the next speaker, it may help the Committee to know that we expect a Division in the Chamber at 4.40 pm. Therefore I intend, with the

Committee's agreement, to wind up this session at 3.55 pm in order to get the next panel in before the Division. That gives another 10 minutes in this session.

Q194 Mr Bacon: We heard from the previous witnesses from Shelter and Crisis that there is “nothing in the Bill for social renters”. As people running housing associations, do you think there is anything in the Bill for social renters?

David Montague: The overall picture is very positive and is backed up by statements from the Minister, from the Secretary of State and from the Prime Minister. A million homes over five years—we are totally behind that. We are very pleased to see efforts to release brownfield land and for the planning process to support the provision of new housing, but I am concerned that there is not enough in there for social rented housing.

Sue Chalkley: I entirely agree. We will do our best to continue providing affordable, rural, rented housing, and we support the general thrust of the Bill to deliver more homes of any tenure, but the Bill itself does not really incentivise more social rented housing.

Tim Pinder: I largely agree with that. I was struck by some work that the Halifax did recently on people who are renting, which found that 15% of renters across all sectors have no aspiration for home ownership. So, welcome though the Bill's provisions are for starter homes, there is that chunk of people for whom I do not think there are provisions in the Bill to assist. However, I think that our ability to re-provide, probably, more than one to one and right to buy, means that, in that respect, there is something for social renters.

Mark Patchitt: I agree with the previous comments.

Q195 Mr Bacon: I am specifically thinking of vulnerable groups, such as the disabled, the unemployed, those on benefits and homeless ex-servicemen and women. The Community Self Build Agency seems to think that the approach of self-build can do something for all those groups. On the front page of its website it says:

“I was encouraged by the local council to apply for the CSBA Scheme, I rang them and said; ‘I am disabled, unemployed, on benefits and I know nothing of building.’ They said; ‘You fit all the criteria!’ I have never looked back.”

None of you, in your answers, mentioned self-build, although that is chapter 2 of the Bill. What do you think self-build might do to help you? This refers to different kinds of tenure, including affordable rent and shared ownership, both of which the Community Self Build Agency does. What do you think that you, as housing associations, might do in this space?

David Montague: Self-build has a really important role to play, but will it deliver a million homes over five years? I fear that it will not. Will it deliver 50,000 homes a year in London? I do not think it will. Everybody has a role to play, but there is so much more than self-build that needs to be offered as a solution.

Sue Chalkley: I absolutely think that the solution is lots of little schemes. I really like the Self-build and Custom Housebuilding Act 2015. We held a landowners conference in Newmarket three weeks ago and we have been overwhelmed by landowners expressing an interest in doing self-build. We are following up a number of leads at the moment, so we feel really positive about that. It is a good, local solution that will be something that the local community will own and be proud of.

Tim Pinder: We have had discussions with the local authority about making provision on our sites—as we develop them for either shared ownership or for rent—available for self-builders as well, so we are happy to accommodate them as part of the mix, as Sue suggests.

Mark Patchitt: I think it can be complementary. It is a very intensive support system to help self-building get off the ground—it takes a lot of human resources and time—and we have preferred to concentrate our efforts on commercial building, affordable building and other off-site manufacturing ways of trying to add quantity to the whole output.

Q196 Mr Bacon: Is there anything in law which prevents housing associations—which, after all, are actors who play in the space at scale—from promoting mutual housing co-operatives and taking part in them?

David Montague: I doubt whether there is.

Sue Chalkley: I do not think so.

The Chair: We do not need to hear from all four of you.

Q197 Mr Bacon: If you wanted to do that, you could?

Sue Chalkley: There are co-operatives that are housing associations.

Q198 Mr Bacon: Yes, but if you as housing associations wanted to support new co-operatives and take part in them, you could do so?

Sue Chalkley: Yes.

Q199 Mr Thomas: Mr Montague, can you flesh out a point you made in your opening remarks about your concerns that the Bill will not add to supply in London?

David Montague: We believe there is a lot that is positive in the Bill, as I mentioned earlier—brownfield sites and so on—which will help us to deliver more homes in London. The tides that we are swimming against in London are the loss of local authority stock that will be difficult to replace and the effect of the starter home initiative, which is still difficult to determine. Our fear, as others have suggested, is that it will replace social housing.

Q200 Dr Blackman-Woods: Can I follow on from that? The G15 are quite strongly against this forced sale of council housing. Do you share the concern that the Government should not be seeking to support the right to buy through the forced sale of council housing?

David Montague: We are concerned that it will lead to the loss of affordable social rented housing in London. We would have preferred to have seen the voluntary right to buy funded through other means—means which we suggested. Given that we are where we are, we are determined to work with local authorities to protect against the loss of social housing in London.

Q201 Maria Caulfield: I am interested in your opinion on the concern about matching the loss of right to buy for one to one. Have you looked at other methods, other than traditional house building methods? My local authority only this year has gone down the modular

housing route, which has enabled 100% affordable rented housing to be turned round that meets all building regs, along with the “Code for Sustainable Housing” and the Lifetime Homes standards, and the houses are three and four-bedroomed detached houses for low-paid workers. The cost to build each house is less than £30,000, so you could easily replace two for one, for example. Have you looked at those models?

Mark Patchitt: We have been working with housing associations in the north-west collectively to look into modular off-site and to see whether we can collectively bring the purchasing power that would make a difference. We first thought that we might be able to get discounts. That wasn’t the case, but we could help the industry with modular. Our experience to date—we have done a number of pilots—is that the actual cost of modular today is slightly more expensive than traditional. However, we are still pursuing it, because we believe that in two, three or four years’ time it will be as competitive, if not more competitive, as you see labour and material costs go up.

Q202 Maria Caulfield: I am slightly concerned about that. With the modules that we have been using, we can build a three or four-bedroomed house for less than £30,000 in 18 weeks. They are quick and cheap to build. I am surprised if you have not looked at that route at all.

Mark Patchitt: A lot of the modular solutions have very good headlines—I don’t wish to dispute the figures—but we found £60,000 per house didn’t include the garden, the fencing or the roofing in one instance. We have looked into a number of schemes, and I believe it is a very good point. We should be looking at off-site and modular housing. I really believe it has its place going forward if we are going to create the million homes that we are aspiring to.

Q203 Andrew Griffiths: All of the panel have discussed the £30,000 as the limit for pay to stay. The Government are consulting on a paper or a gradual system that could even have regional variations. Could the panel tell us if you have contributed to that consultation and, if so, what have you said?

Tim Pinder: We have, yes. Some of our suggestions are around perhaps starting a taper at a rent that is earning 25% above the existing £30,000 threshold, so there is clear blue water between them—perhaps as a taper similar to the rent convergence that housing associations and local authorities adhered to over recent years, which means that we set a rent as a target that we want to get to over, say, a five-year period and the rent increases by £5 per year until we get there. Those are some of our ideas.

Mark Patchitt: We have contributed. In terms of the taper, we are concerned that £30,000 is on the low side. The difference for some of our residents, for example in Bromley, between what they would have to pay as a market rent and what they currently pay today would be an enormous jump. That £30,000 threshold in 2020 is two people on minimum wage.

Q204 Andrew Griffiths: Have you made a specific suggestion on what the taper should be?

Mark Patchitt: We have not. We would prefer it to be a higher threshold.

Sue Chalkley: We have not yet. I would not imagine that we would make a specific suggestion about the taper. We will probably be majoring on the impact on rural communities.

David Montague: We will make a submission. We believe in a higher threshold. More importantly, we believe that pay to stay should be voluntary and it should be part of the general flexibility for housing associations to set their rates.

The Chair: We thank the panel very much indeed for their evidence. I hope you do not mind me curtailing it slightly but the business of the House demands that we should do so. Thank you for coming in. Will the next panel take their places with no undue delay?

Examination of witnesses

Carolyn Uphill, David Smith and David Cox gave evidence.

3.56 pm

The Chair: I would like to welcome representatives from the National Landlords Association, the Residential Landlords Association and the Association of Residential Letting Agents. Before I ask you to introduce yourselves, I remind you that we expect a Division in the Chamber at 4.40 pm—40 minutes from now—and therefore we will curtail the session at that stage. Could you identify yourselves for the official record?

David Cox: I am David Cox from the Association of Residential Letting Agents.

David Smith: I am Dr David Smith from the Residential Landlords Association.

Carolyn Uphill: I am Carolyn Uphill from the National Landlords Association.

Q205 Teresa Pearce: Everyone agrees that rogue landlords are a very bad thing and something must be done. In the Bill, if certain criminal activities are undertaken by landlords, they can be subject to a banning order. Do you think that will result in improving standards? Do you think that a banning order is the right action?

David Smith: We support banning orders if they are used effectively to eliminate criminal landlords. One of the problems that we have identified at the moment is that enforcement action is not taken often and robustly enough by local authorities. There is a tension between banning orders and the new power in the Bill to create civil penalties, because if a local authority chooses to use the civil penalty route, it cannot then use a banning order because they are only possible when they prosecute somebody. What we are very keen to see is an amendment to the Bill so that local authorities do not continually issue civil penalties against landlords who should be prosecuted, issued with a banning order and removed from the sector.

Q206 Teresa Pearce: Just on that point about civil penalties, do you think they are high enough?

David Smith: I think the size of the penalty is fine. What I do not want to see, or would be very unhappy to see, would be very serious matters being dealt with by a civil penalty, whereas the most serious matters should always go to court.

David Cox: We have to factor in that sales agents can already be banned, and have been able to be since the Estate Agents Act 1979 came into force. We would like to see the lettings sector brought under the Estate Agents Act. We support the concept of banning orders, but against individual agents, as in the Estate Agents Act, rather than agencies. One thing we would not want to see is an individual agent—maybe a new recruit—who has done something very stupid which could shut down an entire agency, particularly as some of the large corporate agencies employ tens of thousands of people, so we think that banning orders should be based on individual agents.

More importantly, however, at the moment the sales banning list is held by Powys County Council, by the national trading standards estate agency team, which bans sales agents, but at the moment still allows them to practise as letting agents. When these banning orders come into force we need to make sure there is joined-up work between whoever is the body that will be dealing with the banning orders for letting agents and landlords, and Powys' national trading standards, so that we do not end up with a situation where somebody can be banned as a sales agent but still practise as a letting agent, or banned as a letting agent and still practise as a sales agent. We suggest either that the two come together as one overarching body, or that they speak very closely and regularly, to make sure that we do not end up with unintended consequences.

Carolyn Uphill: The National Landlords Association is broadly supportive of these measures and the intention of the Bill, because part of our value statement is that bad practice and criminality should be driven out of the sector. As a landlord, it is not good for my business to have criminals operating within the sector. Whether banning orders on their own would drive the criminals out is a question of them actually being used. That relates, as my colleague said, to the use of fines and civil penalties. We need enforcement action to drive these people out of the sector. In principle it is an idea we would support, but in practice we would welcome consultation with the stakeholders, to make sure we get it right and there is a good right of appeal, so that the right people are driven out of the sector. As landlords, it would do us all a great deal of good to drive the criminals away.

Q207 Teresa Pearce: So without further investment in local authorities, do you have confidence that local authorities could actually undertake this work?

Carolyn Uphill: If local authorities had the ability to keep the proceeds of any fines or civil penalties they levy, we would fully support that; we would like to see them ring-fenced to be used on housing matters, so that there is a real incentive to make the polluter pay—make those causing the problems pay for them. Perhaps they should be able to refund or rescind some of the licensing schemes, which are just a cost on the good landlords. Get the polluter to pay and use that money to improve standards. Then there would be a strong incentive to do it. The evidence is that in the last six years, 2,006 landlords were prosecuted under the Housing Act, whereas every week we are fining 3,000 people for not having a TV licence. Somewhere, we need to put more emphasis on this.

Q208 Stephen Hammond: Ms Uphill, in your written submission you raised concerns about privacy. First, can you set out in depth what you think those are and,

[Stephen Hammond]

secondly, following on from your last answer, do you think that local authorities have the ability to construct the database so that privacy is protected?

Carolyn Uphill: Are we talking about the database for rogue landlords?

Stephen Hammond: Correct.

Carolyn Uphill: I would hope that it can be constructed so that privacy is protected—it is not the sort of information we would like to see left on a train—as long as it is properly protected and controlled and used for the right purpose. It should not be a fishing exercise for matters outside housing issues, but if properly used to stop the sort of people being involved in the industry who do not do me as a landlord any service, then it should be feasible.

Q209 Stephen Hammond: Mr Smith, are you confident that the local authorities will be able to maintain an accurate database?

David Smith: We are concerned about accuracy. The difficulty will be that a local authority, having gone through potentially quite a bruising prosecution process, is then going to have to repeat the process to achieve a banning order and face further appeals. We are concerned that local authorities might get a prosecution, be satisfied and stop there without carrying through a full ban to remove the landlord.

Q210 Stephen Hammond: But the obligations placed on them in the Bill to do so should be strong enough, should they not?

David Smith: Yes, they should, but the other side of that is the secondary database of merely bad landlords, as opposed to banned landlords. The problem will be moving people effectively from that database so that it stays a live database. Up to now that has been a mixed process.

Q211 Stephen Hammond: I notice from your written evidence that you think the Bill will provide a good opportunity to support and encourage longer tenancies in the sector, which presumably you would all welcome. Can you explain why you think that?

David Smith: Our members—not all our members but a significant percentage—are quite happy to grant longer tenancies. The fire, in a sense, is targeted in the wrong direction from our perspective. The two biggest barriers to longer tenancies are mortgage companies, which tend to put restrictions on mortgages—we feel the Treasury is in an historically strong position to do something about that if it wanted to—and long leases of flats, particularly in the capital where there are a great many more blocks of flats. Ironically, many of those blocks are in the hands of local authorities or housing associations but almost all of them include a restriction on leases of more than 12 months.

It is an area that is very difficult for a landlord with 1,000 leases to fix themselves, because they would have to go and re-sign a couple of thousand leases. So we think it is an area uniquely suited to legislative intervention, by simply acting to replace such a clause with one that

allows a tenancy of up to three years, which is already more than the vast majority of tenants have indicated that they would like.

Q212 Stephen Hammond: Mr Cox, if we turn to part 3 of the Bill on recovery of abandoned properties, do you think that the provisions of the Bill will remedy the shortcomings of the current system?

David Cox: Yes, I think that they will. It is quite a complicated process that has been set out in the Bill. The issue of abandonment is not a massive problem—the problem is that, when it does happen, it causes a huge amount of confusion, concern and, effectively, a great loss of income. It takes up a huge length of time. We also have to factor in the deposit, which is not mentioned in the Bill, particularly if the custodial scheme, DPS, is used. It is difficult for the landlord to regain the deposit when it is in the custodial scheme because it requires both sides to agree to the deductions from the deposit, if there are any. If one party has disappeared and abandoned the property, there is no way of getting that party's agreement. The deposit therefore sits in the deposit scheme.

Generally, the process is welcome. It is following the same path as under the Renting Homes (Wales) Bill in Wales and the Private Housing (Tenancies) (Scotland) Bill in Scotland. We would not recommend any changes at all, merely the inclusion of a clause on deposit protection.

Carolyn Uphill: We have long campaigned for this and we are very supportive of it. As Mr Cox said, it is not a very common problem but when it happens it is very costly and problematic for the landlord; plus there is a property tied up with nobody in it that somebody else could be occupying. It is only right for this legislation to speed up the process. There is no need to be worried about some of the scaremongering that this will cause a disservice to tenants, because the clause requires there to already be rent arrears of at least eight weeks, usually two months, and for the landlord to have made great attempts to contact the tenant. If a tenant is paying the rent and is contactable there will be no problem at all, but if neither of those is happening the landlord would, in any case, be seeking possession. It simply speeds it up and puts a home back on the market for somebody else.

David Cox: May I make one final point? Looking at clause 52 on reinstatement, it talks about an application being made up to six months after. This is exactly the same as its respective clause under the Renting Homes (Wales) Bill. Six months will allow a tenant to leave a property, take up an entirely new six-month tenancy and then come back to the property and demand it back. We would ask for that period to be shortened, so that it prevents that prime example. Someone may be living up in the midlands and has a six-month contract to work down in London, they come to London, do their contract then go back and demand their property back, which they will be able to do under these clauses. We would ask that it be shortened—I would suggest to two months, because they have at that point probably already abandoned the property for four or five months. Six months will allow, potentially, a rather perverse situation and unintended consequences. We would ask that, under clause 52(3), it be reduced to two months instead of six.

Q213 Dr Blackman-Woods: Clause 30 states that the Secretary of State will give all local authorities access to the database. Can you say why my constituent should not have access to that database, so that they know who is subject to a banning order? In clause 31, on use of information in the database, would it not be helpful if local authorities were able to use that information to help protect tenants and future tenants?

David Cox: I can talk for letting agents. From their point of view, yes, I agree entirely. For agents it should be an open database. The sales agents database is an open database and has been for many years. Therefore we would like to see both the rogue agent database and the banned agent database being public. First, this would mean that tenants and landlords would be able to see whether their agent had been banned or blacklisted. Secondly, and I would say more importantly, it would mean that agents can also check the database when they are looking to recruit new staff. What has concerned agents since the discussion paper was launched earlier in the year is what would happen if they employ someone who has been banned. They cannot check the database under the proposals and under the Bill, and therefore they will have no idea. If it then subsequently comes out, it would damage their reputation through no fault of their own and with no ability to actually check.

David Smith: We haven't made any particular points on this issue. We have no particular issue with the database being available to tenants to check, save that we need to make sure that it does not involve accidental scapegoating of people with similar names, which has been a historic problem with other types of database. In fact, I was watching a programme yesterday that said that 12 people have been attacked recently because they look a bit like Maxine Carr. We would like to avoid a situation where a landlord with a similar name to somebody who is on the database was then told by tenants that they were not acceptable to rent from. There needs to be enough information to ensure that does not happen.

Carolyn Uphill: I think that we would probably agree with that. In principle, there does not seem to be any obvious reason why it should not be more widely accessible, other than whether it could lead to this sort of confusion or misunderstanding. I understand that a banning order might not be forever if circumstances change, and so it precludes any rehabilitation of a landlord. Surely the objective of this is to get standards to improve, so it would need to be very carefully thought out before it was made publicly available, and all the information would first have to be absolutely cast-iron correct. We are cautious about it, but we would not necessarily argue against it.

Q214 Dr Blackman-Woods: But with some safeguards, you think that it could be made accessible to the public? Would its secrecy not be a huge disincentive to the whole system, because only local authorities would have access to it?

Carolyn Uphill: I think that we need to reflect on that and respond in more detail.

Q215 Kevin Hollinrake: Mr Cox, you referred to the banning orders operating at a company level rather than an individual level. You want them to operate at a company level.

David Cox: No, we want them to operate at an individual level, which is the proposal in the Bill. This was not the proposal in the discussion paper earlier in the year. There is one reference in the Bill to a body corporate, but I am not quite sure where it comes from and where it ties in to all the other clauses. We certainly think that it should be at the level of the individual agent. Where it is offices of a company that have caused a problem, then again we could still ban the agent, not the agency. If you ban David Cox Lettings, for example, there is nothing stopping the company directors of David Cox lettings from setting it up again as David Cox Lettings and Property Management Ltd, at which point the agency has been banned but the agents are still trading. They could also go and work for another company. That is why we believe that it should be at the level of the individual agent, which it is in the Bill.

Q216 Kevin Hollinrake: What further provisions, on top of this, would you like to see in terms of control over the quality of both lettings agents and landlords?

David Cox: This comes back to what we put in our manifesto earlier in the year for the general election. We argued that this Government should take a two-pronged attack. First, we would like to see much greater regulation and much more appropriate regulation of the lettings and management industry, something akin to the London Mayor's London rental standard. Boris has created an appropriate model of regulation of the sector, which utilises the existing skills and infrastructure set up by the professional bodies and therefore will not cost the public purse huge sums of money to create a regulator. In fact, the London rental standard is very similar to the way that the Bar is regulated and has been regulated for many hundreds of years.

We would argue that that is an appropriate form of regulation going forward, and would very strongly urge that that sort of regulation goes into the sector, particularly around qualifications for agents and client money protection. If the Committee takes nothing further from this, I would strongly advocate—I think everyone would—for all letting agents to have client money protection. We hear far too often of agents running away with millions of pounds of other people's money. Client money protection would offer landlords and tenants the ability to get their money back.

The other side is enforcement, which is very much contained within the Bill. We very much welcome the requirements of the Bill. Enforcement has been derisory over the past few years. The number of prosecutions is low and the actual awards made are awful and effectively nothing more than a cost of doing business for a lot of these criminal agents.

We want to see local authorities being adequately resourced. At this time, that money cannot come from the central Government fund, which is why I agree entirely with Carolyn that local authorities need to be able to keep the fines, rather than them going back to the Consolidated Fund. Local authorities, particularly trading standards and environmental health, are departments that are revenue drains on local authority resources. If they get to keep the fines and the fines are ring-fenced for further housing enforcement activity, that will start making the environmental health and trading standards departments revenue generators for local authorities, instead of revenue drains.

Just to give you one example, if I may, one of my members in the east of England went down their high street when the Consumer Rights Act 2015 came into force with the fees elements. Of 23 agents, 19 were not displaying the necessary fees. At a £5,000 fixed penalty notice, that is £195,000 in on-the-spot fines that could be levied with very little work by a trading standards officer. If they had not got the fees on their website, which they probably had not, that was another £195,000. If local authorities were enforcing that, they could make hundreds of thousands of pounds for their department and start ridding the industry of the people we do not want in it.

Q217 Mr Thomas: I draw the Committee's attention to my declaration in the Register of Members' Financial Interests. I want to pick up on the question that Mr Hollinrake was asking about client money protection. Mr Cox, can you flesh out the detail and the type of amendment that you would want to see that would offer that? Similarly, Mr Cox and Ms Uphill, do you agree with Mr Smith on the potential benefit of three-year tenancies and on a provision for that being included within the Bill?

David Cox: If I can deal with the client money protection issue first, client money protection is at the moment primarily provided by the professional bodies. All our licensed ARLA members must have client money protection, so that in the event that any one of them goes bust or misappropriates the funds—it has happened 12 times in our 34 years—we will cover the moneys up to certain caps.

There are providers out there that offer client money protection for agencies through the open market, but client money protection means two things. First, it is an insurance premium, so that in the event of an agency going bust or misappropriating funds, clients—both landlords and tenants—get their money back. Secondly, and more importantly for us, it means that agencies have to have their client accounts audited, so that you know whether something is going wrong. We audit every single one of our member firms' client accounts, and we require that in order for them to join the professional body.

In terms of an amendment, I am afraid I do not have the specific wording here today, but I can provide the Committee with a set of words. We provided a set of words for the Consumer Rights Bill last year, and that was supported by more than 20 organisations, including landlord associations, letting bodies, consumer groups and Shelter, Generation Rent and Crisis. It is an issue that has unanimous support among everyone involved in the housing sector. The Consumer Rights Bill started moving us in the right direction, with firms having to display whether they have client money protection, but we estimate that on average on any given day—my members alone account for about 60% of the market—firms will hold just under £3 billion of other people's money. That is protected for our members, but what about the other 40% that is not protected?

On the three-year tenancy question, three-year tenancies can work. I do not think they should be mandated because there are a lot of situations where people do not want a three-year tenancy. In my previous answer I talked about somebody who may be coming to London or one of the other big cities on a short-term contract.

The other prime example is a student. When they have been in halls for one year and have only two years left of their undergraduate course, do they want to sign a three-year tenancy when they do not know what they will be doing at the end of their third year? So we would suggest that the current tenancy regime works.

According to our latest survey of our members, the average tenancy is now 20 months, and we have to remember that, according to the Government's statistics—I think it was the last survey of English housing—well over 90% of tenancies actually end at the request of the tenant, not the landlord, so removing that element of flexibility could do more to harm those that probably want it than actually help.

Carolyn Uphill: As the clients, when we are talking about client money protection by our landlord members, we would of course support client money protection because it is only right that the money should be ring-fenced within agencies. I am sure David will supply you with a suitable form of words.

As for three-year tenancies, the English housing survey of 2013-14 evidenced that the average tenancy was three and a half years, so tenancies are not as short as some people imagine. Many, many landlords are more than happy for tenants to either be given as long a tenancy as the mortgage provider allows or roll on to a longer tenancy, because what landlords want is good long-term reliable tenants without the costs associated with churn. But if that were to be imposed as a minimum, it would seriously damage the availability of accommodation for those who need it on a much more flexible basis.

David mentioned students. I am a student landlord. It would tie me in knots when my students decide to stay on in Manchester as young professionals and say, "Can we stay on for a year because we don't know where our career is taking us?" so I end up with a mixed house. Any imposition of a period beyond the 12 months that, in that particular case, suits the academic year would cause me as a landlord to consider, "Can I stay in this business?" There are lots of other landlords who are letting because they are away for 12 months and various other factors. There really should be flexibility in the market. There are tenants who want flexibility and there are plenty of landlords willing and happy to give longer tenancies to those who want them.

So we support the principle of longer-term tenancies being available if the mortgage provisions can stop that being constrained, but not as an imposed three-year or any other fixed minimum.

David Smith: I was not in any way suggesting that three-year tenancies should be mandated. All I am talking about doing is removing barriers. I should also say that the statistics are very difficult to interpret, because longer tenancies are more common outside London and the south-east. As soon as you drive into London and the south-east, it is not so much that tenants do not stay for two or three years, but they are forced to sign a series of 12-month tenancies. There are a range of reasons for that. At the risk of incurring David's wrath, I will point out that one of the reasons for that in London is that letting agents encourage a series of 12-month tenancies to secure their fee structure. That also, in our experience, is one of the things that most actively drives rent increases, particularly in the

capital, and we feel that if tenants were able to sign two-year tenancies, and those barriers to two-year tenancies were removed at the front end, the pressure to drive that rent up during the course of the tenancy on each renewal would be reduced.

Q218 Brandon Lewis: On that point, on the issue around tenancies, when we look at what is happening elsewhere around the world, many places have a much larger and more advanced rental market than we do and still have one-year tenancies. Would you agree that one of the differences seems to be that we have a buy-to-let-led system—I think the colloquial phrase is “mama and papa” landlords who own a small number of properties, about 91% of the market—and the biggest risk to a tenancy is that property being sold to an owner-occupier, whereas in other models, such as multi-family housing, if the property gets sold, the invoice from the managing company might change from Greystar to Amlin or somebody else, but the property tenure remains the same and the tenancy issue is of a different nature. That leads back to one of our earlier evidence sessions, when somebody made the point about how more institutional money with a more professional rented sector changes the dynamic around the tenancy lengths, anyway.

David Smith: I am not sure I would agree with that. The statistics already show that the majority of tenancies end at tenants’ requests, not because the landlord wants to sell. Increasingly, the sector’s structure, even among smaller landlords, is changing. Landlords are often now increasingly selling with tenants in place to other landlords. Some of this is the buy-to-let sector in England and Wales growing up and perhaps becoming more like some of the buy-to-let sector abroad. Our view remains that one of the reasons that we tend to have many 12-month looped tenancies is that it has grown up that way through influences from the opposite side of the equation, from mortgage company pressure, from long lease pressure and from lettings agency pressure. At the moment, landlords are very linked to six-month or 12-month block tenancies. There is very little other discussion about term in the market. If we can break out of that cycle, we feel that would do a lot to change the dynamic.

David Cox: I would agree with that, and at the same time with what the Minister said about looking at other countries. We hear a lot that we should look to Germany and France and their tenancy models. However, in relation to our tenancy model, that is comparing apples with pears. We have to factor in that in places such as Germany, they have indefinite tenancies but it is the tenant’s responsibility to maintain the property during those tenancies, and many do not come with kitchens and bathrooms. Here, the obligation is entirely on us as the landlords to maintain the properties and the goods inside the properties, whereas in Germany and France it is the tenant’s responsibility. We also have to factor in that they have a much more mature rental market. They have many more institutional investors. In Germany and France, the vast majority of the private rented stock is owned by institutional companies, whereas ours is owned predominantly by the “mama and papa” landlord.

It is also still a relatively new market. Looking back 100 years ago, 90% of the UK’s stock was in the private rented sector. By the time we had regulatory liberalisation

under the Housing Act 1988, that had shrunk to less than 7% of the sector. It has only grown back to the size that it is today with that regulatory liberalisation, particularly the ability to use section 21 of the Housing Act, coupled in 1996 with the introduction of the buy-to-let mortgage, which provided a financing vehicle to allow people to start investing in property in the UK.

We need much more investment in property. There is a chronic housing shortage in the UK at the moment. The Government estimate that for every house built, two new households are created, therefore the level of housebuilding is not at a sustainable level. The only way we are going to get rents under control, get house prices under control, particularly in places like London, is by a massive house building programme.

The Chair: We have 10 minutes left, so we will have to be quite swift.

Carolyn Uphill: If I may just add to that, I think there is a place for institutional investment but we are not like Germany, as David says; we are an entrepreneurial buy-to-let sector. We have lots of small landlords, but that does not mean either that they should not be professional, which is the purpose and objective of the Bill, or that they are not in it for the long term. I have certainly invested in my portfolio as a pension plan. Many, many landlords want a longer-term income and therefore longer-term stable tenancies.

Q219 Helen Hayes: Sticking with this issue of forms of tenancy, in one of the boroughs that I represent, 40% of residents are now living in the private rented sector. You are right to say that many of those landlords are happy for tenancies to roll on, but a lot of those tenants feel that they are very much at the mercy of landlords and relying on the good will of landlords to let those tenancies roll on. Many of those households are families with children. They have no prospect, in the short to medium term, of getting into the housing market and purchasing a home of their own. There is a shortage of social rented housing. They want to know that they can send their children to the same school for the duration, that they can settle in their communities and play a full role in community life.

I would not suggest that long-term tenancies should be mandated, but would you not agree that now is the time for further diversity of options in private sector tenancies, so that where it suits the landlord and where there is a need in terms of tenants, those tenants can have more security of tenure for the longer term?

David Smith: Yes, absolutely. We accept that point. We agree with that point. We have tried to educate our members about longer tenancies but I cannot educate my members to do something that they know they cannot do.

Q220 Helen Hayes: Do you have any idea why the Government are not incorporating such a measure into the Bill?

David Smith: I am thinking they will.

David Cox: I think that something we have to factor in as well is the legislative regime versus actual market practice. For a landlord or a letting agent—I slightly disagree with your earlier point, David—we want longer-term tenancies, for the simple reason that that is the

most efficient way of generating rent and fee income. A tenant who stays for a long time, is keeping the property in a good condition and is paying the rent on a monthly basis, or however often they pay it, is a tenant that you want to keep for as long as possible. That is why, when they have such a tenant and a renewal is coming up, the vast majority of landlords and agents will not increase the rent because they want the tenant to stay for as long as possible. Therefore, yes, the legal framework is a tenancy of a minimum of six months, but as long as both parties are content and are complying with their requirements, a tenancy can go on for as long as possible.

If I may just slightly disagree with your earlier point, David, agents will also want longer-term tenancies, because they take their fee on the initial tenancy. If the tenancy is renewed for a further 12 months, their fee usually halves or goes down more than that. Therefore, if it is a three-year tenancy, at an initial fee of 8% that then goes down to 4% if the tenant renews, they will be getting that 8% for the three years of the initial tenancy, not just the first six months. It is, therefore, in all parties' best interests to have longer-term tenancies, but can we legislate where there is not the market demand? If the market demand was there, agents and landlords would be providing longer tenancies, but at the moment the market demand just does not exist.

Carolyn Uphill: I think we are all agreed that landlords are interested in providing longer tenancies, but it has to work. I do not have them with me, but we have some statistics from the tenant panel research we have done that show that the vast majority of tenants do not ask for a longer tenancy but, equally, that when tenants had asked for a longer tenancy a good percentage of the landlords had agreed to it. Very few landlords had refused them. So that is not the case in the majority of cases. I know that we always have a minority of problem landlords, which is what the rogue database is about, but the majority of landlords can be very accommodating, where it suits them. But landlords want to feel supported as well—not got at.

One point I would like to make is that although we support the legislation in its general principle, we are concerned about the secondary legislation and the guidance yet to be published. What landlords need to know is what is happening and when, so that they can plan towards that. We, as professional associations, want to help them and to give them information. Much as we want to work, and hopefully will continue to work, very well with DCLG, we would appreciate a little more notice of legislation.

The Chair: The Minister will have heard your remarks. Thank you very much.

Q221 Mr Jackson: Going back to Mr Cox, I think we could spend all day discussing residential estate investment trusts. We will not do that, but I am sure that the Treasury has heard your comments. On the database, would you say that clauses 23, 24, 30 and 31 would be useful, in that as they are prescriptive in giving the powers to collate the data they will eventually drive out rogue landlords and, in particular, improve enforcement in the short term, which is an issue you have raised? Enforcement levels are poor.

David Cox: We can hope, and we have seen in the sales sector, that the banning orders have been effective. There is not a huge number on the list, and when it was given to Powys Council it bid £170,000, I think, to try to regulate the entire sales industry in the UK. That is not really feasible, but it is certainly doing the best it can. Hopefully, a banning order list will provide more clarity and certainty, particularly for tenants and landlords when they are considering which letting agent they should go with—if they are using one. It will mean that, to a large extent, local authorities will know who the people are and where they are, and they will be able to keep tabs on them. We want to ensure that the list is public so that agents are aware, when they look to recruit and to expand into new areas, of who to employ and who not to.

Q222 Mr Jackson: If they give their correct names, which anecdotally is an issue.

My second and final point is that you have obviously read the whole Bill. Some evidence was given to us earlier by the British Property Federation about the build to rent fund, and about the fact that institutional investors, for some reason that was not clear to me—perhaps I am a bit obtuse—are not interested in putting their money into build to rent when there are starter homes on the large-scale site, whether they be flats or houses. Are you in a position to make a value judgment about that assertion?

David Cox: I am afraid I have not heard any evidence to that effect. At the moment, although there are several in the pipeline, only one build to rent scheme is functioning in the UK: the old Olympic park, which is now Get Living London. It works very well, and it has three-year tenancies as the standard, but it has caused problems for people trying to exit the tenancy, potentially to buy a property of their own or move overseas.

We want to see more institutional investment. Going back to the housing shortage, the large pension funds and other financial investment vehicles have the ability and resources to build the housing we need. They are much more likely to be at the more professional end of the sector. All of Get Living London's staff are fully qualified through the only regulated qualifications in the sector. Therefore, they have the desire and the reputation. Large companies cannot have their brands tarnished by poor property management. Therefore, they will be at the more professional end of the sector. They give tenants higher-quality properties and higher-quality service. We want to see much more of that.

David Smith: We have actually made proposals to the Treasury to try to get smaller landlords to be more interested in a “build to rent to sell” model. We are effectively trying to move shared ownership from just the social sector into the private sector. We have suggested that the Treasury could expand the Help to Buy scheme to tenants who wish to buy their own homes, and possibly offer a capital gains tax reduction to landlords who reinvest that money in a new property. We are trying to kick-start a new concept of private landlords seeking to buy property to rent it to tenants, with the aim of selling it to those tenants and then buying other new property in a continuous cycle.

Our view is that it is important to do everything. So many homes are required that simply throwing all our eggs into one particular sector is not going to work. We almost have to take a scattergun approach—although

that is an unfashionable thing to do—and promote as many possible ideas as we can, provided they do not cost a vast sum of money, to get as many properties as possible. Once we have tried a lot of things, we can start to core it down to the ones that are the most effective.

Q223 Peter Dowd: I suppose the point about regulation relates to rogue landlords. As a health and care professional, I pay an annual fee for my regulation, and if I practise inappropriately I am challenged. Is there any reason why that ought not to happen in relation to landlords, for example, with application to rogue landlords?

David Cox: Absolutely not. We have been campaigning for it for 20 years, and we are the closest there is to a regulatory body in the lettings industry. We do our best

to regulate our members, and we would like to see a statutory footing for that. We are, of course, talking about people's homes. For landlords, it is probably the largest investment they will make, beyond the house in which they live.

The Chair: Thank you, Mr Cox. Thank you to our three witnesses.

Ordered, That further consideration be now adjourned.
—(*Julian Smith.*)

4.38 pm

Adjourned till Tuesday 17 November at twenty-five minutes past Nine o'clock.

Written evidence reported to the House

HPB 01 Emily Moore	HPB 15 Joseph Rowntree Foundation
HPB 02 Michael Pollard	HPB 16 One Housing
HPB 03 Phillip Purves	HPB 17 Anthony Collins Solicitors LLP
HPB 04 Crisis	HPB 18 Palm Housing Co-operative
HPB 05 Ruth and Bryan Haines	HPB 19 National Housing Federation
HPB 06 Paul Stockton	HPB 20 Roger and Jane Clemas, Directors of Berrow Developments Ltd
HPB 07 Residential Landlords Association	HPB 21 Country Land and Business Association Limited (CLA)
HPB 08 National Infrastructure Planning Association (NIPA)	HPB 22 Pocket Living Ltd
HPB 09 Milton Keynes Council	HPB 23 David Vickery
HPB 10 Social Housing Under Threat (SHOUT)	HPB 24 Association of Directors of Environment, Economy, Planning and Transport (ADEPT)
HPB 11 Leathermarket JMB	HPB 25 British Property Federation
HPB 12 Daniel Scharf	HPB 26 London Chamber of Commerce and Industry
HPB 13 Housing Law Practitioners Association	HPB 27 National Federation of ALMOs
HPB 14 London First	