



## **All Party Urban Development Group**

*promoting sustainable development and urban renewal*

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### **Inquiry 3:**

### **Delivering a good urban housing offer**

Commons Committee Room 13

3 December 2007

Oral evidence

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## All Party Urban Development Group

The All Party Parliamentary Urban Development Group (UDG) is a dynamic non-partisan Parliamentary body of MPs and Peers committed to progressing urban renewal and sustainable development in the UK.

The group was formed to raise the profile and understanding within Parliament of the urban regeneration process and the role that can be played by the private sector, particularly the property investment community.

The group's remit is to take a holistic approach in the examination of all the constituent elements that bring about truly sustainable communities, and to review policies that will increase the quality and pace of urban renewal and sustainable development nationally.

### Current membership

Clive Betts MP (*Labour, Sheffield Attercliffe*) (Chair)

Rt Hon Nick Raynsford MP (*Labour, Greenwich and Woolwich*) (Hon Chair)

Lord (Richard) Best (*Crossbench, Life peer*) (Vice chair)

Andrew Pelling MP (*Conservative, Croydon Central*) (Vice chair)

Baroness Scott of Needham Market (*Liberal Democrat, Life peer*) (Vice chair)

### Publications

The reports and evidence of the Group are published and available on the internet at [www.allparty-urbandevelopment.org.uk](http://www.allparty-urbandevelopment.org.uk).

### Staff

The British Property Federation has been formally registered by the Office of the Parliamentary Commissioner for Standards to provide secretariat services for the Group in partnership with the Centre for Cities, the independent research unit carrying out the Group's research.

### Contacts

All general enquiries should be directed to the Group's clerk, Kurt Mueller, Public Affairs Manager at the British Property Federation, 7<sup>th</sup> Floor, 1 Warwick Row, Victoria, London SW1E 5ER, 0207 802 0128 or [kmueller@bpf.org.uk](mailto:kmueller@bpf.org.uk).

Research enquiries or responses to calls for evidence can be directed to Catherine Glossop, Centre for Cities, Enterprise House, 59-65 Upper Ground, London SE1 9PQ, 020 7803 4308 or [c.glossop@centreforcities.org](mailto:c.glossop@centreforcities.org).

## **Witnesses**

### **Local delivery perspective**

Alan Benson, Greater London Authority

Eamonn Boylan, Manchester City Council

### **Central delivery perspective**

Steve Douglas, Housing Corporation

Emma Appleton, CABE

### **Private sector delivery perspective**

Mark Ryder, ISIS Waterside Regeneration

Malcolm Harris, Bovis Homes Group Plc

John Coles, Evenbrook Estates Ltd

Witnesses: **MR ALAN BENSON**, Head of Housing, Greater London Authority and **MR EAMONN BOYLAN**, Deputy Chief Executive, Manchester City Council, gave evidence.

**CHAIRMAN:** Good afternoon. Welcome everyone, including those who are going to be giving evidence to us. I am Clive Betts and I am Chair of the All Party Urban Development Group, which has decided to work by trying to look at a number of issues and take evidence from a range of different organisations. We have already produced two reports, which I think have been received pretty successfully, one on loosening the release on regeneration matters and then one looking at the involvement of business in deprived communities. Today we are moving on to housing as clearly one of the issues very much at the top of the political agenda, not so much to look at the issue of how many houses we should be building in total or the infrastructure issues which are clearly matters of importance, but to look at delivery vehicles at local level, to look at the reforms with English Partnerships and the Housing Corporation coming together at a national level and, also, issues to do with the management of housing in general and the public over-space and how that can be brought together in an appropriate way at local level. We are very pleased to have a number of witnesses.

First of all, we will look at it from a local authority perspective, moving on to a national perspective from the public sector and then moving on to the private sector and taking evidence from people from those three sessions. The first session we have will be with the local authority, Sir Alan Benson, Head of Housing, Greater London Authority, and Eamonn Boylan, Deputy Chief Executive, Manchester City Council. You are very welcome to take your seats in front of us. Perhaps, just before we begin, if I could ask my colleagues to identify themselves here as well.

**LORD BEST:** My name is Richard Best. I am an independent Member of the House of Lords.

**MR LOVE:** My name is Andy Love. I am the Member of Parliament for Edmonton and I am Co-Chair of the Homelessness Group here in Parliament.

**MR RAYNSFORD:** I am Nick Raynsford, Member of Parliament for Greenwich and Woolwich.

**BARONESS SCOTT OF NEEDHAM MARKET:** I am Roz Scott. I am the Liberal Democrats' spokesman in the House of Lords for DCLG matters.

**CHAIRMAN:** Welcome. Thank you very much for coming along. Perhaps we should begin with a general question. Clearly one of the big issues is how we achieve more building of homes in this country, particularly affordable homes for sale and for rent, and whether we have got the right mechanisms at local level to achieve that. The Housing Green Paper had some ideas about housing companies and the like, but it would be very interesting to hear from you both about whether you think the appropriate vehicles are in place or what we need to do to provide the vehicles to make sure we get the homes built that everyone believes should be built.

**MR BOYLAN:** Thank you, Chair. If I could preface my answer by saying my instinctive reaction is always not to invent a new vehicle until I have decided what the outcomes are that we are trying to achieve. I often feel from a local perspective that we have more delivery vehicles than Terry Leahy and perhaps we need to think again and focus from an outcome perspective before we design the vehicle itself. There are a number of issues

the Green Paper throws up which are very, very interesting and pose some different challenges in different places. The clear requirement for more housing is absolutely understood, but there is also a need for a clear understanding of the different contexts within which that housing has to be delivered and the different contexts within which you have to tackle the problem of affordability. To give you an example, in Manchester's case we still have a very significant proportion of the housing stock in the City as a whole socially rented, disproportionately large, one would say, when one looks at more potentially sustainable models elsewhere. Is the route to affordability the delivery of more social rented homes? I would argue that it is in part, but only in part and, therefore, whatever vehicles we create will need to be able to tackle the issue of accessibility, affordable access to housing in a range of different ways.

A local housing company in the Manchester context for me will have a number of functions, one of which may be about the direct delivery of affordable housing of traditional models, one of which may be about the management and co-ordination of public resource in order to create new forms of access to social housing, perhaps with the quick creation of social equity products, but also may have a role in helping create the context within which the private sector can be more dynamic in the way in which it helps to take forward the development and delivery of housing across the piece within a city such as Manchester. I think the same could be said of a number of northern cities. To give you a simple example of that, as we have tried to create affordable access to homes within a mixed community context, often the hardest part of that equation in housing terms is the delivery of the full range of values that we know we need in order to capture the aspirations of people and prevent that classic migration pattern from the point to which people have the economic power to make a choice, they migrate out of areas because there is not an appropriate aspirational offer for them to remain. It may well be that the local housing company could play a role in helping to make a market and create countenance for the private sector that it can deliver at those ends of the market as well as dealing purely and simply with affordability. I think that is a challenge we need to navigate with care in the context of some of the northern cities.

MR RAYNSFORD: Your initial remarks seem to point directly to the Local Housing Company, then when you mentioned the Local Housing Company you said "Well, it may help to do it". Can you tell us what you think is necessary to ensure that the Local Housing Company will deliver?

MR BOYLAN: I would go back to my preliminary remarks, do we need an entirely new vehicle in order to deliver the outcomes we are looking for? I think in some instances where we are looking at that kind of integration of offer, the creation of a genuine mixed approach, it may be that we do and, therefore, there is value in the Local Housing Company model. However, if the Local Housing Company structure is constrained by the imposition of targets which say 50 per cent of its outcome must be affordable homes as defined under PPS3, then I think that might not be an appropriate way for us to tackle those particular problems in the context of a city like Manchester.

MR RAYNSFORD: That is not to do with the structure of the company, that is to do with external constraints which would apply irrespective of whether there was a company.

MR BOYLAN: Yes, that is true, but in terms of the structure of the company, the point I would make is we need to be very, very clear about the outcomes we are seeking to address through the creation of a new institution. One of the questions which was put in the preliminary papers was "What might the relationship be between a Local Housing Company and an asset-backed vehicle?" et cetera, et cetera, and I think we need to be very clear about strategy, delivery and funding, and we need to be quite clear about what the role of the company might be in delivering any one of those three. For me, the Local Housing Company

is primarily purely a delivery vehicle of outcomes which is defined through a strategy that is owned by the local authority and sub-regional partners, and the asset-backed vehicle may be a mechanism for funding that overall approach, so I can see a relationship in that way. I think we need to structure not only the individual company but the relationship between institutions carefully.

LORD BEST: Eamonn, you were saying maybe it is not really necessary to have a whole new Local Housing Company. Do you see dangers on the one hand of the process of setting up a new organisation which has to have a chief executive, finance, and accounting officers and all the paraphernalia of a new body, delaying and holding back the progress which otherwise you could get on with; and/or do you see the disadvantages of having an organisation which by definition has no assets behind it in comparison with using existing RSLs that will have assets behind them of several thousand properties to put against any new development which happens and the local authority that can enter into a contractual relationship with section 106 agreements and the rest within a partnership? Are those things the ones in the back of your mind as to why it might be wasting an awful lot of time and effort to create a new enterprise, although it looks nice?

MR BOYLAN: My Lord, to be honest, those are some of the issues which sit behind my concerns. There is a long history in discerning a problem and then inventing a structural solution to that rather than thinking through what the strategic response needs to be and then creating appropriate mechanisms to deliver the outcomes which are needed. Certainly the creation of new institutions in themselves is a time-consuming and often expensive business, therefore there is a need for us to be very, very clear about the outcomes we are seeking to deliver and be very clear about the priorities, therefore, which flow from that and determine whether or not the new vehicle will add value to the effective and efficient delivery of those outcomes.

In many instances it may, in others, where existing partnerships are already tied into clear strategic frameworks, which is by no means everywhere, and I appreciate that, it may be that the same outcomes can be delivered without recourse to new vehicles. I think we should enable any new agency, the Homes and Communities Agency for example, to be very flexible, therefore, in its approach to the delivery mechanisms which it would look to see in individual localities.

MR BENSON: I agree with some, but maybe not all of what my colleague from Manchester is saying. Again, I should preface my comments as a slight apology because I see I am billed as being a local government witness and I am not quite sure the GLA Council is local government and I am not sure local authorities in London would count us as local government, they think we are always singing from the same hymn sheet as various local authorities. The question was about driving up supply of new homes and every player in that equation points to the different problems of supply. Local authorities will point to these affordable housing requirements, as you have done, which some say make it difficult to deliver and it would not want that mix of affordable housing in their boroughs in London or the lack of infrastructure to support those developments.

RSLs point to the lack of land coming forward at an affordable price, which is why the local development vehicle is such an interesting idea there. Developers point to the problems of local planning authorities, et cetera, saying planning is the big barrier, "If it wasn't for that problem we would deliver". Local authorities think land-holding and land-banking by developers is the problem. These are all a problem for delivery, but none of them on their own is the problem for why delivery does not happen, but they all need to be separately and individually addressed to make delivery happen, so you need to tackle each one of those initiatives. Regarding the Homes and Communities Agency, I was quite interested in Lord Best's question about setting up a new organisation, "Is that going to slow

down local delivery?”, I thought there might be a question about the Homes and Communities Agency setting up this new big organisation and will that organisational change have a negative impact in the short-term on delivery.

The Mayor strongly welcomes the Homes and Communities Agency and he thinks it is a way of ratcheting up the Government’s shared agenda with the Mayor of London about delivering overall numbers of homes. We would disagree with the affordable housing targets’ question. This is very live at the moment in London with a number of boroughs and all the mayor candidates saying we would be delivering more homes if we did not have affordable housing targets. We think that is not the case. Since the Mayor introduced the new London Plan, its 50 per cent affordable housing targets, we have had a significant increase in the number of homes developed in London and an increase in the number of affordable homes too. We do not see removing targets as a way to help people deliver. The issue about how we use this public sector land is an extremely live one in London and a very important one across the Thames Gateway. Something like two-thirds of the capacity for new homes in the Thames Gateway is on public sector land and, therefore, the public sector has a significant role in bringing forward the Government’s largest regeneration programme in the country. The one local development vehicle being piloted in London is in the Gateway, in Barking and Dagenham, so we are quite keen to see how this develops.

Experience so far - and the Member for Greenwich will know this in the Greenwich main village - is public-sector ownership there has not driven forward quicker some of the delivery of housing we would like to see driven forward quicker across the rest of London. That is an interesting one to look at and try and unpick the reasons why it has been slow but, nevertheless, is finally delivering extraordinary good developments and many, many other benefits. On those issues, I think we need to think about what the incentives and disincentives are for local authorities to deliver. The Government is trying a number of levers at the same time on this. Richard McCarthy has been doing his roadshow of all local authorities trying to encourage them to build delivery of new homes into the core of their local community strategies and development frameworks. Therefore, by building it into the PSAs and the other various agreements is an important step forward there. The issue around whether the Housing and Planning Delivery Grant, for example, provides sufficient leverage is a small amount of money *post-facto* for development. It would be interesting to see if some of the ideas about how the infrastructure fund is linked together with the development of new homes can provide more incentives for authorities to deliver new homes locally, but our current Mayor does not see the loosening up on his targets as being a way to deliver those homes in London.

MR BOYLAN: For the avoidance of doubt, could I say I was not arguing for one moment for the lifting of targets in London, I am simply arguing for a degree of flexibility which reflects an appropriate level of circumstance, that is all.

MR BENSON: My comments only apply within London, I have no idea what goes on outside the M25!

CHAIRMAN: We have made reference to the Homes and Communities Agency and Eamonn has made views about the establishment of the new agency and whether that is going to provide a better focus on the issues and, indeed, whether in fact there is going to have to be some form of grant mechanism from the Agency to get affordable homes built in many parts of the country. Certainly what I am hearing is there has either got to be a Housing Corporation grant or the putting in by local authorities of land for free in order to make most schemes work. Is that your experience?

MR BOYLAN: It is certainly inevitable that there will need to be a mechanism for channelling public subsidy in in order to deliver affordable housing outcomes wherever we

are operating. Relying purely on the market to deliver affordable housing outcomes is not realistic, although it is interesting to see the number of developers who are now looking at innovative financing arrangements with their financial backers in order to make more affordable mortgage products available. Indeed, we are seeing the emergence, by the partnership between the private sector and the public sector, of new shared ownership models which certainly in the Manchester context and the north-west have not been previously seen. It is inevitable that there will be a need for the Homes and Communities Agency to have available to it tools for investment. What we would argue is that should not be limited purely and simply to the utilisation of public funds in order to create social housing units, but we ought to be thinking more creatively about the way in which we might use certain public funds to create more affordable access to housing.

Models around social equity, for example, as a development of shared ownership are things we are very interested in seeking to explore. Is the Homes and Communities Agency a good thing? Instinctively, one would prefer to deal with one bureaucracy than two, but the real issue for us is the tasking framework within which the Agency will operate. If it is narrowly focused purely and simply on delivering housing outcomes, then it may not be best suited to some of the issues we are facing in terms of regeneration within the North. I hope it will not be and I think the indications are that there is a clear understanding of the need to amalgamate housing and broader regeneration outcomes in order to deliver a genuinely place based and spatially focused approach. If that can be delivered, then I think we would welcome the new Agency with open arms.

MR RAYNSFORD: Could I ask a question narrowly focused within the M25, so to Alan! You referred to the fact that the view the GLA has got will not necessarily be shared by the boroughs. Those of us who have got long memories recall the difficulties which were caused by conflicts between the GLC and the boroughs back 20 or 30 years ago. Given the Mayor's perfectly proper wish to drive up numbers and ensure better provision, how can you avoid a falling out with the boroughs this time?

MR BENSON: As you will know much better than I, the GLA is a much different beast from the GLC in that it does not have the power to own and manage stock; the GLC was the biggest stockholder in London managing something like a quarter of a million homes. They would go into a borough with or without the borough's permission, build homes and manage them in the future, that is an option which is not open to the GLA and the Mayor is not seeking that option at all. Inevitably, there will be political conflicts between boroughs with different political perspectives and the Mayor, whoever is the incumbent Mayor, whoever is there in the boroughs, unless you have a single party in control of every local authority and the GLA. It has been quite noticeable in some boroughs that changed political persuasion at the last local elections, there have been some quite robust discussions with them about affordable housing targets. This is, or a part of it, behind the reasons why the Government and the GLA Act did give the Mayor stronger housing powers and particularly stronger planning powers, to try and ensure the delivery of the overall numbers of homes which both Central Government and the Mayor wants to see delivered in London and a percentage of those that are affordable, these are powers which would not be exercised on a daily basis. The Mayor has new planning powers to become the planning authority for local developments where he does not think the borough will deliver enough homes, but is not expecting to take on the planning powers of every local authority in London. There are going to be cases where we have very significant disagreements with London oversize where the Mayor may want to use his planning powers to call in that development and become the planning authority for that. For all that it gets portrayed as a huge row between the Mayor and the boroughs consistently and constantly about affordable housing, most boroughs in London have adopted targets which are either in line with the Mayor's 50 per cent or towards that since they have reviewed their local development plans since the year 2000, and most are delivering more affordable housing than they were. On the whole, the Mayor does not

call in that many developments. He has currently said no to 20 or 30 in a year and we are likely to see no more being called in for which he would want to put in planning authority. There will inevitably be some friction, it is a democratic system, there is bound to be, but the direction of travel so far has been very positive.

**BARONESS SCOTT OF NEEDHAM MARKET:** Going back to the Homes and Communities Agency, what would you want it to do to help deliver the needs of London, particularly on the Thames Gateway, and what would be the things you specifically would not want it to do?

**MR BENSON:** What we would want it to do is one thing we feel is missing from the draft Bill to set the agency up is a reflection of what is in the GLA Act, that the Housing Corporation as it currently stands must deliver a programme and have regard to the Mayor's Housing Strategy, so it delivers a programme in line with the Mayor's Housing Strategy in London. That is not written in as yet to the Bill for the new Homes and Communities Agency, although the Minister made very clear in Parliament that she expected that to happen, but it is not written into the Bill. That would be the first step. They are already currently working very closely in London. We have an investment panel which brings together the Housing Corporation with the EP, the London Development Agency, Transport for London, the Government Office and local councils all together on one panel and the Development Corporation in Gateway to try and ensure we have a consistent set of aims, objectives and priorities which we want to achieve in terms of delivery. We would like to see that happen institutionally, so we would like to see the Homes and Communities Agency being committed to delivering those targets which are in the London Plan and the Mayor's Housing Strategy. What we would also consider to be a useful thing is the Thames Gateway Development Corporation should be wrapped into that Agency so, as my colleague said, you would have a single agency to go to in London that would also deal with that, so the delivery part of the Thames Gateway Development Corporation could become part of the Homes and Communities Agency. You would not have the plethora of interest, both national and regional and local, that you have in the Gateway at the moment overseeing delivery there. We would like to see that signed up to deliver those aims.

What we would not be so keen to see, perhaps, and what we have some concerns about, both in the way the Government sets out its aims in affordable housing and the Homes and Communities Agency does, is the merging together of intermediate products, shared-ownership products et cetera, and social-rented products as though they are entirely interchangeable, that both of these are for equal public good. We do not think that is the case. The Mayor's London Plan and Strategy have a very clear target that 70 per cent of new affordable homes should be social rented. There is clearly a case for intervening in the market to help some people into home ownership, but it is too easy for lots of local authorities, and lots of local authorities are minded to try and encourage much more shared ownership rather than social rented. There is a tendency emerging in London in particular, I cannot speak for the boroughs outside, and it is not all boroughs but there are quite a few boroughs in London that would much rather see shared-ownership products being delivered because that is an easier to manage client group than it is building social rented homes. On an individual borough by borough level you can do that. If Wandsworth do not build social housing, people will leave for Brent or Hounslow, and if the London and Quadrant Housing Associations do not do it, then Nothing Hill will. Any one individual player can move these people around and not take responsibility, but the Mayor has to take responsibility for the whole of London to ensure these people are housed. That is one thing we are concerned about, that the Homes and Communities Agency and the Government holds the line about the importance of the build of new social rented units across the whole of London.

**CHAIRMAN:** Let us move on to housing management issues. I think there is some concern that if we do not get it right we are going to end up with a piecemeal, sort of

hotchpotch of different management arrangements and different treatment in the public realm of open spaces. I think we have all seen, certainly in my constituency, an area with a number of different housing associations all managing their public realm to a different degree, some not managing them terribly well, others doing quite well, but it is quite a mess. We have all seen the section 106 affordable housing stuck at the back of the estate as though people know exactly that they might catch something if they get too close to them. What are we going to do to create an overall approach to management where we can integrate the various types of different housing that we are hopefully going to develop in our communities?

MR BOYLAN: There are some very interesting issues around emerging stock and new delivery and some interesting lessons that perhaps we can learn from the past. One policy which is well established in a number of local authorities, but not consistently applied, is the use of long leasehold rather than freehold disposals in order to ensure longer term influence and ability to influence or to use ground rents to fund integrated spatially focused management regimes within mixed tenure communities. That can be done on publicly owned land from here on for new development. I think it is more difficult sometimes to retrofit management arrangements and, rightly, anybody could have a guess at the area you are talking about in Sheffield. With support and engagement of registered social landlords, it is possible to agree a redefinition of role, if you like, between a lead developer and a lead manager in particular localities and through that route achieve much more synergy and coherence. To use an example, in the Moss Side area of Manchester, we are working with a community-based association, MOSCAT, who have taken responsibility not only for the management of their own stock but management of the local authority's stock within that locale, which has ultimately lead, through tenant agreements, to the transfer of the ownership of that stock. They are also the managing agent for the new development of new housing which is being built in that area, speaking as a United fan, they like to say on the site formerly occupied by main road! We have taken an approach there that there needs to be a spatial focus and we need to adopt a partnership with the agency best placed within that locality to deliver that range of services. The one point I want to finish on is it is very, very important that we think about the management of places, the question is very apt in that regard. It is not simply about managing individual tenures in places, it is about a much more holistic and overall integrated approach which is focusing on the needs of that locality.

MR BENSON: I would say very similarly there are some examples in London of developers who are adopting a new model in terms of how they wish to be engaged with their community in the longer term. The traditional type of developer or house builder who comes in, throws up homes and runs away as soon as they are sold is not perhaps the best placed model if you want to try and get some sustainable community management. The example at Quintain, both on the Greenwich Millennium and the Greenwich Peninsula and up at Wembley, an example First Base, an organisation that is doing some work with English Partnerships on the London-Wide Initiative, are organisations that are in there for the longer term and want to manage the stock in partnership with housing associations for a longer term. That is a much more effective mechanism given the length of time it takes to build these houses that they would want to stay in there for as long as necessary to make sure the community works. They have a long-term view of their development, not just the idea that they will build the homes, sell them for the best they can and move someone else. There is another good example, Milton Keynes is currently in development, again another English Partnerships site with Hyde and Crest Nicholson which is worth investigating and what they are trying to look at in terms of common hold across that site, so there are examples emerging, but it is not the dominant example as yet. I share my colleague's concerns about what you do about existing stock, which is where a lot of those problems are.

I do remember talking to quite a significant developer in London a few years back who was saying, "You can't build these mixed tenure, 50 per cent affordable housing

developments in London because you can't possibly manage an estate or a development if you've got 35 per cent social housing", and I said, "Well, how do you think local authorities manage 100 per cent social housing and have done for many years?", these are extremely difficult challenges, but they are ones we do need to tackle and address. We need to make sure we tackle the existing mono-tenure estates and start to break them up by bringing in recent land value with a mixture of shared ownership and homes to sell, but then re-provisioning the existing social worth to make sure there is no loss of overall social and ensuring that every new development is where the new social homes should go. I was very concerned, when we looked at what is the outcome of our investment in London, that when we looked at where we had built new homes over the last four years, ten per cent of wards in London with the highest percentage of social housing had ten times as many social-rented homes built in them as the wards that had the least 10 per cent of social housing.

We are still concentrating on the poorest people in the poorest areas rather than trying to move this out across London. That is not by any means a conscious decision of anybody to make that happen, it is just easier to make developments happen that way, but we need to step back and think about how we will move away from areas that are private sector and areas that are social rented sector.

LORD BEST: Alan, you mentioned common hold and I was really glad you did. Nobody ever mentions common hold. But do you think there is any chance at all of that use of the ground rents to support everybody instead of, at the moment, house builders selling those ground rents on, at I think about 18 times their value, to an investor for which the occupier gets absolutely nothing, but this does add to the profitability for the house builder? Do you think there is any chance of us having common hold in place of just simple leasehold with the developer taking the money, without compulsion? Is that something the GLA might put into those agreements which specify the other aspects of affordable housing, on site?

MR BENSON: I do not think we would be able to put it into an agreement, we would not have the powers to make that work. To answer your question, I honestly do not know enough about common hold to ensure in such an august setting that I do not say anything incorrect about exactly how the detail works. We have only just started looking at how that will shape out and work on the big development at Milton Keynes. It is something which Keynes is investigating to see if that is a solution, if nothing else to some of the problems of the management issues we have around the big growth of the buy-to-let market in London over recent years where we have some degree of relaxation about that market itself, but we are very concerned about the management issues which flow from it.

MR LOVE: At the beginning you mentioned the problem of people moving out of an area once they get the choice to be able to do so. What role can management play to be able to retain people?

MR BOYLAN: I think the management of places is an integral part of any strategy that has got a hope of managing that. It is not simply about the quality of the housing authority or the fact that you can buy a more expensive home within a defined locality, it is about the quality of the place and the integrated management of a locality is essential. I would say it is almost as important as those other pieces of essential social infrastructure which people always mention, the good schools, the good transport links, et cetera. There is evidence in a number of places across the UK where there are very well managed places and spaces which have retained popularity where areas of very similar apparent characteristics have not fared nearly so well. The achievement of an effective integration of high quality management of space is a very, very important element today. It is one of the things which Michael Lyons in his report really very aptly focused his attention on, the whole issue of place making and making real the rhetoric around place making, if you like, and open space management and the management of the public realm is an integral part of that.

CHAIRMAN: That brings the session to a close. Thank you both very much indeed for your evidence, that was really interesting. We will move on now to national organisations, Steve Douglas, Acting Chief Executive of the Housing Corporation, and Emma Appleton, Head of Enabling, Urban Design and Home at CABI.

Witnesses: **MR STEVE DOUGLAS**, Acting Chief Executive, Housing Corporation and **MS EMMA APPLETON**, Head of Enabling, Urban Design and Homes, CABE, gave evidence.

**CHAIRMAN:** Thank you very much indeed for coming along. I suppose the first obvious question is we are going to have a new agency, the English Partnerships and Housing Corporation coming together, is it going to be better than the sum of its parts?

**MR DOUGLAS:** The easy answer is yes. I will try to unravel that a bit. It is worth recalling that we have spent the last year or so sitting down and looking at (a) how the Corporation works and (b) how English Partnerships works and also there are some functions of communities and local government which will come across to us. What was clear was that whilst each of the organisations has got an extremely successful track record in the delivery of new homes, there was more that could be done, firstly in terms of land, the bringing together of land right at the start of the supply chain, which is crucially important, and, secondly, taking it all the way through to long-term stewardship. You have split this into three parts and that is absolutely right in terms of what the institutions should be doing. The institutions should be providing a one-stop-shop, expertise to local authorities, expertise to government, expertise to the regions as well, but also helping the flow of land. In the past, because of the way the organisations were set up, English Partnerships focused on land and the transaction, the Corporation focused on the relationship with housing associations and, in the last few years, with the private sector, but making sure we have joined up that supply chain, so right from the start of the supply right through to long-term stewardship is the intention of the New Homes Agency. The longer answer is, yes, we think it will be more than the sum of its parts.

**MS APPLETON:** I guess from CABE's perspective, the Home and Communities Agency will be in a very strong position based on the bringing together of the land and the money, the knowledge and expertise, the flexibility they are going to be given, but also significant power potentially in some areas, which is important to improve the speed. One thing I really want to reinforce is the quality of the urban housing offer. From CABE's perspective, it has many roles, again, as Steve said, a one-stop-shop for housing regeneration, so that has got potential reflecting on what Eamonn was saying about place making, about alignment of agendas related to education, health, public space, so the broader spatial issues of neighbourhoods. We think within the quality agenda it can boost local authorities in terms of expertise and develop a positive and proactive culture to development. I think that is one of the things. There has been potentially an under nourishment within local authorities about their role in the development process and based on the skills it is bringing together, the new Homes and Communities Agency will be able to facilitate that. The thing as well is the new Homes and Communities Agency is in a very strong position to set very strong and clear standards which both agencies, the EP and the Housing Corporation, have in terms of things like adopting building for life, in terms of sustainability standards and giving a very clear message and a clear platform, a level playing field to the private sector so that both the public and private sector come at this as equal partners in the process of development. Yes, I agree with Steve that it will be a very good organisation.

**BARONESS SCOTT OF NEEDHAM MARKET:** It is a very challenging agenda for anyone. Can you say something about the skills which exist within your organisation and, as far as you know, within English Partnerships about having the capacity to deliver this?

**MR DOUGLAS:** If I could take that in a number of different parts. As a national agency, each organisation has been working with government for 30, 40 plus years and from the Corporation's history it has been around for 40 years. It has an extremely strong track record of delivery, whether it is numbers, quality, delivering against government's agenda year-on-year and it is a track record which is unrivalled, even as we are seeing increasing

resources coming into the Corporation, it will ensure that delivery. Since 1988 it has been what is called “a mixed economy of funding”, a combination of private sector investment as well as public sector investment, and we have seen both the amount which is going into affordable housing increasing year-on-year and, again, successful delivery. As a regulator as well, the Corporation has driven both the standards and expectations in housing associations extremely successfully. If I could then turn to English Partnerships and their work. They have got a good, strong track record in remediation, working with local authorities in terms of place and developing that place agenda, so a series of skills. I could talk more about the planning as well, but I know Emma will talk about the work we do jointly on the quality side, so there are a range of skills to be provided. The way that we see the tasking framework, which Eamonn Boylan referred to earlier, developing will be that the new Agency will not have to provide support and advice in every instance because where there are strong, confident local authorities who have got a strong and understandable role in that particular place or area, you would expect the Homes and Communities Agency to stand back. The reality is though we have over 300 plus local authorities across the country and those skills in housing associations, in the private sector and amongst local authorities, are not consistently uniform.

MR RAYNSFORD: You have referred to the 18 months or so during which the concept has been worked up, and we know from the timetable that it is theoretically another 18 months before the organisation technically can operate because of legislative requirements. Most people would say that length of time for a merger of two organisations is not helpful because it tends to leave uncertainty and result in organisations not being fully effective and not focusing on delivery. For the moment, let us assume that there are not any legislative constraints, how soon do you think the new body could operate if it was given complete freedom to move as quickly as it could, and how quickly would you like it to be operating fully effectively if you had the freedom to achieve that?

MR DOUGLAS: That is quite a tough one and that is because you said, “take legislation to one side”. The reality is we have got a legislative process and all the time you have to go through that process, that is the time it will take. In terms of working together, which is what these organisations are currently doing, as the accounting officer for the Housing Corporation I sit on English Partnerships’ board and their accounting officer also sits on my board. For the last year or so we have been doing quite a significant amount of joint projects. I could refer to Park Hill in Sheffield or Kidbrooke in South London where what we have been doing is stretching our partnership and development working, stretching the framework which we work within to try and maximise delivery. We have been testing things such as overage and longer-term investment and have been bringing land to the table in quite a different way. What the legislation will enable us to do is to have that one-stop-shop, so rather than having two sets of accounting officers, which is what we have got. In terms of the business as usual, though we talk about 18 months, the Green Paper was out in July, we have had the Comprehensive Spending Review settlement in October and in that almost £8 billion worth of new resources were confirmed to deliver pretty stretching targets over the next three years. The Corporation is absolutely clear that it has to deliver against those and is focused on that. Equally, English Partnerships has got stretching targets now in terms of bringing together public sector land as well. We are working extremely closely to ensure that as far as we are able to we will deliver against those targets. Finally, in terms of the quality, in Thames Gateway we set up a commission last year on quality and it was no surprise that it was called Quality First. The Corporation and English Partnerships have got a proud record on driving up quality and standards. As we head towards the new agency, our intention is that we will continue to do that.

MR RAYNSFORD: That was a very good answer, but the question I asked was if you had a free hand, when would you like the new organisation to be operating fully effectively?

MR DOUGLAS: In terms of the legislative time-table, we would take it tomorrow.

MS APPLETON: If I could come back on Baroness Scott's question related to the capacity and skills within the Agency. The other thing I want to reinforce is the partnering of that Agency with the people it is going to be working with locally, regionally and nationally. There needs to be a real clarity of the different models which the New Homes Agency will take in terms of it being a major funder, developer, regional co-ordinator, capacity builder, facilitator of development and just being really clear of the needs of the specific places it is working, looking at the national organisations and their skills and expertise, such as CABI, to bring into that pot and utilising all of the skills and capacities in existing organisations as well. The question in the previous session about what you would not want it to do is undermine the skills and capacity and the powers which exist within existing frameworks.

LORD BEST: If I could pick up on the land point which, Steve, you were saying is absolutely critical. We are putting a lot of the hopes for this Housing and Communities Agency in the future on getting cheap land from the public sector. I have no experience of the public sector being willing to give up their land for practically nothing. How does this happen exactly? With the Chelsea Barracks, if I can use that as a small typical example, the MoD did not exactly let this go for free. Where are the public agencies that are queuing up to give away their land?

MR DOUGLAS: What is referred to, and it is referred to in the Bill, is getting best value from the land and it is how you then use that land effectively. We talked about the Green Paper and local housing companies and what they are about. There are five models which are identified within the Green Paper and they are talking about capturing and using assets and then potentially getting the best value out of those over the longer term. For example, looking at things such as community land trusts where you are holding on to the value and recycling it for common good. You referred to common hold as well, long leaseholds potentially, deferred payment arrangements where you are thinking beyond just the capital funding to thinking about revenue and longer-term funding as well. That requires a different type of thinking for all of those agencies, but what is clear is the Homes and Communities Agency, as part of that discussion with its key partners, will need to be thinking outside of the box rather than the traditional models we have used in the past, moving beyond the grant, potentially forms of investment, thinking about the recycling of that investment over the longer term.

MR APPLETON: With a lot of the projects which we enable within CABI we are often surprised at how local authorities want to get rid of land and are only going for capital receipt in terms of what their expectations are for the use of that land, wanting to get it off the books and getting some money in. I think that particularly with things like the local housing companies there is a real opportunity to be a little more sophisticated about these models and holding on to land longer and generating value-added. Of course, quality comes into play particularly depending on the scale of development and the phasing of the development. You would be hoping to get more value out of the land the higher quality, the earlier phases are. What you do not want to do is bank up problems for yourself and negate that land value, use it really effectively. There is a lot of disposal of land out there where we would say the local authority has not made best value out of that disposal and I think that is something which should be addressed.

CHAIRMAN: Presumably an essential part of your role is to try and make sure we do not end up with a multitude of different local authorities all trying to reinvent the wheel here and trying to come up with new forms of organisations. Presumably you are going to be disseminating best practice and good advice and what works here can presumably work there.

MR DOUGLAS: Yes, that is going to be one of the big advantages of a national agency, that it brings it together. It is the point which was made earlier, it is the bringing together of those skills and the academies and several communities will be part of the new agency. The work which we do with CABE will go forward. As part of the work we are currently doing with CABE they will be carrying out a social housing audit next year which certainly expects to both bring in expertise and disseminate expertise and good practice. As I said earlier, that is not going to be the same across all of the local authorities across England because the reality is there are going to be some local authorities that are highly skilled at place making, highly skilled at user investment, and for those it will be a much, much lighter touch.

MR RAYNSFORD: This is the awkward question. It is fine to disseminate good practice and build on the expertise of those authorities that are good at doing it, but how do you cope with those that are not? Where is the steel going to be when you are dealing with an authority that does not come up with an appropriate model or where the partners fall out and the local company does not look like working?

MR DOUGLAS: That is where the Agency straddling three tiers of government can play quite a significant part, both in terms of supporting, but potentially ensuring that our government's expectations, the region's expectations are enforced as well. Again, the Government will set the overall framework for this Agency and I should say positively that it is really good that there is the strongest cross-party support we have seen for housing and housing delivery for some time, that is extremely encouraging. In the current consultation paper which is out, the Housing and Planning Delivery Grant paper, that is saying very clearly at a national level that there will be both support in terms of investment and advice to help speed up planning and the supply and identification of land for housing as well and that is to be encouraged and supported. It also says that as part of the public sector agreements there will be targets for those local authorities to both identify land and have that land coming through, and there will be potential penalties as well. Alan Benson talked about what is happening at a regional level and in places, for example in London, the Corporation has supported the regional push, again supporting local authorities which have been strong and positive about affordable housing and strong and positive about using section 106. There is a reality that at a local level those who are not playing ball, those who are not stepping up to the plate and delivering against those increased targets, the dialogue with the Homes and Communities Agency will be about whether we potentially invest in those areas to the levels which may be required.

CHAIRMAN: Can I come on and raise an issue about where the new Agency might create a possible weakness. Currently I have not always been too impressed that the Housing Corporation manages to link up its role as the provider of grants for development with its regulatory role on the management practices of housing associations. Indeed, you only have to be a one-star association and not terribly good at management to get grants to develop. Now we are going to see the regulatory role in a different organisation to that body which is providing the grants. Does that give any reassurance that we are going to get those two issues linked up better in the future?

MR DOUGLAS: In the Bill there are a number of things because, as you know, the Bill does not just cover the Homes and Communities Agency, it also covers the new regulator. What it does is it picks up on a number of tools the Corporation has talked about having, wanting, desiring as part of its armoury to build and drive on standards because the reality is we have had a regulatory regime which is some 40 years old, it has been as much a combination of working closely with organisations as it has been about the regulatory tools which we could bring to bear. What you will have, and this follows on from the recommendations of Martin Cave, is a much stronger suite of powers that you can go in and intervene. In terms of the regulator, the regulator is going to have stronger powers and the

ability to intervene at a much earlier stage on certain issues and be able to drive up standards. It is very clear in terms of the expectation, it will be about standards, it will be about rates and it will be a tenant-focused organisation in terms of customer satisfaction. Yes, there will need to be a very close relationship between the regulator and the investor to ensure you get the benefits you have with the current regulatory regime, which is the ability, frankly, to go down from our seventh floor to our sixth floor and have an early conversation between the investor and the regulator. Where we are in terms of developing it is we have got the working party which has been set up, which currently involves the Audit Commission, the Corporation and representatives from the New Homes Agency to ensure those protocols are in place right at the very start. Doing that thinking of the things which worked are the things that gave added-value in the existing arrangements so they do not get lost as we move to the new, so we are absolutely conscious in the light of that.

CHAIRMAN: Why do you only need one star then?

MR DOUGLAS: In the past you only needed one star because that was the bar. What we have been doing is ratcheting up the bar, and as part of our new investment we will be saying those organisations should be two-star. The driver is towards ensuring there is consistency between whether it is the ALMO, whether it is local authorities, whether it is housing associations, so over the next 18 months to two years as a matter of course you will see a driving up of the standards. One of the big and positive things about the development of the new regulator is that comparison of performance across sectors, so rather than it just being, "How does a housing association sit and work in comparison with another housing association?", actually doing the "How are you comparing yourselves with a two-star ALMOs? How are you comparing yourselves with a high performing local authority?", and we think that is crucially important in terms of driving up standards. As you know, as part of our NHP, our investment programme this year, we open the door to high performing arms-length management organisations and the private sector. We see the next steps of that development as ensuring there is as far as possible a level playing field between high performing organisations, no matter which sector it is from.

MR LOVE: You are going to be under considerable pressure with the three million homes target up to 2020. We just heard earlier from a local authority representative that some of the structures you will have to deal with are complex and they talk about partnerships, everybody including the kitchen sink is included within them, and some would say necessarily so because there are all sorts of interests, others would say, "Let's go back to urban development corporations who cut through all of this and get on with it". You have talked a lot about local development companies and local authorities and others at that level, how do you get through that middle range to make sure these houses are built?

MR DOUGLAS: Again, the point made by Baroness Scott earlier was have you got the right skills, and I guess if the past is any indication of the future, then the Corporation's track record in delivery gives us some comfort that we work across every single English region, we work at national, regional and local government, we have worked with housing associations, 400 plus associations, it is now down in terms of the number of housing associations that we work with to under 100, but what we have done is we have increased the capacity within the sector by now working with the private sector, local development companies, UDCs and also with joint ventures. Although we have spent a bit of time talking about local housing companies and local authority joint ventures, the reality is there are a number of private-public sector joint ventures which are now coming to the table. If the past is anything to go by, we have got the development of those relationships and we think those relationships are in reasonable shape. It goes without saying we will have to build on those relationships as we go forward and the expertise English Partnerships will bring in terms of some of those longer-term relationships with urban regeneration companies. As you know, English Partnerships has a number of regeneration partnership companies as part of its

portfolio, so building on that expertise. It is back to the point, ensuring that our work is more than the sum of our parts. Neither of these organisations are new to either regeneration or housing gain.

CHAIRMAN: If I could ask Emma Appleton whether there is anything more we can be doing in general to improve the management of that public realm. Again, we talked with earlier witnesses, it is not just about the new development, but the existing developments in terms of trying to give a better impression than the hotchpotch of different arrangements we have got in operation in many places.

MS APPLETON: In terms of new developments, different design decisions are probably made related to management regimes and I think management has to be thought about from the very first instance. In terms of existing developments, there is a lot of discussion at the moment about local authorities, developers and housing associations working together earlier on in the process. Housing associations are much closer to the consumer in terms that they have day-to-day contact with that consumer and a long-term investment in place, so bringing that expertise into a conversation very early on about how things are managed. I think there is an issue about stewardship as well, that the general model of the house builder is to come in, sell off and move on. There is a lot of drive now within the industry to look at more consumer satisfaction, particularly through the Calcutt Review, that has been one of the recommendations. I guess the private sector having a financial stake in the management company can act as an incentive to get involved in the management earlier on. All too often it comes down to what Eamonn was talking about, about a place, and it will be very specific in looking after the people within the houses and not the broader public realm. I think it is really important to see the public realm at the neighbourhood level and how it connects into the broader neighbourhood.

CHAIRMAN: On that note, I think I am probably going to have to draw things to a close for this session. Thank you both very much indeed for the evidence you have given us.

Witnesses: **MR MARK RYDER**, Chief Executive, ISIS Waterside Regeneration, **MR MALCOLM HARRIS**, Chief Executive, Bovis Homes Group PLC, HBF Member and **MR JOHN COLES**, Director, Evenbrook Estates Limited, gave evidence.

CHAIRMAN: We have our third session from the private sector. Mark Ryder, Chief Executive, ISIS Waterside Regeneration, Malcolm Harris, Chief Executive, Bovis Homes Group PLC and John Coles, Director of Evenbrook Estates Limited, you are all very welcome. Can I begin where we began the last session on the New Homes and Communities Agency. It is the amalgamation of two existing agencies. Do you expect us to have a valuable and better partner to work with or is it simply going to be another bureaucracy you are going to have to get around?

MR RYDER: For me, it really turns on long-term value and community creation. Over the last ten years we have seen a lot of delivery from both the public sector and the private sector but not enough attention to that real place making on value. I think that is partly because of the short-term profit fixation we have when we rely purely on the private sector. That really needs to be addressed, partly through new delivery vehicles, which we can talk about later, and ISIS is one of those because ISIS is a public sector/private sector partnership between British Waterways and then the private sector, so the land comes in from British Waterways and then the skills and money come from the private sector. Just about the new Agency, for us we have to look at scale and I think the Agency has a key role in delivering more scale so we can create place making and that can only happen if they take compulsory purchase powers seriously. It has been a major problem to date that we have not seen enough active use of compulsory purchase in order to unblock some of the challenges which particularly urban development brings, diverse land ownership and other issues. For me, everything which has been said to date is very welcome, and obviously we do welcome the idea of a one-stop-shop, provided that has the powers and it is willing to use those powers. For example, in Manchester the AnCo urban development has been successful because compulsory purchase powers were used to assemble an area of land in Manchester, so that is just one example.

MR HARRIS: From my perspective, it is useful to be dealing with one body. One of my criticisms at the moment is when local plans are drawn up, all the interested parties are not always participating in that plan and what you will find is the funding is not co-ordinated. I think this new body potentially is very, very helpful, so to have one body which will help us to develop in a comprehensive way. One of my issues is not in terms of the initial design but it is the ongoing maintenance. One of my concerns is really is there any ring-fence finance until the local authorities suffer not having enough finance to maintain the property and the environment in which they are placed. With a lot of the inner city areas, which we are primarily concentrating on today, one of their problems in life is the lack of maintenance of the entire area, that security, the external/internal maintenance of the environment in which people are living. Going forward, what we must look at when we are regenerating is not just the initial design but also the funding of the maintenance going forward.

MR COLES: As a fairly major private sector landlord in the Birmingham area I am constantly disappointed that we do not talk and spend enough time with the housing associations in that area. We have tried before, but I think as the private sector we are seen as the other part, when in actual fact we are all trying to deliver the same thing. At different levels of people's income, we are more at the intermediate level, but there should be greater co-operation and discussion. Hopefully with the merger of the two we might work closer together.

LORD BEST: Three years ago when we were all discussing the then Housing Bill, the private sector was very keen that the social housing grant should be paid direct to house builders and developers, not just to housing associations. This was going to liberate a great

deal of energy and finance. Would anyone feel that has been of any use at all in the great scheme of things in the last three years?

MR HARRIS: As we are one of the companies that has received the grant direct, I would say in our particular case it has helped, it has sped up the process. Certainly in our case there has been no political problem. We have been working with Walsall and we have managed to apply the grant in a very sensible way. I believe it was one of the quickest planning consents which was granted, I think we got it through within about seven weeks. We consulted with all the stakeholders locally, including the residents, and we are building on site and it looks to be ahead of programme completing the whole scheme.

LORD BEST: Are you going to do a lot more of that?

MR HARRIS: That is our intention, yes.

MR RAYNSFORD: Can I take up Malcolm's point about long-term involvement and maintenance which is crucially important. We have heard the view from earlier witnesses about the benefit of greater long-term involvement. We have seen the Calcutt Report with the suggestion that house builders may well be interested in an alternative model which gives them longer-term involvement rather than the traditional model. Do you think that is going to happen? What are the obstacles to it? How can you encourage those house builders who are perhaps not interested at the moment to follow the lead of those who appear to be seeing the light?

MR RYDER: At the end of the day, it is about competitive advantage for the private sector and I think you are right that we are starting to see a number of private sector vehicles, companies, recognising the importance of staying in for the long term. Over time, as we get the product right and we get the provision of the second public services, schools, parks and everything else, then actually they will not have any choice because they will be like dinosaurs and will die out, their product will not work. Also, it is about raising the game. Local authorities need to ensure they do not grant planning consents per se, they need to look at quality as well as just quantity. It comes back to this point, it is not just about units, it is about types of products and it is about place making.

MR HARRIS: I think it is much more complex. First of all, if you are really going to regenerate an area, you have to look at the entire area and not just a small part of it. The next thing is I believe all of the parties need to be brought into the process much earlier, I really do believe that, that the local residents, everyone within that community needs to be part of that process. I feel the private sector is brought in too late and I believe they can add something in a very open and honest way to looking at the viability of developing those communities to regenerating them. I believe that should be the commercial partners, they should be residential and what we should be doing is looking at a long-term solution because scheme after scheme that I have seen is piecemeal. What you need, firstly, is a comprehensive plan and, secondly, is velocity.

At Hallfield they talked about regenerating it for so many years it was not true, and very small parts of it were being developed, but it did not change the character of the area and it was virtually a no-go area. Anybody who had a private property there had great trouble selling it. In partnership with the local authority, it is now being redeveloped and you have got a totally different environment. Properties now are sought after, both rented and also for sale, and I think that is a good example of where the velocity and the scale of it has changed the whole environment. The second part of partnership where I think Bristol are being quite courageous, they then packaged up a whole series of sites, some 16, some of which were pretty awful and on their own would not have been very attractive to anybody, but what they said was, "If you are going to work in partnership with us, you have to take the lot",

so, again, what we are doing there is regenerating all of those sites. What it means is you will have regeneration across all of those sites, not just the good ones or the ones which are average. Going forward, what John Calcutt looked at in his review was that a local authority will have some very good and very valuable sites and some which are not so good and in a partnership, what he is saying is, the whole lot should be developed, therefore you can look at a partnership approach. I think two things should happen: first of all, you should competitively tender the opportunity, that gives best value for government in both the wider sense, local and national but, secondly, what you should also do is be quite open minded and bring in all the parties quite early on to come with a range of solutions because they will change from problem to problem and area to area.

In certain areas one solution would be absolutely fine and in another it would be the wrong solution. With the whole idea of bringing the parties in and then tendering those, but in a comprehensive way, I believe you will see regeneration speeded up, it will be higher quality and some of the areas which at the moment appear insoluble, I believe you will find some solutions. I also agree with the earlier comment that you will have to use compulsory purchase in some areas because otherwise you will not have a comprehensive approach.

MR COLES: The other thing is in terms of who pays for this and how it is managed going forward. It is trying to get everybody to buy in to the product from day one and for the future, and I think certain examples are there, leave it in the hands of the local authority, which could be developed with the developer and the owners of the development to take a part of the on-going maintenance of a community. It is very important that people feel a part of it as contributing to the management, both financially and in the leadership.

BARONESS SCOTT OF NEEDHAM MARKET: Can I ask whether there is any extent to which the rapid increase in house building that we now know is to take place will compromise the agenda you have just discussed, whether the pressure of the sheer weight of numbers will cause difficulty in developing this sort of approach?

MR HARRIS: Can I answer that in a slightly convoluted way. If the development is increased in reasonable multiples, ie around 10,000, 15,000 houses in one year, the industry can train and adequately supply good quality houses. If we went from around 180,000 to 240,000 in one year, I do not believe you would achieve the quality you are referring to. There is another challenge for us in the short-term, that is the market conditions at the moment are quite challenging, so what we must do is ensure that we have a medium to long-term vision because that will enable us to put the training in place. I also believe that in many of the areas the local people should be trained as part of the programme and we should bring them in so they are part of the solution, so we give them jobs and we give them a long-term stake in their community. We have undertaken that in a number of cities, but I think any major regeneration anywhere in the country should have that as a requirement, to bring them in and make them part of their community and part of the solution.

MR RYDER: From my perspective, I think you need to make vehicles like ISIS work. As I say, ISIS is British Waterways' land and therefore it is a double-win because 50 per cent of everything we make goes back into the waterways and helps to maintain the very assets which can improve people's life, being by water, working by water, travelling on water, using it to take waste products, et cetera, so it is a win-win situation. I do think just relying on house builders is not going to get us there. Everything you could see as a problem might well manifest itself, so we do need to get those agencies in place. I think the local delivery agencies using public sector land, like the ISIS structure with British Waterways, if there are other agencies with sufficient land holdings which could be put in that way, we restructure so that we deliver best value, so we do not have to go through competition every time we look at a new opportunity. We are working with British Waterways up and down the country, looking

at opportunities where they have surplus land and then delivering communities. If we can do that and deliver waterside communities which are based around place making, ultimately British Waterways and ourselves will benefit from the huge value which will be unlocked, but it will not work if it is short-term. My only fear at the moment is while I know the Government is absolutely spot on with the view about affordability and the link with housing supply, it has got to be the right type of homes in the right locations and that cannot be a quick fix. We have got to make sure we get it right, that we are dealing with changing people's attitudes.

In the UK, obviously there is a big issue about people wanting their own home. I think the solution is a lot of people are now looking at shared equity, which is vital, and, of course, people's cultures move on now. Seven or eight years is not long in most people's view of the world because families are staying together for shorter periods, et cetera. I do think with people living in cities already, increasing over the last ten years, we do have people who are ready to embrace shared equity in city locations, but it is not going to be easy.

MR HARRIS: I would go along with everything, but one problem is the sustainability after it is all developed and maintained. It puts an enormous burden on the local authority to maintain. Mixed use development is a classic where it could go all wrong, and it has not shown itself yet, where you have a shopping development with flats above and the flats are sold off to disparate landlords and you potentially are going to have problems there where the two investments do not work together. In my opinion, it would be better that the developers retain the residential investment as letting stock and control it as one, similarly the commercial, and the two types of investment would then work very well together. If you put in a lot of buy-to-let landlords and owners, whilst it is right people should own them, you will get problems in terms of the ongoing sustainability. I do think often not enough thought goes into the future. Tenure is another thing you could look at, and we know historically that in certain areas of the country where the freeholds have been retained, the management of those estates has been very, very well done. Tenure is something else where you can structure it in a way where you all want to be part of the management structure and the future of that environment.

MR RAYNSFORD: I want to come back to Malcolm's answer to the question on how do you expand without compromising quality and the answer was entirely rational, that we should go on up from 185,000, where we roughly were six months ago, to the target of 240,000, but unfortunately the market is not going in that direction. Can I firstly ask you whether you expect us to be going up from 185, 000 or whether you expect us to be going up from a lesser figure and perhaps what that lesser figure might be? If so, how do you avoid the problem of an accelerated expansion?

MR HARRIS: The first point is I do not believe volume will slow down in the short-term, it all depends upon the spring uptake. If you look at the new starts, they have held up because anyone who has planning consent has to put the scheme into production. The odd ones that will fall out of that will be high-rise in a small number of cities where at the moment there is no demand. I believe you will see probably in Leeds, Liverpool and Manchester short-term one or two of the high-rise schemes probably will not happen immediately, but the house building industry generally has carried on registering and starting schemes because basically they need to have the output. I think short-term you will not have an issue, but if the spring upturn does not happen, then you will see a slowdown in production and that is a challenge for us as an industry. Ironically, what we will probably do is the thing we have always done when the market gets tougher, we will be innovative. We are already offering more shared equity. We will book out more rented properties, so we will look at the markets we can address because medium to long-term the industry has a supply and demand position which is very favourable to the industry. Therefore, long-term we need to increase volume. Margins will fall almost certainly in the foreseeable future, therefore the only way you can offer

shareholder value is to increase volume and that would be necessary.

If I could come back to training. First of all, it is the private sector house building industry that trains all the apprentices, nobody else. We have a full intake of apprentices every year. All the major home builders have quite a training programme for apprentices and for management, and what we are also doing with regeneration is setting up training schools within the regeneration areas. Provided we can see a partnership approach and that volumes will increase over years, we will increase our apprentice intake. At the moment we have all pledged to take on extra apprentices every year. Ironically, our problem in many areas is obtaining them, particularly in the South, but certainly medium to long-term I believe the industry can and will deliver the skill class we want. The Polish tradesmen we have had so far look as if they are going to stay in the UK and they are of very high quality and certainly very able people.

MR RYDER: I think the market correction you have seen since the summer is a very good thing because what it is actually doing is sorting out the people who really mean business and really can innovate, as has been said here, from those who got away with it frankly, and we have got away with it, let us not fool ourselves, a lot of rubbish has been built in all sorts of cities all around the country. We have to learn from that and we have to make sure that going forward we are building the right type of product and that is for families and other people. This ludicrous idea that families will not come to the city centre does not work because if you build the right product, I know for one - ISIS is doing this - people who have the choice at the moment to move out to the suburbs and they travel in by their private car, and all the other issues of anti-sustainability, would love to live in the city centre - I could give you numerous examples - but they cannot because the product is not there for them. What I am really hoping is the house building industry, the good ones that are out there, the new delivery vehicles that are there as well, including ourselves, use this time to get the product right and to work with the local authorities and other public sector agencies to get all the other infrastructure there, the academies, the public parks, so we can really capture the best of places, like Copenhagen and Barcelona where people live in cities very happily.

CHAIRMAN: Can I ask about the training in your industry. One of the things which came out in our first inquiry was concerns about the lack of depth of skills amongst planners and regeneration officers in local authorities. Clearly, some authorities have got very good departments and very skilled people. There are probably quite a few authorities we do not always hear about out there that are struggling. They may be quite good at giving planning permission for a straightforward development, but this is a bit more than that we are talking about now, is it not? Do you come up against that?

MR HARRIS: To be fair, I have a lot of sympathy for local authorities because most are short of funding. I come back to whether it be maintenance or whether it be planning or legal requirements, there is no way that a local authority cannot ignore urgent demands that they have and, therefore, how they allocate their funding is quite difficult for them. I would suggest that in many authorities planning is not necessarily their top priority. In fact, when Mr Raynsford was Housing Minister I think he was one of the first ministers to ask the industry whether they would voluntarily increase their planning fees, which we did. The problem has been not that we have failed to agree and pay the increased planning fees, it is just that they are not ring-fenced, therefore the local authority does have a lot of pressure on them. I would suggest that a high percentage do not have the funding and do not have the staffing levels to enable them to process what are now quite complicated planning applications. On one scheme we sent two transit vans full of documents and, with the best will in the world, the skills and number of people you need to process applications of that complexity ---

MR RAYNSFORD: I am tempted to ask facetiously whether the documents included

an environmental impact assessment!

MR HARRIS: You can see from a local authority's point of view, the skill levels they require and the number of people they require to process quite complicated documents is a difficulty for them.

BARONESS SCOTT OF NEEDHAM MARKET: I am told that you can get lots and lots of data on compact disks these days! Does that suggest then that there are changes to the regulatory regime in total which could make these things easier so that you were not faced with two van loads of paperwork?

MR HARRIS: It comes back to the partnership approach. I am certain if we could have local authorities, developers, commercial and residential, and all the stakeholders in a very frank and open way able to sit around a table and look at the whole planning system again with national government, we can make some advantages because the system has become more and more complex. I think all the stakeholders would benefit from an open discussion as to the things which are required for regulatory purposes, which I do not think we can possibly argue about, but other things which we can perhaps do in a different way.

MR RYDER: I think the new approach to place making does not mean you have less intervention, it is absolutely crucial. It is what has been said, that there is partnership early on in the process and it just does not lead to so much bureaucracy at the end of the day. Also, it is about incentivising local authorities so they have good quality staff who stay with them throughout the process. I think we are all saying the future is about large-scale regeneration, using the right vehicles to create the right places and that can only happen over long periods of time. What is absolutely crucial is you keep those people together for that period of time, so you do not get the frustration at the moment that things change on an annual basis. I have sympathy with some of the ways the house builders have built these things where they are fixated with profits on an annual basis and the local authorities change on an annual basis. We have got to move away from that, regeneration is about long-term.

LORD BEST: An awful lot of the urban housing development has been buy-to-let properties, in a lot of areas as much as 50 per cent. Is it likely that we are now going to see a major downturn in buy-to-let investment? If so, does that take out up to 50 per cent of what you are selling as the private sector in urban areas?

MR HARRIS: I think it is fair to say that the number of apartments which have been built over recent years has increased virtually year on year. I believe in many instances that is the right solution. If you look at Central London, a lot of the high-rise are very good quality and I think they have created regeneration ---

LORD BEST: Whether or not it is a good thing to do, this is a market question: is the market falling away?

MR HARRIS: Going forward outside London, I think there is now an oversupply, and the other point which is being made is we end up with an unbalanced society. If you end up with too many one and two bedroom apartments you are not attracting families, therefore what we need to do is balance up those developments. Looking forward, it is a challenge for everyone because a lot of the land we are talking about is government land that we built on and they are also looking to obtain the highest price, they are quite rightly looking after their shareholders, the taxpayer, so I think there is a challenge for us all. Even within the London Development Corporation, they want to bring families back, but they start to look at the values which would be created and it is a problem for them.

MR RYDER: To answer your points directly, yes, there is an oversupply of one and

two bedroomed 450-650 square foot units built in high-rise fashion in most of the cities outside of London, therefore that is the answer, but the point is I think you can build dense developments which cater for families and for the wider cross-section. You only need to look at places like Copenhagen and Barcelona where people are very happy living in apartments because they have got cracking parks, brilliant schools, great local shops and facilities and in the apartments you can swing a number of cats around, they are large enough for people to live in. The other thing is it is about giving people choice, so they could live there for the whole of their life if they want to because they put down roots, they love the local community, they love living close to the city, but the apartment is adaptable and large enough to cater as they have more children and then the children leave them and so forth. As an industry we have not catered for that in the last ten years.

MR COLES: I have spent quite a lot of time in Holland on the private rented sector and as a private sector landlord here I think the buy-to-let industry per se is going to end up in tears. I have predicted it all along and it has helped fuel development because the developers kept going because there was a demand there, not just for owner-occupiers but for investors. What concerns me going forward is because the buy-to-let investor is just a single person, he will not look at the overall investment as a long-term investment like we do, where he is primarily in it for capital gain.

Something for you all to consider, which I have been considering for a long time, is probably a new planning class which is purely for renting and this comes back to the family home unit. The difficulty in inner cities is generally that the rent you would demand would be too high for a family to afford because it is all about small units work for single people because probably the boyfriend and girlfriend live there and they are both on incomes, but once one part of the family drops out to have a family, then the income halves and you have got to make it sustainable. If either we had a planning use class which would help dampen the price cut of the land down to enable it to be built at intermediate rents or with the new merged body of the Housing Corporation and English Partnerships with the private sector was offered land on a 50-year lease, for example, to build houses and let at two-thirds of the market rent, we could deliver that, the house builders could deliver it, and we could offer something to the market where the country did not lose the ownership of the land, but it got the units built to allow for renting and then on to purchase.

CHAIRMAN: We were given great expectations that REITs would come along and solve lots of the problems of getting money into housing. Is there a future for them? Are they going to contribute anything?

MR COLES: I have been involved and talked to various people who have tried to float REITs, particularly the Invista one, and it died a natural death on the net distribution rules, the stamp duty, the no benefit to acquire a new portfolio, because you have to pay all the stamp duty going in, and the two per cent tax stamp duty does not work if you have to build up the stock. Although the American one has been successful, the gross yield is much higher there, it is six or seven per cent, whereas here at the moment the yield is four or five per cent, so it needs a review. There is an appetite for it to happen, but not today. If the terms of the REIT could be tailored more in the residential sector, we could make it work.

MR RYDER: Exactly as you said, the buy-to-let model was flawed because it was made up of individuals wanting returns too quickly. If one could find a financial structure which involved inevitably the financial institutions investing long-term and moving mainly more towards a rental market that we have in Germany of nearly 40 or 50 per cent. In the UK we are only still at ten per cent, and I think the future of housing is around a model which locks in long-term financial institutions to take a long-term approach to returns and that way we can deliver affordability and numbers at the same time.

CHAIRMAN: Thank you very much indeed for that evidence. There are a lot of issues we will want to reflect on and then include in our report, which I understand will be published sometime in February, that is our intention. We have then got a further inquiry coming up on environmental sustainability in the built environment. It just remains for me to thank all of you who have given evidence to us, to my colleagues up here who have been asking the questions, Centre for Cities and British Property Federation for the support they give to our group and, in particular,

if I could single one person out, Chris Carter from the British Property Federation. Chris has been an invaluable help to our group and has given consistently good and sound advice right the way through. He has helped establish the group and kept it going, but unfortunately Chris is leaving very shortly for a new life in the States. Chris, thank you for all you have done and we wish you every success in the future as well. Thank you very much indeed and thank you everyone for coming along.

**ORAL EVIDENCE TO THE  
ALL PARTY URBAN DEVELOPMENT GROUP  
INQUIRY 3: DELIVERING A GOOD URBAN HOUSING OFFER  
- ENDS -**