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Communities and Local
Government Committee

The work of the Department for Communities and Local Government

Oral Evidence

13 September 2010

Rt Hon Eric Pickles MP, Secretary of State, Rt Hon Grant Shapps MP, Minister for Housing and Local Government, and Rt Hon Greg Clark MP, Minister for Decentralisation and Cities, Department for Communities and Local Government

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Oral evidence

Taken before the Communities and Local Government Committee

on Monday 13 September 2010

Members present

Mr Clive Betts (Chair)

Bob Blackman
Clive Efford
George Freeman
Mike Freer
Stephen Gilbert

George Hollingbery
James Morris
Toby Perkins
Chris Williamson

Examination of Witnesses

Witnesses: **Rt Hon Eric Pickles MP**, Secretary of State for Communities and Local Government, **Rt Hon Grant Shapps MP**, Minister for Housing and Local Government, and **Rt Hon Greg Clark MP**, Minister for Decentralisation and Cities, gave evidence.

Q1 Chair: Good afternoon, everyone. Welcome to the first meeting of the Committee for this Parliament. I think it is very appropriate that we have the Secretary of State and the two Ministers of State here with us. Secretary of State, you are most welcome, as are your colleagues. We hope you feel as welcome at the end of the session as you are at the beginning. Obviously there is a good crowd gathered for the event. Could we get straight into an issue which the Select Committee raised before with your predecessor Secretary of State, Ministers and the Permanent Secretary? No doubt, Secretary of State, you see yourself as a “big hitter” in the position you occupy, but we had to question in the last Parliament whether the Department itself was seen in Whitehall as a big hitter—whether it was taken completely seriously and involved in discussions by other Departments when decisions were made. What is your initial view of the situation?

Eric Pickles: Thank you very much, Mr Betts. Before I start, I would like to congratulate you on your election as Chairman of this fine Committee. I always thought that my old pair would arrive at great office and I am delighted to be here. I think we have all served on the predecessor of this Committee many years ago.

Mr Betts, I have always regarded myself as a tribune of the people. I am there in Government to represent the people. I don't think it really matters how important a Department is on paper, it is the reality. Certainly this Department is central to the Coalition's aims of localism and of devolving power down, and it also plays a significant, if not pivotal, role in putting flesh on the bones of the big society. So I am entirely comfortable where we are and I am entirely comfortable that the gentlemen of this Committee will not be wasting their time in terms of following and scrutinising our activities because I think we are all going to be part of changing the British constitution, passing power down locally.

Q2 Chair: When we previously looked at the balance of power—the last Parliament produced a report on the balance of power between central and local

government—one of our views was that there probably was a genuine commitment in community level government throughout to look at how power can be devolved. That wasn't necessarily the case in other Whitehall Departments; the message had not quite spread across to Departments like Health and Transport. Can you assure us that if we are going to have decentralisation it is going to be across the piece and not just narrowly confined to the specific responsibilities which your Department has?

Eric Pickles: I think on this occasion I can speak for my colleagues, particularly in Transport and Health. I know that Philip Hammond is looking intensely at ways at which we can free up and pass decisions down locally. I know he is in discussions with the Mayor of London with regard to some of the powers currently held by the Department. If you have any doubts in terms of what Health is doing, I think I would bring to your attention the decision of the Secretary of State for Health on PCTs, in which parts of the responsibility, those that are not taken by the GP, will be handed to the local authority. As somebody who cares an awful lot about local government like yourself, this is a pretty substantial thing to do and it's something that I felt was, for want of a better word, the elephant in the room for the best part of a decade. The Health Service and public health are completely linked up with local authorities and I think that they deserved a better role than just scrutiny because what one Department, particularly Social Services, decides has an enormous effect on the NHS and vice versa; what the NHS does has an enormous effect on the provisions in Social Services and the budget of local authorities.

Q3 Chair: The LGA, in particular, hasn't been totally enthusiastic about that move has it? I think it probably welcomes the public health transfer to local government but wonders why local government appears to have been excluded from the decentralisation of the commissioning of other services. Has your ministerial colleague been involved in that process and has there been an attempt to look

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for a role that local authorities could have working, with Health more effectively on those sorts of issues?

Eric Pickles: I will bring in my ministerial colleague in a moment. I think it comes back to the old discussion that we've had in the past about distributing power and influence. I think this places local authorities in a very powerful position with regard to public health. I think it puts them in an enormously influential position with regard to GP commissioning. I think any sensible local authority is going to want to get alongside their GPs and help facilitate a number of things, so I think it would be helpful.

Greg Clark: I have spoken to local authorities about it and they are keen to take up the joint powers to have joint Directors of Public Health. This is the direction we are travelling in and it is a big step. The discussion we are continuing to have will allow those people who want to go further, I hope, to make suggestions that people can then take up.

Q4 Chair: If those local authorities were to come forward and say they could play a major role with GPs in that commissioning, assisting GPs to maybe formulate strategies on it, that would be something you would welcome?

Greg Clark: Our general point is exactly as the Secretary of State says. There is an influence that comes from these responsibilities they have been given. Right across the piece, as I hope will become apparent during our discussions, we want to say to local authorities and other groups in the community, "Come and make suggestions; don't wait to be given a template from the top that says this is how you have to do it". If they have a good idea, or if they have an offer to make, then I suspect that we will be keen to snap their hand off.

Q5 George Hollingbery: Just to go back to the wider picture again, Secretary of State, if we look back in five years' time will your role still exist if you succeed, or will your role be even more important as an administrator of a place-based agenda?

Eric Pickles: I do regard myself as being part of a self-denying ordinance insofar as I see the powers that I currently have being gradually, as a tantalising striptease, removed from me veil by veil—if Members don't find that thought gives them too much of a shudder. I think we are wanting to pass powers down, but of course there's always going to be a need for a Department for Communities and Local Government or similar because I think there is the need for an advocate role inside Whitehall for local government. That goes back to some of Mr Betts' earlier questions about our influence. I seriously think that over the next couple of years we are going to rewrite the British constitution and shift the balance of power towards local decision making.

Q6 George Hollingbery: It seems to me that there is a lot of scope for dispute over the next several years between different Departments and different budgets and so on and so forth; we were just taking about health and social care. Is your Department going to be the arbiter in that situation? Is that the long-term role

for you, to make sure that the place-based budgets that are required are funnelled down?

Eric Pickles: Clearly we have a role in being the advocate for change but I don't think we should underestimate other Departments' commitment to the Coalition document that looks towards a greater degree of localism and a greater degree of decentralisation. I know it's very early days, but so far I think there has been a broad consensus that this has to happen. I am hoping that we may be able to present further evidence of co-operation between Government Departments on the Coalition document reasonably soon.

Q7 James Morris: Just going back to the question of the Department, given the scope of your ambition for decentralising power, what sort of changes do you think need to happen in the Department in order to make that happen culturally?

Eric Pickles: We are in a process of doing that. I think our officials are in a different place in terms of decentralisation than when I and my colleagues first arrived. There is no criticism meant there at all, but to push power down does mean that you yourself are going to lose influence. Greg, you've been involved a lot in this.

Greg Clark: As a response can I give you an example of one of the changes and a new role that I think the Department needs to create for itself? Those of us who were elected on the manifesto that we were, and our Coalition partners, have a view that the best ideas and initiatives do not all come from Ministers in Whitehall or their senior civil servants. Actually they are out there with people who are running local government and are in their communities. If you think about that perspective and think about where the support is at the moment, then one of the things that the three of us found was that we are very well supported as Ministers. If we have an idea, if we have a policy suggestion, we have officials who can help us think through it, look at what the regulatory or legal blockages might be and help us achieve that. But if you take the view that we do, that there are many good ideas that perhaps don't get their head locally, then you need to think about whether you have the right support there to give people the access to legislation and regulations to make their ideas happen. One of the things that we are determined to do is to really turn the Department upside down and make sure that the kind of support that we have for our ideas is made available to people with ideas in our communities. That is a change; it is not the abolition of the Department because sometimes rules, regulations and legislation do stand in the way of people getting things done. But we want to be at their disposal rather than just taking a view that all of the support is available to us and our colleagues.

Q8 Chair: Can I just move on to a couple of issues in the housing field, which again are not directly the responsibility of your Department but where there is clearly potential for impact. The first is the housing benefit changes that were announced a few weeks ago. Clearly that is the responsibility of the DWP, but the consequence of people not being able to afford their

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rent if their benefit is reduced can have implications for homelessness. How far was your Department consulted about the potential housing impact of benefits cuts?

Eric Pickles: We were very heavily involved in the discussion and like everyone we were alarmed by the growth in housing benefit, which has gone up by 50% in 10 years. My colleague, Grant Shapps, was more heavily involved in the discussions than I was.

Grant Shapps: I actually have to go right back to the Coalition Agreement to see that we were saying there very clearly that it should pay to go and work if you can work, and it should put you in a better position to go out and work. That was certainly a very clear indication and I know that other Committees have been very critical of the £14 to £21 billion expansion over 10 years in the housing benefit bill. Something was going wrong. It shouldn't be the case that if you do not work and are on housing benefit you should be able to live in an area that somebody who does work is unable to go and live in and so some changes need to be made. Of course we were involved in those conversations which, as you rightly said, are primarily a DWP/Treasury issue.

Q9 Chair: But if it is proved to be the case that homelessness does increase and there are housing problems in terms of the operation of the new benefit rules, how is that going to be dealt with?

Grant Shapps: We have, of course, been watching it like a hawk. We have already done some pretty significant things. It was not much reported on the day of the Budget, but we have tripled the discretionary grant that local government has: a very effective and very targeted grant that is going to go up to £40 million, which enables them to step in in individual cases and say, "There is something going on here, there is a problem", and it is administered locally. We know from the evidence of the grant that already operates that it helps prevent a lot of people going into homelessness. As you will also be aware, homelessness is one of these issues which is completely cross-departmental; hence we are discussing a DWP issue in the Communities and Local Government Select Committee. For that reason I have set up a cross-ministerial working group on homelessness, which includes Lord Freud from DWP; for the first time we have got eight Ministers around the table discussing issues related to homelessness. That is in itself very helpful in monitoring any changes made—of course, they have to be watched carefully—but we are satisfied that we are getting the right sort of balance. After all, most people cannot afford to live in a home which they rent for £450 a week but that was the implication of the housing benefit system that we had.

Chair: Chris.

Q10 Chris Williamson: I wonder if the Minister could tell the Committee his thoughts on the implications of restricting housing benefit for families who are under-occupying a dwelling and what impact he thinks that might have on the collectability of rents and the possibility of rent arrears accruing and how those housing associations will manage that.

Grant Shapps: Mr Williamson, you'll appreciate that one of the biggest issues in housing is the housing waiting list, which this all comes back to. Housing benefits are a big part of that calculation. The housing waiting list went from 1 million to 1.8 million families, which is nearly 5 million people, over the period of the last Government. I don't think it is acceptable to turn a blind eye to that and you have to look at the reasons. One of the reasons is that the public purse is paying for the under-occupancy of homes. In other words, it is a system which pays extra if you happen to have a couple of rooms which are not occupied. That can't make sense in the long term and I think it is incumbent on any Government that cares about people who are the most in need, which by definition are the people who don't have the homes rather than people who do, to be thinking about those issues. It is in that context that we are looking at it. Of course we are looking very carefully at the impact of changes that are made; even though it is DWP business it has a big impact on our area of housing.

Q11 Chris Williamson: Are you troubled at all that it is coercing people who haven't got the resources to buy their own property, that they are going to be forced to leave a home that they might have lived in for many years, and the same doesn't apply to an unoccupied property?

Grant Shapps: It should not mean that and first of all let's just get some facts straight. When it comes to people on Jobseeker's Allowance and the reduction in housing benefit with regard to them, this doesn't even start until April 2013 and you would then have to not be in work for yet another year after that. That is the time when the independent Office for Budget Responsibility says the economy will be growing at a much faster rate than it is now, so there ought to be jobs available. It simply cannot be right to have a system where people who, perhaps as a lifestyle thing, decide not to work and yet are able to live in a place that you and everyone in this room and our constituents cannot afford to live in. There has to be some sort of structure put in place and a £21 billion housing benefit bill is the equivalent to the whole of the police and the whole of the universities' budgets put together; and it has spiralled by over 50% over 10 years. Something is going wrong here and of course the Coalition Government believes it is absolutely right to fix it.

Q12 Chris Williamson: I take a different view from you in relation to people on JSA, but what about those people who are working who are living in accommodation, in a low-paid job and therefore getting some housing benefit to help subsidise the cost of that? They are working, they are in low-paid occupation, but under what you are proposing they are under-occupied. So under your proposals they are going to be potentially forced to leave a property.

Grant Shapps: We all have to make decisions in life about where we live, what we can afford to do. Some people will simply say, "I can afford to supplement my rent. Yes, I won't be getting 100% cover by housing benefit but I can supplement it and stay where I am". Other people will say, "Actually I can no longer

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afford to live in this most expensive part of this city that I am living in". But none of us have a right to live in any street in any city that we choose. We all have to make those decisions. As you say, you probably support the principle that it is unsustainable to have a housing benefit budget bigger than police and universities put together. Something needs to be done but it needs to be done fairly, it needs to protect the most in need, and that under-occupancy that you are talking about has a cost to it. The cost is the 1.8 million families languishing on the social housing waiting list, which has doubled, and we think it is unacceptable.

Q13 Clive Efford: You have said several times that we cannot afford to subsidise people living in expensive houses in areas where other people can't live. Exactly how many people have you identified living in those conditions?

Grant Shapps: This is a DWP detailed analysis. The reality is that there will not be that many families if you take the £450 a week, which was the maximum allowed under the previous system, down to £400. How many people in this room rent a property at £450 a week? You would either have to be in a particularly classy neighbourhood or you would have to be in a very large home. So by virtue of the numbers involved at that level there would not be vast numbers of people.

Q14 Clive Efford: You said that this was about dealing with the situation of homelessness and the large number of people on the homelessness register, but you are saying that this measure to cap housing benefit will not actually affect many people.

Grant Shapps: We are talking slightly at cross-purposes there. The 430,000 people in social accommodation who are under-occupying by two or more rooms are in some cases being effectively funded by the taxpayers; "Here we are, let's have an empty room and fund it". This is not a cost free thing. We spend billions of pounds building up social housing stock; I am sure you would agree that it is incumbent on us to use that stock in the most efficient way possible. We subsidise each social home by about £35 a week and it transpires that we are actually subsidising empty space in social housing as well. You are interested in this issue, I know, but somewhere along the line you have to say, "How do we help the people who are most in need?" and the people most in need are the ones who do not have a roof over their heads at all.

Q15 Clive Efford: I am still not clear, and forgive me if I am just being dim, but is it that you want to make the housing fit the requirements of a particular family and therefore make efficient use of private sector or public sector housing, or is it that you want to reduce the housing benefit budget? I am not sure which one.

Grant Shapps: The two of them are hardly incompatible. They are both proper aims and the Chancellor has very clearly said that a £21 billion housing benefit bill is unsustainable and he's right about that. At the same time, you and I, who care

about housing, will care about the 5 million people languishing on the social housing waiting list. To simply say, "There is nothing we can do about that; let's just relentlessly focus on something else and forget about people who are outside of the system" is unacceptable and this Government is determined to help those most in need. Those most in need in this context are the ones who don't have homes.

Q16 Clive Efford: There you go again; you say there is a £21 billion budget that we have got to get under control. We would all accept that and no one wants to spend money that we don't want to spend. But you are also saying that this measure will not actually save much money, aren't you?

Grant Shapps: No, this is designed to save £1.8 billion as was announced at the Budget. It will certainly save worthwhile money. The point I thought you were driving at specifically—perhaps I misunderstood your point—was that in the largest homes there is a £450 a week cap on housing benefit and we are going to bring that down to £400. Again, it is a question of proportion, but there has been a 50% increase over 10 years. Something is happening here which is not just related to the economic climate, the recession that the country got itself into—there is something wider going on. I know it's an issue that was of great concern to my predecessors; the four Housing Ministers that I shadowed in Opposition were all concerned about this issue. The trouble is no one was actually biting the bullet and starting to get to the people who needed the help and care, who are the people outside the system.

Chair: Bob.

Q17 Bob Blackman: To move on from the operation of the housing benefit to the key part of your Department that looks after the administration costs of housing benefit: for local government at the moment it is probably the biggest single revenue flow that goes through their books and the cost of administering the benefit is absolutely huge. There are various different ways that have been suggested about reforming that—joining local authorities together under joint contracts—but equally the complications of the benefit in the first place and all of the paperwork that flows from it mean that it is going to be a high cost administratively. I wondered what representations you have made to your colleagues in DWP about reforming the very basis of the benefit.

Grant Shapps: The Secretary of State for the Department of Work and Pensions is undertaking exactly this review in a consultation which closes on the 1st of October, and looking at all of the different questions related to all the benefits including housing benefits and, I am sure, including representations on how it is paid. You are absolutely right to identify the costs of the systems. Of course there are some potential advantages on local knowledge—we have talked about the discretionary housing payments before. Actually the question is about whether it is efficient to do it in this way. That work is ongoing at the moment.

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Q18 Bob Blackman: To be clear, I want to know what representations your Department is making to that review and what contribution is being suggested. Obviously local government is going to be seeking to put those recommendations across.

Grant Shapps MP: We are meeting very regularly with Iain Duncan Smith's team in particular on the elements which affect housing. As I said, I can tell you our thought process here. Part of the advantage of doing it locally is that you get some local discretion. Part of the disadvantage is that it may be a less efficient way with all that being put into the pot. We are being very open with our thoughts on it and trying to guide them as best we can from our perspective on this.

Q19 Bob Blackman: Obviously one of the concerns from a claimant's perspective is that they are required to produce enormous amounts of evidence in support of their claims, which is very bureaucratic, administratively burdensome, and clearly has a big effect on local authorities' budgets.

Grant Shapps: I think that is all absolutely correct and probably one for a different Select Committee. Iain Duncan Smith's purpose is to make sure—and it fits into our earlier discussion about housing and housing benefit—that when you work it always pays you. You go out, you earn a pound, you are always going to be better off earning that pound than not working. Housing benefit is an important part of that mix, of course, so we are looking at the way that is paid as well.

Q20 Toby Perkins: Mr Shapps, you said previously that your predecessors as Housing Ministers had also identified the issue of housing benefit and the cost of it, but one of the reasons why the cost has escalated so much is because property prices and rental prices have escalated so much. The reality is that after several years of not doing enough on that, the previous Government in the last two or three years was making it a specific priority of Government to increase the number of social houses that were built. Now some of the measures that they put in place to achieve that are being taken away. Is it still a priority of this Housing Department to increase the number of houses being built?

Grant Shapps: Yes, and I think you nailed the problem in your question. After many years of not doing anywhere near enough, we ended up in a situation where we had the lowest house building in peacetime since 1924, with about 22,000 fewer homes, of all types, being built on average every single year for the last 13 years—and specifically on social housing, affordable housing, a much smaller number of homes being produced. It moved around a bit towards the end, but there was never a year when there were more affordable homes being built than in every single year under Thatcher and Major, which is perhaps not what people would have expected from the last Government. This is a build-up which took place over a long period of time. You are right about the problem: it is fundamentally about the lack of homes being built and that is what this Government intends to fix.

Q21 Clive Efford: What is the strategic role of the Department in delivering affordable housing? We have torn up local strategies for development; where will be the responsibility for standing up for those people who do not have a stake in an area and need housing?

Grant Shapps: local authorities will be responsible for making sure that their local area produces enough homes. I think we have already demonstrated quite clearly that the top down, bureaucratic, almost Stalinist system was not working. It produced fewer homes; the more you wrote these 10 and 20 year plans through Regional Spatial Strategies, the fewer homes actually got delivered on the ground. So our system is to have a new homes bonus, to put the financial benefit directly in the hands of the local community, so that when they build more homes they do better. When it comes to affordable housing they will not just get that council tax matched pound-for-pound for a new homes bonus, they will actually get 125p for every pound of council tax that they are collecting in addition to the pound of council tax. In other words, they will be incentivised for a number of years for building social houses.

Q22 Clive Efford: Have you got a figure for what that will produce?

Grant Shapps: No, that is up to the local authorities to build the homes. You can set a target, the target does not get hit, and you can expand the target as the previous Prime Minister did—3 million homes by 2020, we all remember that—but it does not get more homes built. What does get homes built is actually making the conditions on the ground right for house building.

Q23 Clive Efford: How did you settle on the figure for the new homes bonus if you have got no idea of how many homes that is going to produce?

Grant Shapps: It is a good question, because what you want to do is find a way of creating an incentive which is large enough. You want to ensure that people feel that there is something in it for them when they build homes in their area. Of course in reality the truth is that up until now there has been no advantage to building a home in your area; in fact you would probably have a worse quality of life with more congestion and so on and so forth. What we seek to do by matching the council tax pound for pound, and over-matching it for affordable housing, is to be able to say to the existing population, "There is something in it for you". The thing in it for them is that they are going to get money into the community; they can use it to build a community centre or lower council tax, or rebuild the town centre or whatever they want to do. We are certain that what we are doing here is offering an incentive which is going to be almost irresistible to the local authorities.

Q24 Clive Efford: In your letter of the 9th August you said, in bold type in the third paragraph, "I can therefore today confirm that Councils who take action now to give planning consent and support the construction of new homes will receive direct and substantial benefit from their actions". Since that

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letter, how many homes have local authorities indicated they want to build?

Grant Shapps: First of all, this is my letter to local authorities themselves which you are reading from.

Clive Efford: I assume it is to us actually as it says, "Dear Colleague".

Grant Shapps: I see; there is a similar letter that I thought colleagues would appreciate seeing. The whole idea is that local authorities can look at their plans and work out where they are going to be financially. That will be happening and is happening in town halls up and down this country. There are getting on for 400 planning authorities and each one of them can look at their programme—and by the way this applies to homes being approved and planning permissions being granted now—and they will all benefit from this new homes bonus. You would have to go to each local authority and ask them how many homes they are going to build. This is a post-bureaucratic world where the Minister does not sit in Whitehall as he or she tried to do in the past and second guess local communities. Localism, if you really believe in it, actually means you give people the power, the discretion and the ability to improve their communities and you do not sit in the centre with a big map on the wall—as my predecessors did—pinning pins in for 1000 homes here, 200 there. This is about getting local communities to provide the housing for their own people.

Q25 Stephen Gilbert: Mr Shapps has just set out for the Committee the scale of the problem that we have got: 1.8 million people on the waiting list.

Grant Shapps: 1.8 million families, 5 million people.

Stephen Gilbert: Millions more who are struggling to get affordable accommodation. He set out the Government's view that the new homes bonus is going to address it. But you can give us no actual numbers of how many new homes, particularly for the affordable market, will be created and no idea of how much of an impact that policy will make in terms of addressing the 5 million people who are waiting for somewhere decent to live?

Grant Shapps: In that regard I will not be any different from any of the previous Housing Ministers you have had sitting in front of this Committee. The truth is when they sat here and they said, "3 million homes by 2020" it was a load of baloney and we now know that that system did not work. At least I'm being truthful, upfront about it and saying to you that there is no way that a Minister can sit in Whitehall and provide an accurate prediction of the number of homes being built. I am confident of one thing; we will get more homes built through a system which is truly local, actually trusts local communities, stops pitting developers against local people. One developer who came in to see us freely said, "It's great, we are spending a lot less time now at the planning inspectorate, on lawyers, fighting local communities, and a lot more time getting alongside them and helping to solve their problems through the new homes bonus". If that does not deliver more homes I don't know what will. I apologise that I cannot give you a number; what it will do is deliver the homes.

Stephen Gilbert: I accept that you are being consistent with your predecessors; I am not sure that is an accolade that you want to leave the Committee ringing in your ears. I still do not think it necessarily helps us or indeed the millions of people who are looking for somewhere to live. I accept that the Government has grasped the issue.

Grant Shapps: I think it helps them in this regard. I am very critical of our predecessors for raising expectations which they then completely dashed and failed to meet. We have already talked about the numbers, the lowest house building in peacetime since 1924. That's unacceptable. We have to do a lot better. Our system is designed to do a lot better by simply looking at where the conflicts exist, working with rather than against human nature and giving people something in return for sensible development. It is not just the new homes bonus; it is also our community right to build which allow communities to have a vote in rural areas to actually decide themselves to build more homes without even having to go for planning permission from the local authorities. It is all about decentralisation, it is all about putting power in the hands of local people.

Q26 Stephen Gilbert: I am fully supportive of that agenda; what I am slightly concerned about is that there has been no assessment made of the likely outputs because that could mean that in some cases local authorities adopt a developer's charge, if you like. They see the incentivisation and push ahead meeting the needs of the developers, but in other cases they take a different approach and housing needs in those areas are not addressed. Do you accept that there could be inconsistency in outcomes?

Grant Shapps: You have got to view this in the wider context. There has been a terrible economic period, a £156 billion deficit, and local authorities are having to take their share of the pain as we all are. Therefore they will be looking, I imagine pretty actively, for places to help with their budget. Suddenly there is a new homes bonus available to them. It is probably a good place to look and in conjunction with sensible conversations with their residents they will probably want to come to a conclusion about how many homes they want to build. There is certainly plenty of incentives and every sense for them to get going on this.

Q27 Stephen Gilbert: One final question if I may Chair and I suspect the answer is no. I was wondering if we might get a glimpse into the CSR process. The scale of the housing crisis is clearly enormous; it is perhaps one of the biggest problems facing the country at the moment. Is there going to be more or less money from Government for housing provision at the end of CSR?

Grant Shapps: I can just say that the CSR is on the 20th of October.

Q28 George Freeman: I wonder if I may come back to the abolition of the Regional Spatial Strategy. The Ministerial team will be delighted to know that East Anglia is still ringing with the cheers that greeted that abolition. I think Mr Shapps referred to it as

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Stalinist; it was certainly seen to be imposing London targets on East Anglia. My constituency is just outside of Norwich, and in Norfolk there is a huge problem with a legacy of planning numbers that were put together under the RSS as part of the Greater Norwich strategy. Local councils, who very sensibly have very good plans locally to put in place popular and much more decentralised local planning, find themselves facing two threats which I wanted to ask the Housing Minister to comment on.

The first is the lack of a clear legal framework for decision-making by the planning inspectorate where a local council has put in place a much more popular local plan; it may not be as sophisticated as the old one, but there are developers with land ready and applications driving through this period of policy vacuum. How will popular local plans be protected in that period before the bill is passed? Linked to that is a second point around the five-year land supply, which I am told, but I invite your comment on, is being used by developers who have been eyeing sites for a long time as a loophole effectively to get around the abolition of the RSS and force their developments on the community.

Eric Pickles: I think it will be more helpful for Greg to reply to this but I have to say that I disagree with my colleague. I do not think it is Stalinism it is more Nikita Khrushchev, this planning. Do you want to take us through the legal framework?

Greg Clark: I will, but to put it into context, I think all of us, and certainly you and your predecessor Ministers, recognised that we need to build more homes and that we need to correct something disastrous that has happened. As we all know as constituency MPs, and many among us who have been councillors know, we have got to a stage where almost the whole principle of development is now seen to be retrograde. Almost every suggested development is assumed to be something that is going to erode if not destroy people's quality of life. The built environment is seen as something hostile. This is a calamitous situation; I think it is something we have never experienced in all the years and centuries that we have been building in this country.

Our purpose in making these reforms is really to look at what has happened during the last Government's period in office, where, no doubt with the best of intentions, the idea of imposing a number from above was thought to be the solution to the problem; exactly as Grant has said, that has not worked. People have found ingenious ways to resist that imposition and to find different ways around it. What we are suggesting is to try to correct some of the faults in the present system. The first is, rather than impose from above, allow people greater ownership and greater freedom to shape their communities in the belief, and I think it is a justified belief that if they do, people want to see their communities prosper and they will be less hostile to development than they are if it is seen as something alien, imposed from above. The second is to allow people to share in the benefits of that development. It is an extraordinary situation when councils who face costs, whether it is from new houses or new commercial development, do not benefit in the revenues from that. Correcting those features is

something that we are serious minded in wanting to do.

To answer your specific points about the RSSs; it is open to local authorities to review their local development frameworks and to reintroduce their own assessment of the housing needs in their area. But it needs to be rigorous. They can't just pick a number and put it in and regard that as being the end of it. They need to make an assessment, and they need to put that, and justify that, in their plans. In doing that, those plans exist and they include Government decisions including appeals. We have not made any changes to the five-year requirement, but that five-year requirement is obviously going to be based on the numbers that they have established are needed in that area.

Q29 George Freeman: I understand and support the philosophy of the policy, which makes total sense, and the freedom of incentives. What my local councillors are telling us is that the developers and their legal advisors, with substantial funds, often challenging local authorities with not-so-substantial funds, seem to think that there is some ambiguity in the legal framework in circumstances, before the bill is passed, where they inherited old numbers—in this case from the Greater Norwich partnership. It is a document that is extant, it has been put together by the councils under the previous framework, and they fear that popular rigorous local plans with strong community support will be ridden roughshod over by big developers with big legal advisors, and the same with the five-year land supply.

Greg Clark: We have been very clear; I have been to Bristol to visit the Planning Inspectorate. We've had a very straightforward conversation that when it comes to planning appeals, just as with the decisions of planning committees, the regional strategies have been revoked; if a council or local authority has established a rigorous basis for its own housing needs assessment then that number applies.

Q30 George Freeman: Where a council finds that the five-year land supply rules are being used inappropriately, where is their right of appeal, if the council is saying, "That is not the five-year land supply that we recognise"? Is the word of the planning inspector the final word? If the community is screaming "That's not what we want", do they have a right of appeal?

Greg Clark: It is exactly the same. If you've had a rigorous housing needs assessment and you have identified the needs of the community and you have identified, over five years, a means of supplying that, then that stands.

Q31 George Hollingbery: This of course cuts both ways, as there are councils out there which are now preventing developers going ahead with well-thought-through plans which are backed by reasonable and strategic housing assessments and so on and so forth because, Minister, I think there is a genuine misunderstanding or uncertainty about the interregnum. Like my colleague I am enormously enthusiastic about the localisation of planning,

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although I have some concerns about a national framework of outcomes which you wish as the Ministerial team. But this short term, one or two years, seems to me to require a rather more—prescriptive is the wrong word—perhaps a little more detail, within which communities, developers and councils can make more informed decisions. I wonder if I can get your comments on that?

Greg Clark: I can understand the context: over 13 years—and more, to be frank—local authorities have often looked over their shoulder to see what central Government really wanted them to do, knowing that if they did not follow that then some horrendous financial or bureaucratic consequences would befall them. I think there has been the situation, in other areas of local authorities, where people have looked up to the centre to be told what to do. The message that we are giving, having revoked the regional strategies, is that it is down to local authorities, that through their local plans they can make a rigorous assessment of their needs and they will stand. They will be proof against being overturned by inspectors and they should have the confidence to get on with making those assessments and locally that should be where the debate is.

Q32 George Hollingbery: There is a point, is there not, that at the moment there is very often a false expectation amongst local people, because they have been led to expect that they will be able to design the outcomes in planning terms, which indeed they can do, but is it bound to take some two, three, maybe even four years before the rigour is in place for them to be able to make that real contribution to the way their towns look and feel?

Greg Clark: I don't think it takes that long. I think the most progressive councils can get on with it straight away; some of them are reviewing their own plans and they have the opportunity in very short order to shape them in the way that we want. We have got to go further with the Bill that we are introducing to give greater powers to neighbourhoods. At local authority level at the moment, they have the opportunity to shape their communities in the way that they want. I should say that there are lots of enthusiasts who are beating our door down and wanting to go ahead with this, and there will be people who will imitate those innovators, but there is also—I don't know whether my colleagues have detected this too—in some authorities, for understandable reasons, a bit of what you might call Stockholm syndrome. People have got used to and developed a certain affection for their captors, as it were. I am no psychologist—I don't know what the cure for that is—but I suspect seeing other people make use of the freedoms and flexibilities will, not in a long period of time, I think, but pretty shortly, give people the confidence to make their own decisions.

Q33 Chris Williamson: Minister, in the context of the housing benefit cuts, I wonder if you could just outline what you see the future role of the private rented sector will be? Do you still see it having a role? And what measures can you put in place and what assurances can you give the Committee that people on

low incomes won't be forced into the arms of slum landlords?

Grant Shapps: First of all, just to put on record, I think the private rented sector is almost the unsung hero of housing. Everyone spends ages talking about social housing—not surprisingly, as there are billions of pounds of public money pumped in. Everyone talks about buying homes—it is on the front of the *Express* every other day. But almost nobody talks about the private rented sector, and it has a vast remit both in terms of people who rent privately and choose never to buy, and also from a social housing perspective. One fascinating thing about housing is, when you go around the country thinking you understand housing—we all think we understand it because we look at our own constituencies—you can go somewhere else and it turns out that an entirely different housing market exists. For example, I went down to Hastings, where the private rented sector is pretty much the social housing sector—there are very few social landlords: some housing associations, but not much otherwise. The big issue there is how you combine the best possible quality of private rented housing with the best possible availability when you don't have any of the tools of local authority provision and so on and so forth. These are big issues, and I am very concerned to make sure that we don't end up with slum landlords.

I think it is also worth putting on record that most people agree that most landlords are pretty good; the trouble is you get some who are not. There are various different solutions that have been put forward for this. My predecessor had one, which was to register every landlord. When I got to the Department I asked for the body of work that had been done on it and the answer was nothing much. The problem, as soon as you look at some of those solutions to try to prevent slum landlords, is you realise there are a million or so landlords who turn out to be people renting a spare room but are classed as landlords. So how do you maintain this register? What does it really mean? Does it have any purpose? I was convinced pretty quickly that was probably not the way forward. I am very concerned to make sure we have good landlords and I am working with people like Shelter and with the National Landlords Association to try to achieve those outcomes.

Q34 Bob Blackman: Just coming back to the issue of a planning authority versus the supply of housing. What conflicts do you see between the council as a planning authority determining this planning application and then having a financial benefit to build these properties? Do you think people will be suspicious?

Eric Pickles: We have a choice, don't we? UK councils—English councils—are unique. If you wander Europe towards the Ural Mountains or beyond, there are no other local authorities that have no interest in the taxpayers whatsoever. Sometimes if you build houses you actually lose grant, under the way it works at the moment. We are actually saying that this is a grown-up conversation with local authorities so that they can talk to their local community. The problem is that, for everything that

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has been done between the Department and the local authorities and the planning system, it has gradually drifted. There has not been any planning taking place in this country for the best part of three or four decades. We have now got development control and it is predicated on conflict. What we are simply trying to do is to take the conflict out, and for sensible local authorities to get into a proper dialogue with their local community, for them to make decisions.

Clearly, even in these difficult times, a local authority that wants to build and wants to build houses and streets that kids are going to play in and people are going to call their home and be proud to come back to at night, it's a kind of balance. You could get into a proper discussion, and I certainly believe this is a more sensible way, through talking to local authorities. We have all stood up, each one of us, at public meetings and tried to explain the benefits of a particular development, how things are going to be better. The truth is that in most cases they are not, because it will get swallowed up in section 106. We can actually say here, if we take these houses, you will be materially better off: we will be able to fund the library, we will be able to produce the community action. There is always a conflict, that conflict has always existed in terms of, "Do we allow this development?" This is about trying to break that conflict and to arrive at a situation where communities can sensibly say, "We want to grow, but at a pace that is determined by us, not by the centre."

Q35 Bob Blackman: The clear concern from a lot of people in communities, particular in urban areas, will be not that we are getting houses built, but that we are getting rabbit hutches built, in which we pile people at the cheapest possible cost and charge the maximum amount of money. That is the clear concern that I think is going on for urban areas.

Eric Pickles: I think that that is right. Grant can come in in a second. Can I just say this before you do? We have stopped the density requirements. I think one thing that changed over the last 10 years was the enormous number of flats. Naturally, what we want are homes to raise kids in and that is why there are an awful lot of empty flats at the moment, because we are not actually meeting the housing need. We are trying, but I think we need to understand that there is a limit to what Government can do. What we have tried to do is to apply things that are responsive to the housing market rather than try to move what is the most competitive market that we have got; so try to do something that goes with the flow.

Grant Shapps: The density targets were exactly the point I was going to mention. It's ridiculous that people are living in rabbit hutches. Homes are so much smaller than they were in the 1930s and we think, "Is this a good way to bring up families?" It clearly isn't, and that is why we are taking these steps.

Chair: Very briefly, Toby then Clive. Just two very brief questions.

Q36 Toby Perkins: You were referring there to the Regional Spatial Strategy previously and top-down targets having failed in terms of housing provision; you were right to say that the previous Government

were so focused on the appalling state that it inherited social housing in, and spent too little time focusing on actually getting the houses built. But isn't the reality that we can't say Regional Spatial Strategy didn't work because it was actually just coming into the period where it would have actually started building that housing. Isn't the reality of this idea that there won't be conflict on housing that in fact the houses won't get built, because there isn't that excuse of the Government pushing their house building programme?

Grant Shapps: I will just do this first and then hand over to my colleague. Simple facts here: the Regional Spatial Strategies, when you look at it, were a crazy system. Even my predecessor now says that the Government over-centralised the system. It was crazy. There was a situation in Hertfordshire where the County Council decided to judicially review the Regional Spatial Strategy for the East of England, which not only stopped every single bit of planning development in the East of England of any scale at all whilst that was reviewed, but also placed on hold the South-West Regional Spatial Strategy and the West-Midlands Regional Spatial Strategy, and caused problems in the South-East England one—it was all interlinked. You had one authority making the challenge and the entire system collapsing and going on hold. That is how crazy the Regional Spatial Strategy system was, and thank goodness it has gone; we have done the greatest favour of getting homes built of, I think, any government since the last war.

Q37 Clive Efford: The National Federation of Housing has said that "radical changes to the planning system combined with threatened funding cuts could see the number of social homes built this year slump by 65%, to just 20,390." How many homes do you estimate will not be built as a result of the Government's cuts to the planned expenditure?

Grant Shapps: The homes that won't be built will be as a result of the £156 billion deficit which was run up by the previous Government and the urgent need to fix that deficit. In actual fact, of the July 2009 housing pledge, £1.5 billion, and despite the need to cut the deficit, we have actually delivered over £1.25 billion of the money to the housing pledge. The answer to your question is fortunately relatively few. I should just say, it is the job of the National Housing Federation, who I have worked with all time—they have helped create reports for me and so on—to be critical of Government. They were endlessly critical of the last Government. Sometimes the figures could do with a little bit of checking and are based on somewhat mischievous evidence I would say. But we believe in house building, we believe we have got a better way to get houses built for exactly the reasons we have just been covering.

Q38 Clive Efford: Is there a future for publically funded large scale house building or will we be relying on the private sector?

Grant Shapps: Absolutely.

Q39 Chair: Can I pick up one final point Minister? Obviously the Government's policy is not to have a

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target, for the reason you explained. You have been very critical of the previous Government's record on housing even before the recession reduced the house building further. So do we take it that success for this Government, when you are eventually judged on your record, will be building more homes per year than were being built prior to the recession, and that failure will be building less?

Grant Shapps: Yes. Building more homes is the gold standard upon which we shall be judged. The idea is to get a system which delivers housing in this country.

Eric Pickles: And homes that people want to live in so kids can play in the streets and people come home with some pride.

Q40 Chair: Have you got a plan B if fewer homes are built as a result of the changes?

Grant Shapps: Ultimately, if everything else fails you would increase the incentives until they got built, but I don't recommend that any local authorities sit on their hands in the meantime, because their neighbouring authority will start building and they will find that they themselves suffer by not building.

Q41 Toby Perkins: Minister, when do you expect to announce how you intend to proceed with the reform of the Housing Revenue Account subsidy system?

Grant Shapps: The Housing Revenue Account was a review that was undertaken by my predecessor. We supported the idea of reform of the HRA in our manifesto; the Coalition is very keen to do that. The consultation closed and we are considering the results obviously thinking forward towards the Localism Bill which will be introduced before the end of the year.

Q42 Toby Perkins: So you actually expect to announce by the end of the year?

Grant Shapps: We certainly expect to be saying more about this in advance of the localism legislation itself, and tying it all together.

Q43 Toby Perkins: They have been subject to detailed analysis for three years now. I know that you were on record in terms of your doubts about the consultation on the proposals that were put forward before you took office. I believe the consultation ended on 6 July. You were expected to come forward with proposals in early September. Isn't it time for action now?

Grant Shapps: There is an absolute deadline on this, which is the Localism Bill coming in. I think you can take by the absence of anything else the idea that it isn't going to be the case—you probably already realise this—that all local authorities in the country that have council housing are going to cosily come together and agree this. Instead it will require legislation, and that will be primary legislation, which is why we have said it needs to be done in the Localism Bill. I think there may have been some hope, before we got to see the full outcome of the consultation, that everybody would be in reasonable agreement and something could be pressed ahead. My predecessor had said, if there is, we will get on with it, but the reality is that this is going to require forcing

everybody into an agreed position, and we need legislation to do that.

Q44 Toby Perkins: Does the Government accept the principle that some debt-free or low-debt authorities should take on more housing debt?

Grant Shapps: The whole principle of the HRA reform is exactly as you describe, and quite a lot of local authorities came back and were happy with that principle in return for finally breaking free of the Housing Revenue Account and being able to administer their own homes, and being able to keep the difference and what have you if they do it efficiently. They can then buy their way out over two or three decades. It suited a lot of authorities, quite surprisingly high numbers, but we can only do it with everybody settling at the same time, and I quickly came to the conclusion that to settle just some of them, those that have agreed, but then leave a rump unsettled, would not solve the HRA problem or be fair overall, which is why we're waiting for the legislative opportunity.

Q45 Chair: One issue that there is a little bit of suspicion around—the proposals from the previous Government, as I understand them, allocated £3.6 billion more debt than is currently in the system. In other words, the Treasury were gaining a bit from it upfront and obviously promising that authorities could retain capital receipts in the future. Is there any possibility that the announcement on the Housing Revenue Account may be being delayed because the spending review might be looking at increasing that amount of debt even further?

Grant Shapps: For everything in Government 20 October is a big day in the diary, but if you are asking if that is why we have not come out with anything else on HRA for the moment, it is not. It is because the consultation came back and there wasn't one unified voice on it. There are real reasons—this isn't necessarily just a Treasury grab. If these authorities were to exit the system, as many do when they go for voluntary transfer, those who are in credit effectively offer to make a payment to the Treasury, so you would not expect the Treasury to want to settle without some money being transferred over. Then there is also Decent Homes and the rest of the programme which needs to be factored into the HRA settlement. Anyone who has studied the HRA issue for any time at all knows that it is pretty complex territory; it's not something to be steamrolled through and it does need to be done in the fullness of time, and we have got a deadline on it anyway, by which time we need to get things organised, because of the legislation.

Q46 Chair: In terms of the other factors in the review, some of us who were quite pleased that progress had been made on the principle of reforming the HRA were a bit disappointed about the restrictions on rent levels and on the ability to borrow for local authorities; that was still going to be contained within the system. Have you got any thoughts that you might be prepared to be more flexible and localist on those issues?

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Grant Shapps: I think I probably need to wait until the official announcement on that front. The Housing Revenue Account is an enormously complicated, very unfair system, which penalises or fails to recognise those who look after their housing stock well. I think it should be as flexible as possible to achieve those goals and provide decent housing all round. I can say that I am very aware of the Committee's specific concerns on this front.

Q47 Clive Efford: Could you explain to the Committee what the Government's policy is on the future of security of tenure for social housing tenants, and what the situation might be in about five years' time?

Grant Shapps: First of all, none of this discussion relates to anybody already in social housing; whether that is a council house or affordable housing of any type. Their tenure will not change under this Government, not now or ever. Secondly, as the Prime Minister said in Birmingham, it's a subject worth having a debate about for future affordable housing, because of what we have already discussed this afternoon, which is this enormous build-up of pressure: 5 million people languishing on the waiting list. It is probably a good subject to have a debate about, how you should allocate tenure in the future.

Q48 Clive Efford: If someone moves and they are currently a secure tenant, and they have to move, perhaps because they are under-occupying the property, which would be fulfilling your ambition, would they then get the new property on their existing conditions or would those be changed?

Grant Shapps: No, you absolutely have to say, and I want this message to go out to anyone that is listening this afternoon, this has nothing to do with you if you are already a council tenant or a housing association tenant. Not now, not in the future, and regardless of whether you move in the future. What we are talking about are people who are not yet in receipt of public support for housing and what happens when they are assigned the tenancy potentially in the future. All we are talking about is having a discussion about it, which seems very reasonable. I have to say, of every organisation that has looked into this and is serious about housing—the Chartered Institute of Housing, the National Housing Federation, even charities like Shelter which on the surface you would think would be pretty concerned about these types of changes, and rightly so, as they look at these issues very carefully—none is saying this is not a debate we should be having. If you are serious about housing you have to be serious about that waiting list, and we spend a lot of money; we have invested £140 billion in the social housing stock, we need to use it as best we can.

Q49 Clive Efford: If it does not apply to existing tenants of RSLs or local authorities, even if they move, in four or five years' time have you made a projection of how many people will be on these new tenancies?

Grant Shapps: First of all this is only a debate. Secondly this is a very slow burn issue. We are saying that the Coalition Government is serious about

housing to the extent, and beyond, of the fact that we are actually prepared to make decisions that may not benefit society for a decade or two decades or three decades, because if you have lifetime tenure for everyone existing and even if you were to potentially locally amend that in the future, perhaps by giving a housing association who are building 20 new homes the ability to flex the tenure on those because they are built for a young family with kids and have a park outside and would not be appropriate for retirement, for example. You are right, you have put your finger on it. This will not be of any enormous benefit in the short term, but had it been done 15 years ago it would have been. It is a Thatcher reform in the early 1980s that lifetime tenure exists; I have never known so many people from an unexpected wing of politics to defend Thatcher's policies with such great principle.

Q50 Clive Efford: What contribution will this make to the current housing problem?

Grant Shapps: It is not a current day thing. This is something for the future. This Coalition Government is serious about housing; serious enough that it will even do things which have no particular benefit today or tomorrow but will in years to come and for our future. I have kids, and I want to know that housing in this country is best established for them as well. This isn't about the lifetime of this particular Government.

Q51 Clive Efford: You've lost me again. How will it make it better for your children in the future?

Grant Shapps: For any of the 5 million people who are now languishing on social housing waiting lists who are out there at the moment and wondering why. Some constituents came to my surgery just before Christmas and they were becoming homeless, although they owned their own home, because the husband had lost his business and the wife had lost her job, and the local authority had to step in to support them by providing a council house. Now I suspect in five or 10 years' time they will be out of that crisis moment in their lives, but the guy who came to my surgery last Friday, who is homeless and about to live in his car, cannot be given a home because we have filled homes with people who in the future may not need them. It is going to be a gradual change, but if you are asking what the difference would be for my children's generation, it would be that we would be using this huge public asset much more intelligently.

Chair: So the council housing we have will be—

Grant Shapps: No, no. First of all, this is just open for debate and I am pleased we are having it. Secondly, presumably you would say local authorities or local housing providers will make a decision and they may well say, "Actually we want to do lifetime tenures, we don't want to change anything at all".

Q52 Chair: So there is going to be a choice for local authorities, not something that local authorities have to do?

Grant Shapps: This sort of debate is around whether you could introduce, for example, flexibility for local housing providers, and when you think about that

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example I gave before makes perfect sense. If you are building homes for young starter families, you ask do they want to be in that home for ever and a day and would more flexibility not play its part. I have also introduced and announced a mobility system which would mean that you could move around homes much, much more easily so that you can switch under a national mobility scheme from one house to another without losing your tenure as well, and I think that's very important.

Q53 Clive Efford: Just one last question. You were Shadow Housing Minister for three years before the election?

Grant Shapps: Yes

Q54 Clive Efford: So you will know the subject reasonably well. Before the election your party said, "We have no policy to change the current or future security of tenure of tenants in social housing." Given that you were in the job for so long what changed your mind when you got into Government?

Grant Shapps: We still have no plans to change the existing or future tenancies for people in social housing today.

Q55 Clive Efford: That is not what was said, nor was it the question.

Grant Shapps: It is what it says; read it again.

Q56 Clive Efford: The question was whether you had any future plans to change the security of tenure for tenants, and this says you have no current or future plans for security of tenure of tenants.

Grant Shapps: For existing tenants.

Clive Efford: Well, it doesn't say that.

Grant Shapps: As I say, the Prime Minister has opened up the debate, and given all our interests in housing and the lack of supply and the number of people on that record waiting list that doubled under the previous Government, I think we do have to think outside of some of the more traditional responses, which is to say nothing can ever change and we have to defend the Thatcher lifetime tenure for ever and a day and into the future.

Q57 Clive Efford: So you always planned this change or you decided after the election?

Grant Shapps: No, this is just a debate. We have not made a change. The Prime Minister said this is something that we should have a debate about. I am delighted we are, and as I say, people who really care about housing, like the Chartered Institute of Housing, the National Housing Federation, they are not jumping up and down saying this is a ridiculous debate to have. They are actually saying it is our responsibility to use public housing which costs billions of pounds to build and is subsidised each week in rent in the most efficient way to help the maximum number of people, and it is not doing that at the moment so we should look at it.

Chair: Thank you. Bob.

Q58 Bob Blackman: Can we move on to another area which I consider to be extremely popular, and

that I think should be expanded, namely shared ownership arrangements. How is your Department going to fund the expansion of this type of housing?

Grant Shapps: We agree that shared ownership is a very important part of helping people on to the housing ladder. There have been a number of schemes called HomeBuy which the previous Government introduced; a bewildering array of them. They did not all work, but one that did is currently in operation and is helping housing associations to create that housing by assisting people onto the housing ladder either via shared ownership or by helping them to afford the mortgage. There are other schemes that are not so good. There is one called Social HomeBuy, which last time I checked the figures has only helped 300 to 400 families and has been in operation for several years, so I am looking very closely at those. I want to do it in the round but absolutely support the ambition of helping more people into shared ownership.

Q59 Bob Blackman: How many people do you envisage being helped in shared ownership?

Grant Shapps: I don't have numbers on that, partly because I am undertaking the review at the moment, but if you want I can write back to the Committee with some detail.

Bob Blackman: I think that would be very helpful.

Grant Shapps: Glad to.

Q60 Bob Blackman: One of the other problems, not just with the shared ownership market, but the wider market at the moment, is where people are trying to buy homes, but getting mortgages is a real nightmare—with shared ownership, in particular. Is your Department taking any measures to encourage lenders to assist?

Grant Shapps: Yes. There are some interesting commercial schemes in addition to the HomeBuy scheme that I mentioned that assist with low-cost home ownership and they are now coming on to the market and will enable people, for example, to not have to raise quite as much of the deposit. Instead, you go into a partnership with the lender and possibly a housing association. Those are starting to happen. Commercially, this really ties in to the big picture though. You can try to implement whatever schemes you want, but if you don't get the economy right you are completely bust still. Let's not forget that the reason we are in this mess is because the economy has not gone right and that is why our colleagues at Treasury and the Chancellor are trying to fix the broken regime.

Q61 Bob Blackman: Given that we have got a position whereby, in general, these developments are going to be by RSLs or the equivalent, who are going to produce these type of houses, the prices are reasonably well fixed or a part of a development plan. Lenders are far more focused on them being able to lend money but they don't seem to be willing to do so. So what pressure can you put on these lenders to make sure that these people can be assisted?

Grant Shapps: Our colleagues in the Treasury and the steps that they take will be critical in this. We have a situation at the moment where billions of pounds have

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gone into supporting the banks, and the regulatory regime itself was completely inadequate. Broadly speaking, what happened is that those banks over-lent; 100%, 125%, seven times earnings, and eventually the system went pop and the problem was that nobody was saying to those banks, "Call time, you've lent too much, your balance sheets are bust. Northern Rock, stop it." Now what we are trying to do is rebuild a system where there is responsibility in lending and competition in lending, which probably the Treasury Select Committee will get into in more detail. Obviously from our point of view we are modelling all of these and providing all the information to the Treasury. Again I will be very happy to share some of that with to the Committee. Perhaps a letter back to you with our views on this would be helpful.

Q62 Clive Efford: Can you say why you abolished the Tenants Services Authority?

Grant Shapps: We have not abolished the Tenants Services Authority, we simply announced that we would review them. As you know, because I imagine you are an avid reader of our Coalition Agreement, we said that we wanted to downsize, abolish and amalgamate quangos which we think have grown out of all proportion in this country and the Tenants Services Authority, I think in that regard, was potentially a quango too far.

Q63 Clive Efford: Are you concerned at all about the impacts on the financial viability of registered social landlords if you were to do this?

Grant Shapps: No, not at all. Just to be clear, the Tenants Services Authority does two jobs. One is it looks after that economic viability, the economic regulation. The other is it looks after the tenants' regulation. The economic regulation is absolutely required, and someone else will need to do it. We are undertaking a review which we will announce shortly, and somebody will need to take over that economic regulation. The tenants' regulation I just think they were doing a rubbish job of. It is outrageous that this enormous organisation which cost £42 million to set up, which spent money on its own staff, on buying a pink van and driving it around the country on roadshows, and on a plastic bag that I have in my office, was wasting all this public cash, and actually received in its first year—I forget the exact figure but I can write back to you with it—fewer than 50 complaints from the public about their housing. The point is, it was just a quango too far, too distant from people, who can get much better representation for tenants at local level. And we talked about the possibilities, for example, of allowing tenants panels to be able to refer cases to an ombudsman.

Q64 Clive Efford: Is there any role for a national tenants body that could perhaps co-ordinate a response to national policy on housing?

Grant Shapps: There are three national tenants bodies—I will give you four—at the moment, and they are, I can tell you, very proactive in commenting on national policy, and I speak to and meet with them whenever I can.

Q65 Chair: Is this the normal way things operate? The review is announced and then the abolition follows. On this occasion the abolition seemed to be announced and then the review followed.

Grant Shapps: I've got the wording here somewhere. I won't bother to find my speech on the subject, but we haven't said it is being abolished, we have said we will review it. I can't change history, and in opposition I have been pretty critical of an organisation which had found extraordinary ways of spending a lot of money. I like their booklet which agrees tenants' standards. I am not sure that for £42 million it was a good investment, though. I think we can take those standards, which are all good bread and butter stuff. For example, revelations, like tenants would like their repairs done quickly, are contained within this booklet, and we can use that, but I think we can provide that tenant regulation and power to the tenants in a much more meaningful way without a big quango to look after it.

Q66 Chair: Who is actually going to hold the housing associations to account? There is difference there; unlike local authorities where people in the end can have a vote on what they may want the composition of the authority to be in the future, housing associations are sometimes seen as a bit remote and unaccountable.

Grant Shapps: Here is an extraordinary thought: councillors, MPs and tenants panels should actually know what is going on on the ground, and if tenants actually talk to them about "This housing associations hasn't come and fixed my sink, it's been leaking all over the kitchen floor for x number of months", they would know what was happening; and in the future, if there was a building project in the local area, I bet those councillors would take a lot more interest in which housing association won the contract to do it. Suddenly you find you have regulation via democracy, which might be a much better way of doing it than having a £42 million quango in charge. The ultimate answer, of course, is we need to wait for the outcome of the review. You won't have too long to wait on this front.

Q67 Stephen Gilbert: Perhaps housing question time might come to an end, probably to the relief of the Minister and most of audience. Chair, I would like to ask the Secretary of State, if it is okay: we are painfully aware that local authorities are facing £1.1 billion in-year cuts to their budget. Can I ask why you decided to do this through the area based grant rather than through the formula grant allocation?

Eric Pickles: I thought that, in order to protect stability inside local authorities, we would do our best to protect formula grant. Obviously, we talked to senior people in local government. Had I been in local government I would have said that what we actually need is to ensure that formula grant is protected. To tell you the truth, I have been rather bragging around the place that while we have managed to ensure that no local authority received a cut greater than 2%, in addition we have saved formula grant.

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Q68 Stephen Gilbert: I think there is a wide recognition that that approach penalises poorer, more deprived areas of the country much more than wealthy areas, whereas adjusting the formula grant could be seen as fairer. I think the example was used in the House that Newham was going to have a cut of £4.6 million and yet Richmond of only £900,000. Do you accept that is part of the problem with the approach that Government has adopted?

Eric Pickles: Those authorities would have faced a much greater cut; that is why we ensured that nothing was more than 2%. Bear in mind, I didn't get us into this position. I wouldn't have wanted to be in this position—it's a direct result of the mismanagement by the previous Government, and the size of the deficit. It was of course easier to take money that local authorities hadn't already been allocated. There might have been a suggestion, had it been formula grant, that we actually would have had to start to rake the money back in. I do not think that would at all be sensible. Bearing in mind the relationship between the floor and the weighting that you give to particular things, if we had taken out of that it would have had a much more distributive effect than taking it out of area grant. By which I mean that the poorer authorities would have been hit harder had we taken it out of formula grant.

Q69 Stephen Gilbert: One last question from me, Chair, on local government finance in total. Secretary of State, we are obviously working towards an era of greater localism; do you think it is time to review how local authorities are financed in the round, looking at perhaps giving them the flexibility to control their own finances though perhaps a local income tax?

Eric Pickles: I was completely with you right up until the last two words. I was going to nod away and say you were absolutely correct. What we do need to do, I think, is have a serious look at local government finance and we are working to a programme. We have clearly got to get through the spending review; we have got to get the Localism Bill in place because I think any change in local government finance has to operate from that basis. Then, hopefully a little earlier than this time next year, we will start that process of a proper review. The truth is this, and I think we all know this: it isn't that Michael Lyons did a terrible job; he didn't forget something. We are not going to find ourselves halfway through the deliberations going, "If only he'd looked at that." I think we need to have a look at borrowing; prudential borrowing; ability to raise finance; charges; and trading. By the time we move this in there will be a general power of competence, which will make it a lot easier. I just wanted to reassure you that we were not going to do another Michael Lyons, which was an excellent report; we are going to have to start making some political decisions about that. I 95% agree with you, with the exception of the last two words.

Q70 Mike Freer: To try and nail this idea on the head that we penalise the poorer boroughs, isn't it true that reducing area based grants is arguably fairer than reducing the RSG, because the RSG reflects deprivation in the equalisation formula. So the poorer

boroughs are already well-funded through the equalisation formula. Aren't we being fairer?

Eric Pickles: You've put it more eloquently than I did. I took a view that, given the distributive nature of the block grant, if we had taken the grant formula away I think it would have really hit local authorities with more difficulty. If you are going to make an adjustment to a formula grant mid-year, you are going to want to change the floors, and at the multipliers, as you quite rightly point out, and that is linked to how it is actually devised. I just thought that was far too complicated, because that is the bulk of the money that local authorities receive. The other thing they could do is show flexibility. Talking to senior officers on local authorities, I was pleased about how relatively easily they dealt with the mid-financial-year adjustment. It is not an easy thing to do, but by and large I think because we kept it down to 2%, which we could not have guaranteed if it had been a formula grant, I think it was the sensible way of doing it.

Q71 Toby Perkins: You said previously that the reason for this was the financial crisis, but the reality is that if we had not had a Conservative Government we wouldn't have had these cuts anyway. Of course there was no electoral mandate for in-year cuts. There was no majority of the public voting for that this year. I'm interested that you are saying quite clearly that you made the decision that, seeing as cuts had to be made, you were going to specifically target those on the most deprived communities rather than spreading the burden.

Eric Pickles: No, that isn't even close to what I have said. I said that I didn't take formula grant because I felt that it would hit those communities. Look, we were in a parlous situation. You weren't in the last Parliament, so you are not part of the guilty bunch, but you have to accept that the level of our debt was unsustainable. The advice that the Chancellor of the Exchequer received from the Bank of England, the sensible advice, was that if we did not do something about this we were at considerable risk. But as we did it, we did our best to protect the vulnerable. We have just been talking about housing, and your former Minister was jumping up and down saying we have destroyed the housing pledge. When it came together we managed to pull that money together, not £1.5 billion but £1.25 billion. Against that economic background, I think that was a remarkable decision. We simply could not go on like this. Had we done so the settlement that we are about to put together on 20 of October would have been so much more severe, and we could be in a much more parlous situation than we currently are.

Q72 Chris Williamson: I think we're in danger of straying into Treasury questions; we have fundamental disagreements about the way in which you are dealing with the deficit and whether you are following the right course, but I won't go down that road. Secretary of State, you did say that the reason why you "protected" the formula grant—I think that was the term you used, if you can call a 2% cut a protection—and why you therefore focused your—

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Eric Pickles: No, it wasn't formula grant; it was the area based grant.

Chris Williamson: But I thought you were saying that you were protecting the formula grant but that you were focusing your cuts on the area based grant; that is the point I was making.

Eric Pickles: That's right.

Chris Williamson: I welcome your commitment to avoiding or minimising budget disruption as much as possible for local authorities, but I wonder whether you could give a commitment to the Committee now that you would be willing to look again at those local authorities that have been underfunded under the formula, and as a result of the previous floors and ceilings mechanism that was put in place to minimise budgetary disruption, and say that they should not be subject to the same level of formula grant reduction. I would urge you to consider—perhaps you can give us a commitment to look at this—is to fast-track those authorities, to ensure that they at least get up to the formula grant, because in a way they are being hit by a double whammy as a consequence. They were underfunded previously under the formula, and now they are having this reduction in the budget grant, and many of them—so you might say it is a triple whammy—are being affected by the area based grant cut as well.

Eric Pickles: If you will forgive me for saying this, that formula was devised by the previous Government, and of course we recognise that there are some inequalities with it. We have just put out a consultation exercise to local authorities looking at various aspects with police numbers, concessionary travel and a number of other technical aspects. It's pretty clear that there are a number of deprived areas that would have received cuts greater than 2%. I think there were some ranging 5 to 6%. I did not regard that as being a sensible way of doing it, so we managed to retain most of the cuts down to 2%; in fact the bulk, in truth, were 1.5%. That is why I think local authorities have had no problem whatsoever.

Chris Williamson: Secretary of State, with the greatest respect some of those authorities are already underfunded under the existing formula. By imposing that same formula they are being doubly disadvantaged. What I am asking you is: will you give a commitment to look at not applying the same level of formula grant reduction where those authorities are being underfunded already under the existing formula?

Eric Pickles: We were short of that, but in terms of wanting to be able to protect the inequalities that exist within the system devised by Labour Ministers I will certainly do my best to do so.

Q73 Clive Efford: You protected formula grant for in-year cuts but you can't say that it won't be affected in future years?

Eric Pickles: We are about to have a spending review that will take place on the 20th. It's premature to say what the level of formula grant will be; there are various variables with it. What we certainly did do, which our predecessor Government didn't do, was to release some of the ring-fencing and allow local authorities a great deal of latitude as to how they were

able to perform. I think, if it's possible, I would like to release some more formula grant—I beg your pardon, more ring-fenced grant—for local authorities to be able to determine. I think the time in which the man in Whitehall, or the woman in Whitehall, pulls the various levers is going to be over. We have got to trust local authorities to come up with sensible priorities.

Q74 Clive Efford: Figures of cuts in the order of 25% in formula grant have been bandied around. Formula grant is made up on the current figures of just over £21 billion for business rate, which is redistributed, and revenue support grant of just over £3 billion. If we were talking about 25% cuts, that would be a cut of £6 billion. That would mean the Department would be receiving business rate and not redistributing it through the formula grant. Have you considered that?

Eric Pickles: I tell you what I have just realised as you have been talking to me. If that is the case, for every £4 that we cut, £3 of that will be the Labour cut of £40 billion, from recollection. If that is the case we will be cutting slightly larger than what the Labour party did. It does seem to me that if you are advocating that, unless you are a denier of the deficit, you should be telling us—Well, are you saying no cuts, is that what you are saying Mr Efford?

Clive Efford: I am not advocating anything; I am asking the questions, you are here to answer them.

Eric Pickles: Well I'm doing my best.

Clive Efford: I'm just asking whether you have considered that factor if there are cuts of that order, and how you will use that business rate income.

Eric Pickles: Just to say, if there are cuts of that order, we will be largely administering in bulk the Labour cuts that weren't allocated, but I am hoping that we should be able to protect individual vulnerable people, and vulnerable areas of the country.

Chair: We will probably return to this in due course, Secretary of State, when we hear about what your proposals are.

Eric Pickles: I expect we will.

Q75 Bob Blackman: As a follow-up to that, on the finance issue: you have inherited the position of floors and ceilings and area based grants and formula grants, and obviously decisions are going to be made about the level of overall funding and I would not expect any answers on that until 20 October. In terms of your priorities then for how you administer the funds, is the fact that you have taken the decision to reduce the funding for area based grants a precursor to what you will be doing in future years?

Eric Pickles: I think we took the area based grants because that was the easiest way to do it and the least painful way for local authorities. We haven't come to a final decision but a lot of people in local authorities are saying that, in terms of dealing with equality, formula grant is the better way to do it; that is one of the reasons why they are urging ring-fenced grants to be collapsed and to be merged into formula grant. We have not made a final decision on that but I am attracted to giving the money without strings. I think there is a strong case for that. How easy that is to do

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is another matter. You asked me in terms of general principle, and the general principle is, given the relationship with the floors, it is probably an easier thing to do, for local authorities to manage, to put as much as you can do into formula grant.

Q76 James Morris: Can I just come to one of the biggest decisions you took, Secretary of State, which was the abolition of the Audit Commission. The Audit Commission had been responsible for the overseeing of local government for many years, so this is quite a significant change to the performance management culture of local government. Have you got a clear idea of what the future shape of the performance management regime will be for local government?

Eric Pickles: First of all, I think it was an inevitable decision, given the decision we took earlier on to get rid of the comprehensive area assessment. Substantial parts of the Audit Commission then effectively went. Then we had to come to a decision with regard to the audit function, which I think has always been uniformly excellent, and we thought the most sensible way would be to put it into the private sector. Strangely, the Audit Commission themselves were working on a similar proposition to that. I think the most important thing is to maintain the integrity of the audit function, and I think probably its future is much better than the private sector.

Q77 James Morris: In your Ministerial Statement you referred to the potential for certain people within the Audit Commission to become part of a co-operative arrangement. How do you see that working?

Eric Pickles: You should know that the Coalition Government is very keen to extend the number of cooperatives and mutuals and this seemed to me to be ideal to do so. What I was very keen to do, and what I made absolutely clear, is avoid a repeat of Qinetiq. I wanted to ensure that it was not the bosses of the Audit Commission, for want of a better word, which benefitted from this but the workers that benefited from this. I think we should come out with a very strong audit function and I am looking forward to working with the Commission and the profession to see this through. I kind of accept in these early days of the Coalition that people are going to jump about everything we are doing, but given that the Audit Commission themselves were looking at this, and we are looking at this, I think there is some broad consensus across the parties on this.

Q78 James Morris: We have lived through a whole 10, 15, 20 years of this performance management culture, and some people are arguing that now we need to move to a different type of culture to support the decentralisation agenda. To what extent do you think we should be moving more to a self-assessment regime where we don't need to a heavy-handed audit of any guise?

Eric Pickles: I think it is always necessary to have an audit regime, because of questions of probity. I think it is very true to say that by and large public bodies, local authorities, are pretty much corruption free. It is very unusual, it is an aberration when it happens, but I think it is very important. Admittedly the public

have an ability now to look at expenditure in a way that they didn't have—production of expenditure above £500 and all this kind of thing—but I think you still need a rigorous auditing function. The thing that we do that is massively important to that is to ensure the rotation of auditors so a cosy relationship is not built up. After all, this is the normal way in which auditors are appointed. I don't think anyone is suggesting that we should nationalise the appointment of auditors for Boots chemists or John Lewis and the like—no disrespect meant. The sensible thing is to ensure probity. I wonder, Mr Betts, if I could correct something I said in answering your question. I think I said Mr Bagile worked for KPMG but it was actually Touche; it has just come up in my memory, he definitely worked for Touche.

Q79 Toby Perkins: On that subject, you have already made it clear that you want to see an army of armchair auditors out there taking over the audit functions on the effectiveness of councils. Surely with the removal of the comprehensive area assessments, and of the Audit Commission, it is going to be much more difficult for the army of armchair auditors to look at anything other than just what the bills are that the council is paying. What sort of framework is going to be in place for someone who is interested in really evaluating the performance of their council to be able to identify what that performance is?

Eric Pickles: There are a number of organisations that produce comparative figures. CIPFA produce area figures. The LGID do comparative figures. The Association of Public Service Excellence do comparative figures. Even things like fixmystreet.com do comparative figures. It has to be said that the comprehensive area assessment and its predecessor were completely useless when it came to identifying, say, problems in Doncaster. On the basis of that they were doing just dandy. It is pointless monitoring pointless things. What we are trying to do is shift the power, shift the responsibility, locally. It's the responsibility of the Council to appoint a responsible auditor. It's the responsibility of the profession to see that rotation takes place. One colleague was talking about the same auditor being there for decades. I'm sure he is doing a very good job, I am sure he is being very conscientious, but we need to build a system that is robust and people can have some sort of confidence in. I do not think in terms of auditing, in terms of the confidence that the public will have, there will be a significance difference

Greg Clark: Can I add something to that, Secretary of State?

Eric Pickles: Of course you can.

Greg Clark: I think we want to go even further beyond audit in terms of just checking the performance. I think we really want to open up the accounts and the activities of local authorities to challenge, not just by people sitting in armchairs but people who think reasonably that Councils should be doing a better job. Some of you will be familiar with the Stable Communities Act, which passed with all party support in the last Parliament. It was much watered down but I think it had the germ of an idea that will be very clearly expressed in the Localism

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Bill, that every community should have the right to know what public spending is being made on their behalf in that community in detail. More than that, they should have the right to challenge and say that if on the basis of this information it becomes apparent that a certain authority is performing a certain service in a way that costs so much money for so many outcomes, and they are aware that there is a group locally or perhaps in a neighbouring Authority that can do it either more efficiently or more effectively, they should have the right to challenge that. I think that if we can go beyond just an annual tick in the box and a star rating from the Audit Commission, to have every activity subject to the right to have information and the right to challenge, then actually we have achieved a transformation through this process.

Eric Pickles: This transformation that we are trying to achieve means that the balancing of resources is much more a part of local authorities. You will have to justify what you are doing. You will have to demonstrate that it is good value. Of course at the end you are going to need an auditor to do those questions of probity. We are trying to move the power locally through local community groups so that people will be able to set up mutualisation inside local authorities so that they can run better.

Q80 Toby Perkins: It seems that all the talk is about the financial auditing and not about the performance auditing. People on the ground have to go through a bewildering array of alphabet soup to find all the different pieces of information, which previously they might have expected the auditor's report to provide.

Eric Pickles: I think you might be mixing up the two functions. The auditor's report is always going to be there. The ability for other organisations to do these comparative studies are always going to be there. It is the research function of the Audit Commission that is going, and of course the National Audit Office do comparative studies, CIPFA do comparative studies, the LGID do it. There are lots of organisations and frankly it ain't worth £50 million a year to duplicate what others are doing.

Q81 George Hollingbery: I had an email representation from our Whip, which I am sure that most of us got, about whistleblowers and the Audit Commission. There was a concern expressed that that function would no longer exist, and how would it be duplicated or how would it be found in your department. Is that a concern?

Eric Pickles: We have no concern at all about whistleblowing. I am not entirely sure that the Audit Commission were that effective about whistleblowing. Go back to Doncaster, it took them ages to actually do a report, and I think there were issues of concern several years back. Once they got round to it, it was a pretty good job. But no, we are as keen as mustard for whistleblowers.

Q82 James Morris: Will there be a replacement of that function?

Eric Pickles: Of what?

James Morris: As I understand from my representative, and this is news to me I have to say Secretary of State, but as I understood there was a defined function within the Audit Commission that allowed for the whistleblowing function. If it is not to be there any more, will there be any where a person can go?

Eric Pickles: The principle point where you would expect whistleblowing to take place would be inside local authority spending. I would expect that to occur with the appointed auditor and to be engaged rigorously. You cannot hide things now any more. If every expenditure more than £500 is out there, members of the public and the local press will be taking a very keen interest, and as Greg has rightly pointed out, this is going to be very much publically about allocation of finance, resources and performance. I think that is going to bring a greater change because it is certainly my experience that there were not that many people who read the auditor's report even among Councillors. The fact that expenditure greater than £500 is going to be online I think will act as a great restraint for spending, as will really having to go through the justification.

Q83 Chair: Is it possible the public interest requirement—it is in all the auditors' remit that they have to highlight issues of concern in the public interest—would still be a requirement in local authorities?

Eric Pickles: Yes, of course.

Q84 George Freeman: I know it is a fairly dry subject, but I confess I find myself rather excited by the idea of a mutualised Audit Commission. I wanted to invite you Secretary of State just to say something about the process because I think the management of this might be something that would be put out to tender to accounting firms or were you thinking that if the Audit Commission was to mutualise then it would effectively step into that role. I also invite you to talk a bit about timetabling.

Eric Pickles: There are obviously different models to today. When I spoke to the Chairman of the Audit Commission and broke the news he was very keen that individual contracts retained grandfather rights to ensure that they were commercially viable. I am happy to talk to the Committee in private about what the Audit Commission is actually worth if it is saleable; the Audit Commission does offer an agreement that is the same amount. But I think we would like to explore this possibility of mutualisation, which is ideal if it is possible to be able to do that. It is after all the fifth largest accounting practice in this country, so it is very attractive. I know the Audit Commission were looking at some sort of deal with some of the bigger firms and I can understand that, but I am more keen to see more competition in the market, to bring in some medium size firms or to do this mutualisation.

Q85 George Freeman: I am glad you mentioned competition, I was about to say that there might be some merit in having a number of different providers who can judge different ways of doing it.

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Eric Pickles: I think so, at the moment. I am sure that in a mutualisation it is offering a very good product, I do not think anyone has ever criticised the auditing function of the Audit Commission, whatever slight reservations we might have about the rest.

Q86 Chair: Just to briefly follow with the value for money exercises. You indicated in the discussion in the House the other day that you thought the National Audit Office might fulfil a role in terms of what the Audit Commission might have otherwise have done in that regard. But the National Audit Office does not work for Communities and Local Government, it was explained that it worked for the Public Accounts Committee; if it decides it does not want to perform role, can you see yourself having to invent another organisation?

Eric Pickles: I was having discussions with Aymas Morse before the decision was taken; he indicated to me that the National Audit Office would be willing to take on this role. Obviously I recognise that the Chairman of the Public Accounts Committee did not receive the letter I sent to her and I'm hoping to have a meeting with her this week to go through the possibilities. Clearly if we are going to do this, because I think we are going to need to discuss the auditing regime—in truth the auditing regime has needed to be looked at for some considerable time—we do need power to place on a public duty. Basically I am wanting to move forward on the basis of consent.

Q87 Chris Williamson: Secretary of State, you have spoken very positively on the record about Total Place. I think you described it as a very small step and clearly there was a need to go significantly further; I think I am paraphrasing you correctly. I wonder whether you could tell the Committee what the Government's latest thinking is on the implementation of place-based budgets.

Eric Pickles: We love them. Basically I think Total Place—forgive me, I have used this analogy before—is a bit like a 14-year-old girl going to a dance where the Mum and Dad take her and park round the corner and pick her up about 9.30. We were looking for something slightly more radical where the young girl comes in and her parents say, “Have a good time and stay out a bit later.” We are looking; I think it is the future. I am absolutely sure it's the future because I think if you are going to empower neighbourhoods as the Prime Minister was talking about in his *Observer* article, this is the way to go. It has the advantage that, one, we are building on something we agreed with the previous Government; two, it has the advantage of being reasonably incremental and I have long come to the view that if you are going to change something in local finance you need to give it a degree of stability—you cannot change things around very suddenly—but you are also doing something that is largely within local authorities' control. Some of us were Councillors. When you got yourself into a council, you thought you were going to be the advocate for local services, but of course you just get swamped. I think this is a way, and it is going to be much more rewarding being a councillor with the ability to look at the local provision of services.

Q88 Chris Williamson: The LGA, as you probably know, have suggested that administrative savings that could be delivered through place-based budgeting are £4.5 billion annually. Do you agree with that?

Eric Pickles: I think it's in the right ball park.

Q89 Chris Williamson: How quickly do you think we can get to that then?

Eric Pickles: I don't think we are terribly far away.

Q90 Chris Williamson: What other benefits do you think might flow from place-based budgeting?

Eric Pickles: It puts people back in charge. We were having a discussion a little bit earlier about the difference between influence and power. Influence and power are often interchangeable. This will give local people enormous influence in the way that the public sector is delivered to them. Even if we weren't in difficult financial times I would be very attracted to this. I hope you don't think I am making a cheap point but it does give us an ability to provide more public services for less for all the reasons that the LGA talked about. I do think it's the way to go. We are living in a world in which that kind of information is so much easier to disseminate and to deal with than it would have been when I was a councillor 20 years ago.

Q91 Chris Williamson: The final point that I would make, and I would be interested in your comments on this, is that as you will probably be aware there is a degree of scepticism about how well placed CLG is, and you as a Minister and your team are, to deliver that necessary cross-departmental buy-in on policy and on connectivity of budgets to actually make it meaningful on the ground. How confident are you that you are going to be able to deliver that? This kind of touches on to some extent this “big hitter” notion that was discussed a little bit earlier on and you said you were well placed in that regard. Can you say a little bit more about how you are going to deliver that joined up connectivity in terms of policy and funding streams with your colleagues from other Departments?

Eric Pickles: For the record I think I said that I was a tribune of the people on this issue. It was a fundamental part of the Coalition document that has enormous influence inside the Government. The Prime Minister is a man of considerable influence and his *Observer* article was pretty damn clear that this is where we are going; we are eventually going towards neighbourhood funding. I know the Chancellor, to use a technical term, is as keen as mustard to see this kind of financing brought about. I don't think it relies on myself and my two Ministerial chums here to deliver that.

Q92 Chris Williamson: Could you give us some idea of a timescale as to when we might be seeing some meaningful, on the ground, consequence as a result of place-based budgeting?

Eric Pickles: I think you might be able to see the very beginnings, a little extra step, on 20 October 2010.

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Q93 James Morris: One of the points of the constraints in implementing place-based budgeting is that there are different performance measures for health, the police and so on; we know it is difficult to align the funding with targets or non-targets. It is to the point about cross-departmental issues; how do we overcome that?

Eric Pickles: We are trying to collapse targets. We are trying to get the local people to decide. I think the days of down pressure on targets are kind of over. I think there is growing consensus that all you basically get was what the army calls mission shift. You got rather good at ticking the boxes but not that good about delivering the services. My friend has been doing quite a lot of work here. Why don't you say something?

Greg Clark: Can I just add one point to what has been said. We have talked about the financial benefits of it and that is very important and it is very necessary. But one of the huge benefits of bringing together disparate public services locally is actually to make it easier for the people who depend on them to navigate the system. If there is one common experience I daresay we have all had as Members of Parliament it's people coming to see us, in our surgeries, completely at their wits end as to where to turn when they are in vulnerable circumstances. They have got to go to one place for housing benefit, another place for JSA, somewhere else for housing waiting list. These are people often in crisis, often people who do not have the same abilities that others do to understand the system, and they're subject to this chaos that they really ought not to be. I think one of the prime reasons for bringing together organisations who are there to serve the public, sometimes literally in the same place, is that actually you can have a genuinely personal service. You can have someone turn up to a place and almost literally they can have an arm put round them, they can be taken to all of the different people that can sort out their problem. I think, if it does not save a penny, although I think it will, the achievement of actually making our public services, especially for the vulnerable, humanised, is worth having in itself.

Grant Shapps: If I could crave your indulgence, I feel the spirit moved in me as well. When we are talking about merging local authority functions, planning and lawyers and all kind of things, even local education authorities, I think this actually makes the elected member more powerful because then they are able to start to tackle these question of service provision within localities. It frankly should not be up to members of the public to try and have a civics lesson before they go in to get help; whether it is a two tier or one tier I think all public services should be subject to that. There should be a single portal that you go through.

Q94 James Morris: We talk about neighbourhoods and that implies something on a relatively small scale, but is a city a neighbourhood?

Eric Pickles: No, it's a collection of neighbourhoods. I think we need to be clear about that. The Prime Minister is very clear in his article in the *Observer*; you can't go over to neighbourhood funding overnight, it takes a long time to put it together. But I

do want to try and place communities in a position where they don't think it is just the council; they have an ability to change things.

Q95 George Hollingbery: The whole localism agenda spins around local accountability and I'm not at all clear where accountability sits in this equation. If budgets are flowing from central Government, perhaps with very wide outcome targets about what local place-based budgets should be trying to achieve, how can you hold to account the local functionaries, the councillors, who then have to spend that money to achieve those central Government—and they won't be targets, there will just be broad outcomes. How do you hold them to account if they don't say, "We want to raise money to do this and spend it on that"?

Eric Pickles: It's called democracy, it's elections, it's standing on a mandate. The Coalition Government couldn't exist without the election taking place and the public deciding that they did not want to see one particular party, they wanted to see two parties elected. I accept your worries Mr Hollingbery about democracy, it is a horrible way of running things, but Churchill was right, everything else is but worse.

Q96 George Hollingbery: How is your locally elected councillor democratically accountable for decisions that flow from national funds? This is the bit that I am slightly struggling with.

Eric Pickles: Firstly, you have described the situation now. In most cases councillors have absolutely no control over their services. They are the puppet and the plaything of the Government. We are trying to change that balance and move it in favour of the councillor to come to sensible decisions, but I am sure that you as a Member of Parliament understand this very well, and local councils understand it, is that you need to be able to listen to the voice of the people. The idea is to give the people more power.

Q97 George Hollingbery: Is it your vision that local, accountable politicians should be able to shape services to deliver a national outcome, such that they can say, "Less on the NHS, more on social care. Join together you lot, we want to put something into this budget pot to achieve this particular outcome". Do they really have that sort of local control?

Eric Pickles: With the exception of being able to tackle the NHS in terms of its current ring-fencing, the answer to that is yes, because they are in the best place to do so. Some of those early experiments with joint boards between health authorities I think were terrific, particularly in those early days of trying to do something about care in the community. I think that people need to understand that by and large, well I think always, councillors want to do the right thing. They want to be able to ensure that money is spent is wisely. We are trying to give a situation where I do not have to second guess or my successor in title does not have to second-guess; the decision rests locally.

Chair: Probably, although furthering the number of the inquiry, I am sure it is a very interesting point that we need to develop.

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Q98 George Hollingbery: Very briefly, this actually comes back to a very similar point to the one that I was just making. The national planning framework, which you envisage as tearing up pretty much what is in the centre at the moment and replacing it with something lighter, something more easily absorbed, something that directs in a gentle way rather than in a very tough way. What sort of progress are we making upon that?

Greg Clark: We will be making a statement about that shortly. We are committed to bringing together and simplifying a set of planning documents that has become like the tax code, it has grown over time and we want to step back and distil it to its essential principles. In so doing, and I do not want to pre-empt the announcement we will make, but I do not want that to be done in the way that these things have been done before, behind closed doors, drafted by people in secret and then just a puff of white smoke emerges and there it is. I want this to be collaborative. There are lots of people who have a great interest in the financial planning framework. Whether town planners, whether people in local government, whether environmental groups and I want them to participate in that re-drafting in a way that I do not think has been extended to them before. That is the direction that we are going, but obviously I need to make a formal announcement to the House in due course.

Q99 George Hollingbery: Will Parliament be able to contribute?

Greg Clark: Absolutely. I mean this Committee will.

Q100 George Hollingbery: This committee and/or Parliament, either or both?

Greg Clark: Both.

Q101 George Freeman: I want to ask a question about infrastructure and the replacement of the Infrastructure Planning Commission. I think all of us would agree that it was a welcome to hear the Chancellor in his Budget statement acknowledging and putting at the heart of Coalition the commitment to infrastructure and the protection of capital spending. And of course it goes to the heart of the housing revolution, that you can stand back and put incentives in place but houses will not be built if there is no infrastructure. Of course one of the reasons that communities are often so anti top down housing is that there is not the infrastructure, so as I am sure you would agree, it is a very important issue. I wanted to ask what the philosophy behind the replacement of the IPC is? I think I understand the mechanism; I am still wondering as to the guiding philosophy was?

Greg Clark: The philosophy about the abolition probably reflects a degree of consensus across the parties. I think the Chairman of the Committee, when we were in Opposition, he was in Government, called for the changes that we have introduced, more or less. Which is to say that we think it is right to have a fast track planning system for major infrastructure projects. Some of these are national in their implications and there is a principle of subsidiarity

there, that national things should have a national consideration but it needs to be accountable.

I think our objections to the previous system as introduced by the previous government, and that is just getting up and running, is not that it is not right to have a unit dedicated to the scrutiny of major infrastructure projects, but that actually the decision when taken should first of all be subject to national policy statements that were read out to the House of Commons, to the Houses of Parliament, but never actually ratified by them, it did not have that degree of democratic legitimacy. The final decision was taken by an unelected appointed person rather than a Minister who is accountable to the House. So we made an announcement that said we would make two changes. One is that all the national planning statements would be ratified, subject to ratification by the House, and that the final decision would be based on more or less the same advice and the same timetable but by a Minister accountable to the House. The consequence of that, we think actually achieves greater confidence in the system because of course major structural projects like this are subject to judicial review actions. The likely grounds were that it did not enjoy democratic legitimacy. So many of the promoters of large infrastructure projects we have talked about were comfortable with this change because actually it proofs these decisions against the threat of judicial review. This means that we can get on and have the investment in infrastructure that the economy needs.

Q102 George Freeman: Supplementary to that if I may, I have a question about renewable energy planning infrastructure. I know that it is a cross-departmental issue, but in the spirit of joint working. There are areas in East Anglia where we have offshore sources of renewable and then when the, I do not know the technical term, but when the energy is brought onshore to connect to the national grid there is the need for a large substation that is the size of Wembley stadium. It would appear that these are being proposed and put to planning authorities ad hoc, wherever there happens to be an off shore development. I am wondering whether this falls below the remit of the fast-track mechanism but still has the danger of clogging up and causing huge controversy locally in the planning system and how we might deal with that.

Greg Clark: It depends on the size and the scale of the impact as to whether it goes to the IPC or whether it is determined locally. The National Planning Framework will, just at the present policy statement have a reviewable element. That does need to be considered that you need planning permission. I think one of the changes that we are making, which particularly applies to renewable energy is similar to the housing incentive. At the moment, communities that host major renewable energy installations receive no benefit at all from that. If you contrast that with what happens on the continent, where much greater progress has been made on renewables, often there is great financial sharing of rewards for local communities. In fact in Denmark, a country that led wind power in particularly, it led on a model of

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community ownership of wind power. It is not surprising that, I think, there is a degree of poison in the planning system especially about renewable energy projects when the community is cut out of this. In respect of the national planning changes one of the consequences of the financial changes we are making is to have a much more balanced local debate about these things.

Q103 George Freeman: I wonder whether the team is actively considering, in the spirit of localism and freedom incentives, freeing up the power of local authorities to raise funding locally for infrastructure projects. You will be aware of a number of different models in American, tax increment financing where the authority borrows against the upside and then shares it with Government. I wondered if there was any active appetite to explore that.

Grant Shapps: As I said, once we get through the bill we are going to actively look at local government finance. We hope to make an announcement reasonably soon on community infrastructure levy. We are hoping to look at a number of issues, but we need to get the Localism Bill implemented. The reforms that Mr Clark has just been talking about, we need to get those in place. Then I think against that backdrop we might be able to revisit our youth by looking at local government finance.

Q104 Chair: I take the point Minister. I did argue quite strongly in the last Government that in the end it should be the Secretary of State or a Minister that signs of decisions, I think that is right. The one concern about being able to put national statements to a vote in both Houses is that they are not subject to the Parliament Act, what happens if the Lords come to a different view to the Commons on the issue. Have we found a way of resolving that issue?

Greg Clark: First of all I think that would be an unlikely scenario but I think it is absolutely reasonable to raise the hypothetical possibility. Our approach is that the House of Commons as the democratic chamber should have the final say.

Q105 Chair: And that would be as part of the procedure?

Greg Clark: Yes.

Q106 Bob Blackman: 2012 is rapidly approaching and we are all looking forward to a successful Olympics. The funding arrangements that were made for the Olympics were predicated on the sale or rental of 10,000 multi-storey identity flats. How many homes do you think will now be built as part of the legacy process because it seems that the delivering authority are starting to walk away from the provision of 10,000 homes?

Grant Shapps: This is a matter that I am discussing with the Mayor. As part of the process of localism we are trying to put together a transfer of responsibility to the Mayor on as many things on the Olympics as we can do. It is London's Olympics and I have been of the view that the best person or the best authority to deliver that is London itself. I am due to meet with the Mayor this week to discuss precisely that. I think

if there is anything that is clear is that the more localism you can get and the more local people you can involve in these types of decisions the more sensible they are, but your warning is one that is something we are very keen to ensure that something sensible is done.

Q107 Bob Blackman: Clearly the concern that will be around is the amount of public money that is going into build the Olympic venues which was predicated on the basis that that money would come back on the basis of these homes being available and then sold on the open market. The concern is going to be: the number of homes and the type of homes. Certainly I for one would want to see houses with gardens with the ability for families to be able to live in those places as opposed to just exist.

Eric Pickles: I understand, and I think your warning is—

Grant Shapps: I know that the Mayor is interested in housing powers in this regard as well as the discussions on the Olympics. This particular Mayor is also particularly interested in space standards and has indeed issued his own space standards for London. It is good decentralisation and localism in action. Perhaps you will ask him in to have a chat with you at some point.

Q108 Clive Efford: There is a vast amount of public money going into the Olympics as you repeatedly reminded the previous Government. Surely you have an interest in what the outcome is. The commitment that was given to local communities was 10,000 homes. Are you requiring the delivery authority to meet that commitment?

Grant Shapps: This is the trouble, localism by the Today programme. The problem is, you get a, "Yes, but Minister..." and eventually you have to say, "All right, well I will override what they are going to do locally." The Mayor has a particularly good track record on affordable housing delivery. I understand it looks likely that he will reach his target of 50,000 affordable homes which is not inconsiderable, considering the financial restraints we are under. We take a view as a Department, as a Government, that if you want to get something delivered you give it to the guy who is the closest to the ground to deliver it for you and hold them to account. Which is why we think transfer of powers is an important part of decentralisation.

Eric Pickles: I am worried I might not have been clear. I am doing my best to try and transfer everything from the Department for Communities and Local Government across to the Mayor so far as the Olympics is concerned.

Q109 Chair: Secretary of State, thank you very much to you and your colleagues for the time that you spent with us. I understand that you would like to say something briefly on fire control just in finish.

Eric Pickles: I just thought I would quickly bring the Committee up to date with the contract. As you know, this Committee has expressed some concerns and worries about the contract. Indeed the Fire Minister met with Mr Gallois who is EADS's European board

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member with the responsibility for fire control. He apologised for the delays and stressed the organisation's commitment to fire control. He promised to commit resources as necessary. He confirmed that EADS cannot meet the June delivery milestone which we activated and offered a further alternative suggestion as to how EADS might deliver the schedule if the fire service were willing to accept a system of reduced functionality.

I am really telling the Committee that I am very concerned about this. I do not think that EADS are treating this at all with the degree of seriousness that I would expect. As you will recall our team went to locate at Newport with EADS and they include expert secondees from the fire and rescue service. That team now, including some 15 uniform secondees, is currently located in portakabins on EADS car park, having been moved out of the main building and denied direct access to their counterparts in EADS.

We are worried that they seemed to be forming a pattern that they are employing lobbyists to try and get us to change our mind to accept a different and a smaller contract than the initial contract, for something that we did not want. Mr Betts, I really wanted to put on to the public record that this Government has no intention of rolling over and having our tummy tickled on this. We expect them to deliver their contract.

If I could just crave you indulgence I have to tell you this, there are two things. When they came before this committee they promised that they would pay compensation damages for any delay. They have now withdrawn that offer but have kindly agreed that the extra time that they are spending in order to rectify the mistakes on the contract that they have made they will not actually bill us. This is a rare thing because the last time they appeared before you they sent the Department a bill for £12,000 to cover their costs. I have to say, my predecessor and the previous Government refused to pay that and we will not be paying that £12,000.

If I could just go a little further and say, one of the things that that we are worried about is that they have produced a tool kit for the fire service to record their assets. There is a problem with it in that it does not recognise fire engines. By and large I think it is a good idea for assets to be able to recognise fire engines. This is a practical problem in so far that we need to be able to route fire engines, fire units, where there

are low bridges we do not want them to go through it and find that they are missing their ladders. There is a particular problem; it has to be said, for you Mr Betts and me if I had been living in Keighley, because the only town that the system recognises within the whole of Yorkshire is Wakefield. That in itself is slightly worrying, but when you consider that the only place that the system currently recognises in London in Southwark. But kind of understand the problems that we are up against.

There is good news that the mobilising kit that they delivered to local fire stations which randomly turned itself off has now been fixed. Unfortunately the latest version has a tendency to overheat and is a fire hazard. The on board computers of fire engines currently have out of date maps and are not able to change the route easily. You and I could wonder down Victoria Street and go into a large retailer and get ourselves something for £180 that would do precisely that. I have given you these examples, admittedly slightly light-hearted but are a mess. The substantive message I think I need to give this Committee, and we have shared with the Chairman the detailed documentation, we are doing to have to come to a decision pretty soon. Our message is that a big European company like EADS should not mess us around anymore. We expect them to come to the negotiating table and fix what they have so far not fixed.

Q110 Chair: Is there actually a contract in place now? A firmly agreed contract with them.

Eric Pickles: Yes. We issued a point in June to say, "Can you deliver this?" and they cannot. They cannot meet the deadlines. They are looking for a lesser function than we currently are. They are employing lobbyists to do that. Frankly I think they should be employing people to fix the problem with the contract. If it suits members of the Committee I intend to keep Mr Betts completely in control. I think we are coming to a point where we need to know whether they are serious. Obviously we will keep the Committee fully informed on this.

Chair: Thank you Secretary of State. I think you will be producing a response to our Report in due course which is delayed for obvious reasons. Thank you very much for sharing that information and thanking you for spending time with us this afternoon.

Eric Pickles: And we did enjoy ourselves, thank you very much.

