



House of Commons
Committee of Public Accounts

The New Homes Bonus

Twenty-ninth Report of Session 2013–14

Report, together with formal minutes, oral and written evidence

*Ordered by the House of Commons
to be printed 23 October 2013*

HC 114
Published on 31 October 2013
by authority of the House of Commons
London: The Stationery Office Limited
£10.00

Committee of Public Accounts

The Committee of Public Accounts is appointed by the House of Commons to examine "the accounts showing the appropriation of the sums granted by Parliament to meet the public expenditure, and of such other accounts laid before Parliament as the committee may think fit" (Standing Order No 148).

Current membership

Rt Hon Margaret Hodge (Labour, Barking) (Chair)
Mr Richard Bacon (Conservative, South Norfolk)
Stephen Barclay (Conservative, North East Cambridgeshire)
Guto Bebb (Conservative, Aberconwy)
Jackie Doyle-Price (Conservative, Thurrock)
Chris Heaton-Harris (Conservative, Daventry)
Meg Hillier (Labour, Hackney South and Shoreditch)
Mr Stewart Jackson (Conservative, Peterborough)
Fiona Mactaggart (Labour, Slough)
Austin Mitchell (Labour, Great Grimsby)
Nicky Morgan (Conservative, Loughborough)
Nick Smith (Labour, Blaenau Gwent)
Ian Swales (Liberal Democrats, Redcar)
Justin Tomlinson (Conservative, North Swindon)

Powers

Powers of the Committee of Public Accounts are set out in House of Commons Standing Orders, principally in SO No 148. These are available on the Internet via www.parliament.uk.

Publications

The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the internet at www.parliament.uk/pac. A list of Reports of the Committee in the present Parliament is at the back of this volume. Additional written evidence may be published on the internet only.

Committee staff

The current staff of the Committee is Adrian Jenner (Clerk), Claire Cozens (Committee Specialist), Sonia Draper (Senior Committee Assistant), Ian Blair and James McQuade (Committee Assistants) and Alex Paterson (Media Officer).

Contacts

All correspondence should be addressed to the Clerk, Committee of Public Accounts, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 5708; the Committee's email address is pubaccom@parliament.uk

Contents

Report	<i>Page</i>
Summary	3
Conclusions and recommendations	5
1 Design of the New Homes Bonus	7
2 Evaluation and accountability	9
Formal Minutes	11
Witnesses	12
List of printed written evidence	12
List of Reports from the Committee during the current Parliament	13

Summary

The Department for Communities and Local Government (the Department) introduced the New Homes Bonus in 2011 in the expectation that it would provide a financial incentive to local authorities to help overcome known barriers to the building of new homes. This is no small matter when up to £7.5 billion will have been given to, or redistributed between, local authorities by 2018-19.

The success of the Bonus should be evaluated to reflect whether: a) local authorities encourage more homes to be built if they are incentivised by the prospect of receiving Bonus payments; b) the prospect of losing formula funding changes their behaviour if they do not; and c) the Bonus simply rewards a local authority for what they would have done anyway. This change from a grant to an incentive-based means for funding local government makes it essential to assess whether the Bonus is achieving its objectives as early as possible. We would have expected the Department to have planned a systematic evaluation from the outset to track its impact on local authorities' behaviour towards housing development, and the cumulative impact of the Bonus alongside the Department's other policies affecting local authority funding. The Department has yet to demonstrate that the new homes it is funding through this scheme are in areas of housing need and the Department's planned evaluation is now urgent.

Conclusions and recommendations

1. The Government estimates that 232,000 extra households will need homes each year to 2033 but in 2012 only 115,600 new homes were built in England. The New Homes Bonus is a non-ring-fenced payment the Department has made to local authorities since April 2011 for every home added to the council tax register. To partly fund the Bonus, the Department allocated £950 million in specific grant for the four years to March 2015. In addition, each year the Bonus is financed by redistribution from within the Department's main formula funding for local authorities, with £599 million redistributed so far. Some local authorities are net gainers from the redistribution of formula funding, whereas others lose out.
2. **More than two years into the scheme, the Department has not evaluated whether the New Homes Bonus is changing how local authorities approach the creation of new homes.** It is important to assess whether policies are achieving their objectives and providing value for money as early as possible in order to refine the policy or its implementation where appropriate or counter any unintended consequences. But the Department has not yet started its planned evaluation and does not aim to complete it until Easter 2014. It will be essential, albeit challenging, for the evaluation to disentangle the direct impact of the scheme from the effects of other interventions, such as Help to Buy and the Empty Homes capital grants programme, and from other changes to local authority funding arrangements.

Recommendation: *The Department should set out its evaluation plans now, including methods, data sources, indicators of success, and how it will seek to isolate the specific impact of the scheme from other factors. We will ask the NAO to review the Department's evaluation plan for the Bonus and its findings in Spring 2014.*

3. **As we emphasised in our report on financial sustainability of local authorities, it is important that the Department understands the combined impact of the range of government policies affecting local authorities' finances.** The Department told us that areas losing funding because of the redistributive nature of the Bonus may gain from other schemes, such as the Regional Growth Fund. However, the Government's response to our earlier report cites only its summary measure of local authority 'spending power', which does not capture area funding such as the Regional Growth Fund, and provides limited insight into the movements of even major individual elements of local authority funding like the Bonus or their cumulative impacts.

Recommendation: *When the Department makes and reports its assessment of the cumulative impact of changes affecting local authority funding, it should work with local government to develop a better understanding of major funding movements and impacts, including those resulting from the New Homes Bonus.*

4. **Some local communities do not have relevant information in a form that enables them to judge their local authorities' progress in meeting local need for housing and attracting funding through the New Homes Bonus.** The Department relies on

there being enough transparent data on meeting housing need to enable challenge at a local level. Since the introduction of the Bonus there is some evidence of more mature debates between local authorities, local communities and developers about housing development, but some communities still lack the necessary information in a clear format that supports local challenge. Such information would include: the number of new homes planned, approved and under construction; numbers of empty homes returned to use; funding received through the scheme; and how the community has benefited from the funding.

Recommendation: *The Department should ensure that consistent, comparative information on local authorities' progress in creating new homes and meeting housing need is readily available.*

5. **There may be scope to make small adjustments to the incentives in the New Home Bonus to enable it to better complement other government initiatives.** There is much to be said for the simplicity of the Bonus scheme in directly rewarding local authorities with a predictable amount for each home added to the council tax register. We do not suggest a wholesale shake-up of the scheme, but some adjustments may be beneficial. For example, a premium for homes exceeding standard energy efficiency requirements for new builds might complement wider sustainability objectives.

Recommendation: *The Department should examine the scope for straightforward adjustments it could make to the Bonus to complement other government initiatives, such as energy efficient homes.*

1 Design of the New Homes Bonus

1. The Government estimates that 232,000 additional households could require homes each year to 2033, but in 2012, only 115,600 new homes were built in England. Since 1970, levels of private house building in England have shown no consistent growth. This is the background against which successive governments have tried to increase rates of house building. The Government introduced the New Homes Bonus (the Bonus) in 2011 with the aim of incentivising local authorities to increase the supply of housing, through both building new homes and returning empty homes to use. The Bonus is part of the Government's housing and economic growth agenda and is one of several major changes to local authority funding.¹

2. Based on a report from the National Audit Office, we took evidence from the Department for Communities and Local Government's Permanent Secretary, Director of Local Government Finance and Director-General for Neighbourhoods, about the implementation and achievements to date of the Bonus.

3. The Bonus is a non-ring-fenced payment the Department for Communities and Local Government (the Department) has paid, since April 2011, to local authorities for every home added to their council tax register. For each new home, the Department pays an amount equivalent to the national average for that home's council tax band every year for six years. A premium of £350 per year is paid for each home that is deemed an affordable home.² The Bonus was designed to be simple and transparent so that authorities would be able to predict how much they would receive.

4. The Bonus is partly funded from a specific grant that replaced the Housing and Planning Delivery Grant, which the Department last paid in 2009-10. The Department has allocated £950 million in specific grant over the scheme's first four years to 2015. Bonus payments in excess of the specific grant are financed by redistribution from the Department's main formula funding for local government, and this redistribution totalled £599 million over the first three years of the Bonus.³ The Bonus forms an increasing proportion of local authority income over coming years and the cumulative total given to, or redistributed between, authorities by 2018-19 is an estimated £7.5 billion.⁴

5. We asked the Department about the evidence base that existed to support the case that a lack of financial incentive to local authorities was a barrier to housing construction. The Department acknowledged that it could not have absolute evidence on how the scheme would impact on local authority behaviour, because the (incentive-based) funding model had not been tried before. However, the Department pointed to its impact assessment having identified the financial disincentive for local authorities to take forward major housing development. The Department told us it had carried out a consultation and reviewed academic evidence to identify the barriers to building new homes, and that this

1 C&AG's Report, *The New Homes Bonus*, Session 2012-13, HC 1047, 27 March 2013, paras 1-2

2 C&AG's Report, para 3

3 C&AG's Report, para 4

4 C&AG's report, Figure 6

work showed that a major barrier is the opposition of local people to new homes because of the need for additional facilities.⁵ However, the view of the sector on the likelihood of the scheme's success was mixed. A major firm of house builders, for example, suggested that the Department needed a plan B, and evidence from surveys of builders carried out by a property company suggested that a large majority of those surveyed were sceptical about the role of the Bonus.⁶

6. The Department also told us that the design of the Bonus was linked to an analysis of the previous policy of regional housing targets. According to the Department, this approach had not succeeded in increasing numbers of new homes, so ministers decided that there was a need for a bottom-up incentive that would “*put the power in the hands of local authorities to get behind a pro-growth, pro-housing approach.*”⁷

7. We asked the Department about the relationship between the Bonus and other policies and initiatives—such as the drive for more energy-efficient homes. The amount of Bonus paid is the same for a new home regardless of its level of energy efficiency. The Department told us that there was a trade-off between keeping the Bonus simple, with recipients able to predict and rely on how much they would get, and complementing other government objectives, and also told us that building control standards were the primary means through which it wanted to drive up energy efficiency⁸.

5 Qq 2-11

6 Qq 12

7 Q 76

8 Qq 51-60

2 Evaluation and accountability

8. The Department keeps basic records of how much Bonus has been paid to individual authorities, for how many homes and of what type.⁹ However, even with the Bonus now in its third year, there is little reliable evidence about its impact on the creation of new homes. During the hearing, the Department referred to new evidence that it claimed shows a recent upturn in the number of planning approvals for housing.¹⁰ The Department subsequently provided the Home Builders Federation's May 2013 report, *New Housing Pipeline*, which reports that 45,000 new residential units received planning approval in the first quarter of 2013. This is a reduction of 12% compared to the previous quarter, but a 7% increase compared to the same period in 2012.¹¹ There has been a positive trend in the number of empty homes brought back into use, but this began before the Bonus was introduced.¹²

9. The Department has committed to complete an evaluation of the scheme by Easter 2014.¹³ The Permanent Secretary told us that it was necessary to wait this long to see the impact of the scheme, because the early Bonus payments were paid for homes that had been planned before the scheme was introduced. However two months after the National Audit Office's report was published, the Department had yet to address the finding that it has not decided the scope or methodology for the evaluation.¹⁴

10. The Department is committed to establishing if the Bonus has changed the behaviour of local authorities as part of its evaluation. However, the Department told us that disentangling the impact of the Bonus from other economic factors and other government initiatives, such as Help to Buy, would be difficult. The Department will need to improve on its current approach; the two annual surveys of local authorities that it carries out have not been of good enough quality to monitor changes in behaviour among local authorities.¹⁵ A different approach to creating new homes is applied in Wales and the Department agreed that it would be useful to compare the effectiveness of the English and Welsh experiences as part of the evaluation.¹⁶

11. The Department told us that it has focused on making information about the performance of the Bonus transparent and that it does not challenge local authorities about their performance in creating new homes. We were also told that this information should enable local communities to challenge authorities that have not performed well. However, it is still too difficult to access even the most basic data about new housing, such as data on reducing the number of empty properties.¹⁷ Half of local planning authorities do not have

9 Qq 23, 25

10 Qq 12-19

11 [evs xx] http://www.hbf.co.uk/uploads/media/Housing_pipeline_report_Q1_2013_-_May_2013.pdf

12 Qq 9, 12, 16, 18, 69; C&AG's Report, para 2.25 and Figure 11

13 Qq 103

14 Qq 25-26, 103

15 Qq 24-28, 148

16 Q 72

17 Qq 49-50

adopted local plans setting out their planning policies.¹⁸ There is some evidence, however, that the Bonus has produced a more mature debate between authorities, local communities and developers about housing development.¹⁹

12. We were told that the Government is seeking to rebalance the economy to improve those areas that have underperformed economically for some time. The Department told us that the Bonus was designed to promote new housing in areas where the opportunity and appetite to build are there, and that the Bonus is resulting in houses being built where demand is highest.²⁰

13. The Department's decision to fund a large part of the Bonus from a deduction from the Department's main formula funding for local government is seen by some local authorities as unfair. Local authorities that can earn only low levels of Bonus will not make up their share of the sum deducted from the formula funding. These local authorities are usually in areas where developers are less likely to want to build housing, which are more typically in deprived parts of the country or in areas where land can be more expensive to develop.²¹

14. The Department told us that the redistribution of local authority funding from north to south through the Bonus is off-set by other policies, such as the Regional Growth Fund, which targets funding at the north. In addition, the 'damping mechanism' within the local authority funding formula protects authorities with a high dependency on the grant they receive from the Department.²²

15. The New Homes Bonus is one of a number of changes being made to the way in which local authorities are funded by the Department. In our June report on the financial sustainability of local authorities, we found that the Department has not assessed the cumulative impact of the funding cuts and changes to the funding arrangements on the financial sustainability of local government and the services it provides.²³ In response to our report the Department told us that its new measure of 'spending power' looked at the income available to councils from a wide range of sources and measured the cumulative impact of the range of changes affecting them.²⁴

18 <http://www.planningportal.gov.uk/planning/planningsystem/localplans>

19 Qq 87-88

20 Qq 66, 68, 81, 104

21 Q 146; C&AG's Report, para 20

22 Qq 81-83

23 Committee of Public Accounts, *Department for Communities and Local Government: Financial sustainability of local authorities*, 3rd Report of Session 2013-14, HC 134, 4 June 2013

24 HM Treasury, *Treasury Minutes: The Government responses on the First, the Third to the Fifth, the Seventh to the Twelfth, and the Fifteenth and Sixteenth Reports from the Committee of Public Accounts*, Cm8697, 12 September 2013.

Formal Minutes

Wednesday 23 October 2013

Members present:

Mrs Margaret Hodge, in the Chair

Stephen Barclay
Guto Bebb
Jackie Doyle-Price
Chris Heaton-Harris
Meg Hillier

Mr Stewart Jackson
Fiona Mactaggart
Austin Mitchell
Ian Swales
Justin Tomlinson

Draft Report (*The New Homes Bonus*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 15 read and agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Twenty-sixth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report.

[Adjourned till Monday 28 October at 2.30 pm]

Witnesses

Monday 3 June 2013

Page

Sir Bob Kerslake, Permanent Secretary, **Simon Ridley**, Director, Local Government Finance and **Peter Schofield**, Director, General Neighbourhoods, Department for Communities and Local Government

Ev 1

List of printed written evidence

- | | | |
|---|---|----------|
| 1 | Department for Communities and Local Government | Ev 19;23 |
| 2 | Strategic Rail Authority | Ev 14 |

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2013–14

First Report	Ministry of Defence: Equipment Plan 2012-2022 and Major Projects Report 2012	HC 53
Second Report	Early Action: landscape review	HC 133
Third Report	Department for Communities and Local Government: Financial sustainability of local authorities	HC 134
Fourth Report	HM Revenue & Customs: tax credits error and fraud	HC 135
Fifth Report	Department for Work and Pensions: Responding to change in jobcentres	HC 136
Sixth Report	Cabinet Office: Improving government procurement and the impact of government's ICT savings initiative	HC 137
Seventh Report	Charity Commission: the Cup Trust and tax avoidance	HC 138
Eighth Report	Regulating Consumer Credit	HC 165
Ninth Report	Tax Avoidance – Google	HC 112
Tenth Report	Serious Fraud Office – redundancy and severance arrangements	HC 360
Eleventh Report	Department of Health: managing hospital consultants	HC 358
Twelfth Report	Department for Education: Capital funding for new school places	HC 359
Thirteenth Report	Civil Service Reform	HC 473
Fourteenth Report	Integration across government and Whole-Place Community Budgets	HC 472
Fifteenth Report	The provision of the out-of-hours GP service in Cornwall	HC 471
Sixteenth Report	FiRe Control	HC 110
Seventeenth Report	Administering the Equitable Life Payment Scheme	HC 111
Eighteenth Report	Carrier Strike: the 2012 reversion decision	HC 113
Nineteenth Report	The dismantled National Programme for IT in the NHS	HC294
Twentieth Report	The BBC's move to Salford	HC293
Twenty-first Report	Police Procurement	HC115
Twenty-second Report	High Speed 2: a review of early programme preparation	HC478
Twenty-third	HM Revenue & Customs: Progress in tackling tobacco smuggling	HC297
Twenty-fourth Report	The rural broadband programme	HC474

Oral evidence

Taken before the Committee of Public Accounts on Monday 3 June 2013

Members present:

Margaret Hodge (Chair)

Mr Richard Bacon
Stephen Barclay
Guto Bebb
Jackie Doyle-Price
Meg Hillier

Mr Stewart Jackson
Fiona Mactaggart
Austin Mitchell
Nick Smith
Justin Tomlinson

Amyas Morse, Comptroller and Auditor General, **Gabrielle Cohen**, Assistant Auditor General, **Angela Hands**, Director, National Audit Office, and **Marius Gallaher**, Alternate Treasury Officer of Accounts, were in attendance.

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

The New Homes Bonus (HC 1047)

Examination of Witnesses

Witnesses: **Sir Bob Kerslake**, Permanent Secretary, Department for Communities and Local Government, **Simon Ridley**, Director, Local Government Finance, DCLG, and **Peter Schofield**, Director, General Neighbourhoods, DCLG, gave evidence.

Q1 Chair: I am just looking at our witnesses, Sir Bob. Who devised this policy? Whose idea was it? Because Peter Schofield—looking up his role, I thought he was the official responsible—came in only in March 2012, but this was devised in 2010.

Sir Bob Kerslake: Indeed. In terms of the officials here today, Simon Ridley was involved in local government finance at that point, so he will have understood the local government financial implications. The detailed development of the policy was done by others who are not here this afternoon.

Q2 Chair: It would have been much more helpful—I am sorry to say this—to have had the people who are actually responsible, so I do not want answers that are simply, “Not me, gov.” I apologise; I only looked at your CV now. I assumed we were having the person who devised the policy. There may be varying views around the table on it, but looking at this policy from my perspective, when I looked at the NAO Report, I want to know, Peter Schofield, within your section—the section responsible for devising and implementing the policy—what evidence you had that the lack of financial incentives for local authorities was a barrier to housing construction? What was the evidence?

Peter Schofield: A lot of the evidence, Chair, was set out in the impact assessment produced in 2010.

Q3 Chair: What was the evidence, please?

Peter Schofield: The evidence starts from analysis about the financial disincentive that local authorities have to take forward major housing development. There is some literature that sets that out.

Q4 Chair: What is the evidence that a financial incentive to local authorities would change local

authority behaviour? What is the evidence? I have not seen it. I have tried—I have looked around this subject—but I could not find any. I can find evidence that, if you are trying to tell me that if there are more homes—*[Interruption.]* I will bring other Members in later, because I am just trying to pursue this point. I want to know the evidence of the basis on which they were trying to do it.

If you build more homes in an area—I have this in my area—there is an increase in housing and an extra demand for facilities. Some of that comes out of the rate income you get—the council tax income—and some of it comes out of bids, which I constantly support, for example for new school places. I get that, but I want to know what evidence you had, when you devised this, to tell you that local authorities needed a financial incentive to build more houses?

Peter Schofield: As I said, Madam Chairman, if you look at the impact assessment, it starts by identifying what the financial disincentive is for local authorities to take forward major housing development—

Q5 Chair: You are not answering the question.

Peter Schofield: There is a lot of literature that addresses that. Hilber addressed it in 2010 in a London School of Economics review. The Barker review, the Lyons review—

Q6 Chair: You are talking about a disincentive. This was a scheme with a financial incentive to local authorities to build more homes. Was it this, was it the lack of mortgage availability or was it the other things that various experts have pointed to?

Sir Bob Kerslake: May I come in and try to answer that? We have very substantial evidence about the barriers to new housing in this country. We also have

3 June 2013 DCLG

very substantial evidence about the fact that we do not build enough homes, so let us start with that point. The second thing is that, in terms of those barriers, we know that one barrier for local authorities is the reaction of local people to new homes. Secondly, linked to that, the reaction of local people is often down to the facilities that they feel are needed to support the creation of new communities, so it is a perfectly legitimate argument to say there were known barriers to new housing, which could be at least partially overcome through a financial incentive of the kind of the new homes bonus.

Q7 Chair: I understand the barriers to building new homes, and I understand that the issue goes much wider. What we have here is a more than £7 billion investment of taxpayers' money through to 2018–19 with a really big question as to whether it leads to the development of more homes than might otherwise have been built. My authority is claiming the new homes bonus, and it is one of the authorities that benefits from it, but that has not changed its behaviour and led to it building more homes than it would otherwise have done. Let me ask you the question the other way round: what evidence did you have that taking away formula grant from some authorities, which is how you funded the new homes bonus, would lead to authorities looking at building more homes to get back the grant they would otherwise lose?

Sir Bob Kerslake: There are two points really. One is that, as you know, the funding of the new homes bonus combined a contribution from direct funds from the Department—it is worth saying that those funds came from the termination of a previous incentive scheme under the previous Government, the planning and housing delivery grant, which we ended because it was not working—and redistribution; it was a bit of both. Clearly, there was a balance to be struck about how this was funded, and the judgment that was made was that it would be a mix of new money and redistribution.

Q8 Chair: I understand that. I am asking a very specific question. I can understand money was tight so you needed formula grant to help fund this. What I find rather disturbing is that you set off on a policy route without adequate evidence. We all believe in evidence-based policy. You are floundering a little, if I may say so, on what evidence there was that this would change local authority behaviour—in my experience, it has not. I am asking you a question: what evidence did you have—presumably as part of the basis of the policy—that if you took formula grant away from local authorities, they would scurry around and build new homes to get that grant back?

Sir Bob Kerslake: There are two separate points in what you are saying. It is important to go through the logic behind how we arrived at the current funding model. First, there was the incentive that came with building new housing. The really powerful thing about the model is that it was simple and direct, and it was directly related to activity by the local authority.

Q9 Chair: I understand that is what you thought. I am asking you what the evidence was. If that was true, you would start seeing new building programmes along the piece—you would be seeing an impact. We are in year three of this now, but you are not seeing an impact.

Sir Bob Kerslake: We are seeing an impact, with respect Chair, in terms of the number of approvals by local authorities and the number of starts, and I can give you the statistics on that if you wish. Your question was what evidence did we have when we set the scheme up. Clearly, we could not have had evidence about the impact of the particular funding model at that point in time. The most we could do, which is what was done at the time, was consult with local authorities on the model and do some modelling within the Department about potential scenarios. There is no possible way we could have had absolutely hard evidence about how it worked, because it was the first time it was being done. What we did commit to do was to monitor its impact and evaluate in year 2013–14, and that is what we are going to do.

Q10 Chair: You are still not telling me. You are saying that there was no evidence that it would impact on local authority behaviour, either through the incentive of a grant or through the punishment of taking away formula grant if you did not build homes.

Sir Bob Kerslake: No, what I am saying is that we could not have absolute evidence on that, because there had not been a scheme of exactly—

Q11 Chair: Or relative evidence or anything. You did not have evidence, full stop.

Sir Bob Kerslake: With respect, we did have evidence from the consultation we did with local authorities, from the modelling we have done and from the clear academic evidence about the barriers to new housing. All of that was in play at the time we made the decision about the policy.

Q12 Chair: With respect to you, Sir Bob—I am not trying to be partisan, and I know there are different views around the table on this—I have to say that I looked at the CLG review of this policy area and it is littered with people giving evidence to that review, which was far from a ringing endorsement of this great experiment. The leader of Hampshire county council, Ken Thornber, said: “there will be affluent areas that are willing to forgo not a very great amount of money in order not to upset their vociferous populations. Such areas may...be those with the greatest need for new housing”. Knight Frank UK found in 2011 that 63% of the people they surveyed were sceptical of the role of the bonus, and by 2012 that had risen to 81%. I could go on and on. Roy Donson of Barrett Homes said that you needed a plan B—he was so sceptical. There was a huge amount of scepticism, yet you went ahead with a very, very expensive programme.

Sir Bob Kerslake: Let me just say again that there is always scepticism when you introduce new schemes, so you have to reach a judgment. Ministers took a judgment on this on the balance of the information

3 June 2013 DCLG

they had. I just repeat: we did consultation, and we did a modelling exercise, which we based on known information about the barriers, and therefore by corollary the incentives to new build. If we look at the latest data on approvals from the Home Builders Federation, we see that, year on year, they say that approvals have gone up by more than 20%.

Q13 Chair: That is not the figure in here.

Sir Bob Kerlake: That is because, frankly, the Report was written at a point in time. We now have further data from the Home Builders Federation, which make it very clear—

Q14 Chair: You approved the Report, Sir Bob. None of the stats on planning approvals and housing starts in here are moving in the right direction.

Sir Bob Kerlake: With respect, the Report was written at a point in time and we approved it at a point in time, but the latest data from the Home Builders Federation tell us that—

Q15 Chair: When was it written?

Gabrielle Cohen: March.

Q16 Chair: March is not that long ago. This is one of my criticisms of it. If you look at planning approvals, if you look at housing starts across the piece or if you look at planning applications, none of them are moving in a direction that would give me any confidence. This is March—two months ago, for heaven's sake.

Sir Bob Kerlake: The Report deals with—

Chair: Stats don't change that much.

Sir Bob Kerlake: I am very happy to supply the data to the Committee.

Q17 Chair: I hate new data; that is why we have agreed Reports here.

Sir Bob Kerlake: The data came after the Report was produced, so they clearly could not have been part of the Report.

Chair: Two months.

Sir Bob Kerlake: Those data show very clearly, on new housing—

Q18 Austin Mitchell: Just as money was paid under this scheme, there were houses already in train that were already being built. There was no incentive there, because those were already in progress. You are now claiming that there has been an increase in building, but there is no evidence that that is due to the bonus. There is every evidence that it is due to all the Government schemes that have been provided to try to incentivise house building and house buying, but no evidence that it is directly due to the bonus.

Sir Bob Kerlake: What I would say is that we have done a number of things. You are quite right, Mr Mitchell, to say that it is not one thing that the Government have done. That also includes stimulating demand, the infrastructure fund and other initiatives in terms of planning, for example. I would not for a moment suggest that the new homes bonus is the only thing that the Government have done to promote new housing. What I am saying is that, contrary to what

the Chair was suggesting, there is evidence of a higher rate of planning approvals on housing schemes year on year, and, quarter on quarter, there is evidence of higher numbers of starts as well.

Q19 Chair: So in the last quarter it has changed. Let us be clear what you are saying. The NAO Report is accurate, because you have signed it off and agreed the stats, and the NAO Report demonstrates that both on planning applications approved and on new starts, there has been no impact. In the last quarter, however, you are beginning to see a change.

Peter Schofield: To help the Committee, there are two main figures—figures 10 and 11—to look at on pages 31 and 32 of the Report. Figure 10 looks at the number of planning applications for major residential approvals and figure 11 looks at the approval rate. New data that have come very recently from the Home Builders Federation represent a slightly different statistic by looking at the number of planning approvals for new houses, so it is the number of new houses.

Q20 Austin Mitchell: But the planning legislation has changed to make it easier to give approval.

Peter Schofield: As Sir Bob says, there are a number of different changes.

Q21 Chair: I am going to ask the Comptroller and Auditor General to come in, because I really object to this.

Amyas Morse: To be quite honest, this is not mysterious; it is just that another fiscal year has finished. I do not find it hard to understand. When we wrote our Report, the last year available to us was 2011–12. Now 2012–13 is available, because time has elapsed, so we have some preliminary data for that year. It is not incredible to me that it could be different.

Sir Bob Kerlake: Just to be very clear, we are not in any way challenging the Report from the NAO. We are saying, quite reasonably, that we have more data now that tell us that there is some clear evidence of higher rates of approval and higher rates of starts.

Chair: I hear that.

Sir Bob Kerlake: It is absolutely right for Mr Mitchell to say that that is down to a number of factors, but the evidence is that things are moving in the direction that we would like them to go in.

Q22 Stephen Barclay: On a housekeeping point, Sir Bob, it is perfectly understandable that we have new data and a time lag here but, moving forward, it would be helpful if data could be submitted seven days before the hearing. What is frustrating is when that is announced at the hearing itself.

Sir Bob Kerlake: To be fair, this is in the public domain, but we could usefully have sent it to you ahead of the meeting.

Q23 Chair: What I was going to say to you is that there are several things that shocked me on reading this Report, and one was your failure to set up proper monitoring and evaluation. If you accept, as I think you do, that this was a bit of a punt, fair enough—the

whole point of politics is to take punts—but if you do that, it is absolutely beholden on you to set up really rigorous monitoring and evaluation. You have not done that, so you haven't a clue. You can sit there and say, "Good, the housing starts are going up"—that is not in this Report, but you are telling us they have in the last year—but you have done absolutely nothing to set up proper monitoring. For you as accounting officer, and given your position as head of the civil service, I find that unacceptable.

Sir Bob Kerslake: I do not agree that it is true that we have not set up monitoring. Let me say three things on that. First of all, we have very clear and good data about who has benefited from the new homes bonus, by authority and by type of new building, and on whether it is to do with empty homes or new build and so on. So we have very good data about where the money has gone from the new homes bonus. Secondly, we did two surveys in the first two years of the initiative to identify what the qualitative experience of local authorities was. This is not the quantitative information—we had that. The first survey had well over 200 responses and the second survey had well over 100. Alongside those surveys, we also did some workshops with local authorities to get qualitative feedback.

Q24 Chair: The surveys are not given much credibility in this Report.

Sir Bob Kerslake: They are challenged in some respects because we got responses from both members of local authorities and the officials.

Q25 Chair: You have the crude data, so why on earth didn't you set up a monitoring and evaluation framework properly?

Sir Bob Kerslake: There are two separate points here. There is monitoring and there is evaluation. As I said, we had very good data about the bonus and where it went. We had light-touch monitoring in the first two years, and we committed at the beginning of the scheme to do an evaluation in 2013–14. The reason we chose that year was to allow time for the new scheme to bed in and to have a series of data. We will do the evaluation in 2013–14, as we promised to do.

Q26 Chair: Well, I have to say that it seems to me that you set up a policy in which it is difficult to identify the key factors influencing any impact. I cannot see it yet—I am glad if it does a little bit in the final year, but I am iffy about that. I will not accept that until I have looked at and studied the figures. It seems completely bonkers not to set up a proper evaluation framework at the start, but instead you said, "We are going to do it after it has been around for a few years." I have been responsible for new, radical policies like this, and sometimes the evaluation does not give you the answers you necessarily want, but you set it up at the start, not three or four years into the programme.

Sir Bob Kerslake: May I finish that point? The NAO Report rightly says that, in the early years of the scheme, you were effectively paying out for approvals that had already been made, so you needed a number

of years' operation of the scheme before you could do an effective evaluation. That is why—

Q27 Chair: There are various evaluations you can do. After three or four years, you can look at it from a certain perspective, but if you do not evaluate as you are going along, you cannot adjust. It may well be that you want to adjust the way in which the incentives work during the scheme. We had a short exchange during the pre-meeting, and I think the schemes probably work best at getting empty properties into play. That might not have been the intent of it, and it is only 10% or thereabouts of the homes bonus, but if it was something that was working and we have a load of empty properties about, you might have been able to put more incentives into that, had you been evaluating it along the way.

It has worked badly, if you look at it, in that you have got a whole load of student accommodation. Was the purpose really to get student accommodation built on the back of the homes bonus, or was it to get family housing or unoccupied housing into use? You were unable to show that, because you have not been monitoring and evaluating properly.

Sir Bob Kerslake: With respect, Chair, we have been monitoring. As I said earlier, we have done an annual survey and we have had workshops to test—

Q28 Chair: The annual surveys, I have to say, are questioned for their validity by the NAO, and you should hear that.

Sir Bob Kerslake: I have heard its point, but nevertheless they were substantial surveys with quite big cohorts—indeed, bigger than the cohort that the NAO itself looked at in its Report. The second point I would make on the student housing was that we included student housing following the consultation with local authorities, so we did actually listen to local authorities.

Q29 Chair: I understand that, but I am not sure the purpose of the bonus was to provide more student housing.

Sir Bob Kerslake: May I just say the third point is that, as I said earlier, we had very good data about the numbers of houses and the number of payments we were making to authorities on individual numbers of houses? It simply is not correct to say we did not know how the scheme was progressing—we did.

Amyas Morse: I do not want to be argumentative, but I have to say that the first survey had reasonable responses, but in the second one, the responses fell off really extraordinarily, so it is difficult to regard the second survey as having value, to be quite honest. Forgive me for repeating this. From district councils, 265 replies in the first year went down to 136. For county councils, 21 went down to five. I do not want to make any more of it, but it is a bit difficult to see that as valuable.

Sir Bob Kerslake: With respect, it is valuable. Your own survey did 14 authorities, but that was still well over 100 authorities responding to our survey.

Peter Schofield: It is worth saying that 51% of local councils responded in the first one—that is just over

3 June 2013 DCLG

half. Around a third responded to the second, but then 38 councils attended the workshops. We selected a representative group of local authorities for those workshops so that we could do a deep dive in terms of how this was performing. It was very much that range. I would also draw the Committee's attention to paragraph 2.29 on page 34 of the Report. The NAO says, "In line with the Department's expectations, it is too early to say whether the Bonus is affecting the number of new homes", so I think that is something that the NAO accepts.

Q30 Chair: We know that. Honestly, this is a bit irritating—it's not that. If it is a brand-new policy, with a lot of unknowns, to me it is just unacceptable that you don't have a rigorous evaluation in place from the first point, if for no other reason than to amend the policy as you go along to make it more sensitive to meeting your objectives. I just find that completely and totally—I just honestly think, Sir Bob, that you, as accounting officer, had a duty—an overriding duty. With more than £7 billion being spent on this programme, you had an overriding duty to put that evaluation in place. Even if you did not have the necessary evidence, I would have liked to see for an evidence-based policy, if you want to take a punt, that you make sure that you get the stuff in place—

Sir Bob Kerlake: We will have to agree to differ on that, Chair. I think we have been very clear that putting in an evaluation earlier would not have given us useful data.

Q31 Chair: You don't know that because you didn't do it.

Sir Bob Kerlake: We chose not to do it because we knew that it would take a few years—

Q32 Chair: No, you chose not to because you might have been worried about what it told you.

Sir Bob Kerlake: No, I don't think that's the case at all, with respect, Chair. We did monitor the policy and we waited two years to put in the evaluation, which I think is a perfectly reasonable—

Q33 Chair: You haven't got it in yet. We're in—

Sir Bob Kerlake: With respect, Chair, that was the agreed date. We said we would do it in 2013–14.

Q34 Chair: This will be my final go at this and then I will go to Justin, because he has been desperate to come in and I know he has a different view of it, from his authority, than I do from mine. To make arithmetic errors in the actual impact assessment—I don't know whether this is Mr Ridley's fault or Mr Schofield's fault—and therefore over-claim for what you expect to do, only for the NAO then to uncover that, is really, really poor practice by officials.

Sir Bob Kerlake: Can I just make one last point? You talked about changing it as we went along. We were very clear that the one thing we did not want to do was to keep tacking and weaving as we went along.

Q35 Chair: But you were happy to waste over £7 billion, if that is what it has turned out to be.

Sir Bob Kerlake: It is a judgment as to whether it has been wasted, Chair, but the reason why the housing and planning delivery grant was wasted was that it tacked and changed every year and nobody knew where they stood. You had to run the scheme as it was designed for a number of years and then evaluate; I absolutely stand by that view.

Q36 Chair: I just do not accept that. If you have a brand-new scheme, you amend it to be sensitive to objectives, and if you are doing an innovative scheme, you have to have in position things to enable you to respond to changes. Why did you have the arithmetic errors? Who is going to answer that one?

Sir Bob Kerlake: I'll take that question, as Peter was not there, either, at the time. It was a mistake—

Q37 Chair: That is why I like to have the responsible and accountable officer here.

Sir Bob Kerlake: I am the accountable officer, and the mistake was made. We put our hands up and said that. I would say two things about the mistake. One is that it did not change the fact that there was a positive benefit identified through the impact assessment. Secondly, it did not have any impact on the distribution of funding.

Angela Hands: The Chair has summarised one of the key findings and conclusions in our Report, so I was not going to go any further on that, but I did just want to clarify with the witnesses something about the workshops. Were you actually talking about the ones pre-consultation or during the consultation, because the impression has been given that it was done after implementation?

Sir Bob Kerlake: I think that there were some workshops before the implementation—

Angela Hands: But they were not—

Peter Schofield: But there were also some afterwards.

Sir Bob Kerlake: And there were also some afterwards.

Angela Hands: So about—

Sir Bob Kerlake: There were two.

Q38 Justin Tomlinson: The Chair and I have a slightly different view on this. I represent a Swindon constituency. It has been pretty much the fastest growing town year on year for the last 20 years in terms of new build housing, and prior to becoming an MP, I spent 10 years as a councillor for a new build area, so I am extremely experienced at dealing with developers, development, community opposition and all the problems that go with it. The two drivers for me were these. First, this is probably the only area of local government finance that is simple, clear and transparent. There is a definite multiple formula that you can calculate and you control your own destiny in theory. Secondly, we used to have the centrally imposed inappropriate housing target. You would go to the residents, who were often living in new build housing, and say, "I'm ever so sorry, but we are going to burden new houses and new pressures on local services on you," and that was it. Unsurprisingly, they were very angry. Now, however, we have actually armed local authorities with the ability to say, "We are actually going to get a financial reward." I am

3 June 2013 DCLG

staggered that anybody could think that giving a financial reward is anything other than a good thing. It is like the sun coming up everyday; if you offer people money, they generally say, "Thank you." Now you have that ability to say, "We can pay council tax back. We can build a new facility. We have major development coming forward and we are working on bringing our local strategy forward. We are able actually to plan tangible things."

I want to concentrate on pages 10 and 11 of the Report, because I want to touch on a couple of those points. In the middle box on page 10, which is about the barriers a local authority can influence, the second point is "Community opposition" and the fact that you can now go and say, "Okay. The local schools are full, but if we release another 1,700 houses, we can use that money either to extend existing schools or furnish a new school." That can make a huge difference. The key thing is that development will often happen, but it is a question of how quickly it will happen. I am interested in when things are being evaluated, because ultimately the state of the economy will determine how many houses are built, but we can make a difference by ensuring that sufficient land is available for development as and when the economy requires it. I think it would therefore be very useful to look at the amount of land when doing the evaluation, because, in my patch, many areas have been given planning permission, but the developers are not yet ready to build houses. As the market picks up, that will come forward. In my proactive constituency, we will in theory see a lot of house growth once the economy picks up, because that land is sat there waiting.

Moving on to "Developer engagement or activity", we would generally oppose all development by default—it was imposed by the previous Government and we would fight it—but all we would end up doing is delaying it by a considerable amount of time. Now that we have the financial incentive, the local authority, residents' groups and developers all sit around the table to thrash something out and say, "It's going to happen. Let's make sure that the development is appropriate and financially rewarding." Again, therefore, that brings it back to the evaluation about how much land is being released, not necessarily how many houses have yet been built.

I was interested in "Cooperation with other local authorities" and it would be useful to look at how LEPs are getting involved here, because there is a cross-border element. It differs depending on the local authority. I remember that we would say that it would be wonderful if all the houses were built in north Wiltshire and the north Wiltshire local authority would say that it would be great if all the houses were built in Swindon borough council's area. The LEPs can act as a broker.

On the "Contribution to financial viability of housing developments", which is crucial, the planning approval rate is a big factor. In Swindon, it was about 20 years since we had ever actually approved a major planning application. They were all won on appeal. Now, however, we are starting to see developments brokered and actually going through.

I also want to see a bit more work on sharing best practice, whether about empty homes or how local

authorities are being proactive and sitting with developers, because we had no choice but to be good at this in Swindon because we had so many developers knocking on the door. The Report clearly identifies that if you are a north-east MP, huge swathes of developers are not necessarily knocking on the door. We need to find ways for them to be engaged in order to take advantage of this pot of money. Those are a few comments to start with.

Sir Bob Kerslake: Thank you for that. Many of those points are consistent with both our view of the situation and the points made in the NAO Report. I have a few points to follow up.

We do have some good evidence of creative use of the new homes bonus, whether that is Sheffield forming a dedicated empty homes unit or Leicestershire doing work with rural homes. The interesting thing about the Leicestershire example is that they have done it collaboratively between the county and the districts. There is very much something to your point about collaborative working between districts and counties within LEP areas. There is absolutely something in that approach, which would tackle quite a lot of the issues.

When we analyse why housing does not get built, we find a number of reasons. There is availability of land, which has led to initiatives such as the public land initiative. There is the level of approvals by local authorities, so we have the planning reforms and the new homes bonus. We then have the issue of demand and whether people are going to buy the properties and whether house builders will build, so we have things such as Help to Buy. There is not one initiative or intervention that works; it is the combination of them. In 2010, the strong feeling was that we needed to get the ball rolling with a simple clear incentive to local authorities. As I said, the evidence suggests that many local authorities have used the money to tackle exactly the sort of barriers that you described.

Q39 Justin Tomlinson: My local authority is shortly going to pass its local plan for approximately 20,000 houses. A sensible way to evaluate the success of that is by counting all the local authorities' local plan housing totals, because, ultimately, if the housing market was so strong next year, 20,000 houses could be built—in theory. That is probably your most accurate way of gauging it—how many potential houses could be built subject to the market. That would probably be the best way. The fact that my local authority and many others that I have spoken to have come a lot quicker to the table to talk to the developers shows that that is the best way to evaluate whether this will make a difference.

Sir Bob Kerslake: I personally think approvals are a very good measure. What we know from house builders is that they will not build out every plot on every site simultaneously. What they need is a range of sites, and the rate of build per site and the demand equation affects how many they build out per site. It stands to reason that the more approvals you have in a given situation of demand, the faster we are likely to see more housing.

3 June 2013 DCLG

Q40 Chair: We have something like 400,000 approvals around the country. We do not actually need any more. Goodness knows how the 400,000 approvals are geographically spread; I have no idea.

Mr Jackson: It is 7,000 in Leeds alone.

Chair: There you are. Approvals are not getting houses built for heaven's sake.

Sir Bob Kerslake: No, I did not suggest that they were.

Q41 Chair: Quite. Therefore, where are you best putting £7 billion to get houses built—not on the approvals? We do not need more approvals; we have them coming out of our ears.

Sir Bob Kerslake: Peter will come in in a minute. The point I was trying to make was that you do need more approvals because in reality house builders will only build out at a given rate on a particular site, so they always have needed more approvals than the number they have been allowed.

Q42 Chair: Four hundred thousand, Sir Bob? Four hundred thousand?

Peter Schofield: It is worth coming back on the number. The number of 400,000 includes sites where development has started. The 400,000 is the number of approvals where the development has not completed, but more than half of them have already started. Some of them have stalled, and that is why we have initiatives such as the local infrastructure fund to help to kick-start that forward. But 400,000 is the wrong number I think.

Q43 Chair: If you are including Barking Riverside, it is nothing to do with the 12,000 homes. The stalling is because of the housing market; it is absolutely nothing to do with the bonus, nothing to do with approvals or anything like that.

Sir Bob Kerslake: What we are saying is that you need both approvals and a buoyant housing market. I am not suggesting that it is one or the other.

Chair: I am interested to hear how it is in Swindon. I can tell you that in Barking and Dagenham, where they are desperate for new housing, the bonus is not a player.

Justin Tomlinson: The crucial thing is this. There are two elements. The new home bonus is paid only when a house is built, so this 400,000 is irrelevant; it is simply rewarding the communities that have had the inconvenience of additional housing. The second bit is that when the housing market is strong, which it has been over the previous decade, the amount of available land could not keep up with the demand. In hindsight, if more land had been granted planning permission in the boom times, we would now not have such a shortage of housing, particularly affordable housing. We are just trying to make sure that we have everything lined up so that when the housing market picks up next time, there is sufficient demand to play catch-up. The market needs a certain amount, plus we need to catch up to deal with the housing waiting list and to deal with regenerating old housing estates. I have seen loads of examples around the country where once a community can get a slice of the money from a development, they can regenerate local shops,

schools and facilities. It is the only way to get local residents on board. Frankly, they should be on board because they are the ones who have the massive inconvenience of a new housing development on their doorstep.

Q44 Stephen Barclay: Sir Bob, may I take you to page 37, figure 16? Let me first put on record my congratulations, and I am sure the Committee's, to Sheffield city council on returning more than 600 empty homes to use; I think that is a very good achievement. What is the lowest number that a council has returned to use?

Sir Bob Kerslake: The lowest number of returns of empty homes?

Stephen Barclay: Yes.

Sir Bob Kerslake: I do not have that figure with me. I do not know if Peter does.

Peter Schofield: I may be able to get to it.

Sir Bob Kerslake: He may be able to get to it if we spend a few minutes trawling through the data.

Q45 Stephen Barclay: As you know, I am very interested in comparative data.

Sir Bob Kerslake: Yes. We have all that data; it is just finding the lowest number. We will come back to you on that.

Q46 Stephen Barclay: The Committee is frequently told about the best, but it would be interesting to see the league table for two reasons. One, to see which councils are at the bottom, and to try to understand why. But also to see the mid-tier, and to what extent we can shift those, because actually a small movement for those in the middle would have a disproportionate—

Sir Bob Kerslake: Indeed.

Q47 Stephen Barclay: So could we have a note please, Sir Bob?

Sir Bob Kerslake: We will give you the full distribution.

Q48 Stephen Barclay: I presume that we have now got the second year as well?

Sir Bob Kerslake: Indeed.

Peter Schofield: Yes.

Q49 Stephen Barclay: Could we have the first two years broken down by council, and perhaps an explanation for the bottom third?

That brings me to my second point: to what extent is the Department looking at the outliers and challenging those from the centre? Or do you see that as an issue for local councillors entirely and not for the Department?

Sir Bob Kerslake: We have focused more on the transparency of the data and there being challenge at a local level. Alongside the new homes bonus, of course, we have other policies in terms of new housing, such as the local plan, the NPPF and so on, all of which create powerful presumptions towards development. From our point of view, we have not ourselves gone in and challenged those who have not performed as well; we have very much left that to the

3 June 2013 DCLG

local population and for the data to tell their own story.

Q50 Stephen Barclay: Perhaps just a plea: I do not think that the transparency locally is working. I will bring that to life with another example. If you look at derelict buildings, councils have extensive powers under section 215 notices, as you know. As a Member of Parliament, just trying to get data on the number of section 215 notices, and the follow-up section 216 and 219 notices, is incredibly difficult. In terms of the Government's commitment to open government, could you give us a note, once you have had time to reflect on it, as to the willingness to publish some comparative data so that we as Members of Parliament, and others, can see more clearly where councils are? Because, at the moment, that transparency—

Sir Bob Kerlake: We will certainly come back to you on that.

Q51 Stephen Barclay: Could I come to a second point: cross-departmental working? As Head of the Civil Service, I am sure that you very keen on that. What impact did the Department of Energy and Climate Change have on the shaping of this policy?

Sir Bob Kerlake: As the Report says, all Departments were involved in the process of preparing the policy. I have not got the details here on what DECC's particular contribution was to the discussion on the consultation.

Q52 Stephen Barclay: Is it the case that you do not get any more in your bonus if you build a very highly energy-efficient home, compared to a bog-standard home?

Sir Bob Kerlake: It is the case that we have not put in any gradation to do with energy efficiency. Again, it goes back to the point made earlier: we wanted to keep this as simple as possible. The thing that undid the housing planning delivery grant was that each year another overlay of complexity was built in, to the point where people could not predict how much they would get, and could not influence it in some respects, so it simply stopped working.

Q53 Stephen Barclay: I applaud simplicity—we see it quite rarely on this Committee, so it is great to have that. But it surprises me that, for example, we are paying winter fuel allowance to people going into these new homes. It seems that an opportunity has been missed. I do not get a sense of whether anyone assessed the value for money case of a higher spec, compared to some of the additional costs, particularly for energy bills.

Sir Bob Kerlake: We did not on that specific issue. What I can say is that on new build, there are clear expectations on the energy efficiency of new properties, so typically they will be of higher energy efficiency anyway, through the building control standards that have been introduced.

Q54 Stephen Barclay: But it is fairly modest, isn't it?

Peter Schofield: The Government has a commitment to move to zero-carbon homes by 2016.

Q55 Stephen Barclay: So it is not in this Parliament.
Peter Schofield: We are on a trajectory. We are looking at changes to part L at the moment, which is the relevant part of building control that will address this.

Q56 Stephen Barclay: So any of the homes built from 2016 under this scheme will be within those criteria.

Peter Schofield: As Sir Bob says, new homes are much more energy-efficient than much of the stock that is already there.

Sir Bob Kerlake: They are working to code 3 typically as their guiding level, so they are going to be an awful lot more energy-efficient than existing stock by any measure.

Q57 Stephen Barclay: But we will still pay things like winter fuel allowance to people in those homes.

Peter Schofield: Winter fuel allowance is a universal benefit.

Q58 Mr Jackson: I think the point Mr Barclay is making is that you had a mechanism for incentivising affordable homes at 125%. For my sins, I was, as Sir Bob knows, on the DCLG Opposition Front Bench in the previous Parliament. I think the point he is rightly making is that you could have perhaps added another indicator, that is, level 4, 5 or even 6 of the code, in terms of what you pay the local authority both to drive up the number of affordable homes and also quality homes.

Sir Bob Kerlake: I do see your point. I think it was a trade-off between simplicity and other objectives. I think the primary means by which we wanted to drive up energy efficiency was through the escalating code, up to zero-carbon homes, as Peter said.

Q59 Mr Bacon: May I come in on that, as a supplementary to what Mr Barclay and Mr Jackson were saying? I am not sure it is a trade-off between simplicity and the other things. I have visited houses in my constituency that are so well insulated that they cost £200 per year to keep warm—coincidentally the same amount as the winter fuel allowance. You sound a little puzzled, Mr Schofield, as if these were completely separate subjects. They are not.

It was quite an epiphany when I saw this house; it was about 18 months to two years ago. The amount of money it cost to heat the house was the same as the winter fuel allowance. If I could have that epiphany just by wandering round my constituency two years ago, I would have hoped that DCLG would be across this and realise the enormous potential to turbo-charge this, without making it complicated at all.

Sir Bob Kerlake: I am simply saying that we are very much across the issue of energy efficiency in new houses. We set the policy and, as Peter said, we are moving towards zero-carbon homes in 2016. We just felt that that was better achieved through the regulatory process of the building regulations than

3 June 2013 DCLG

through the new homes bonus. That is the point I would make.

Mr Bacon: I think you could have done more, more quickly, without any extra expenditure.

Q60 Stephen Barclay: My thinking is that it is almost like a kitemark. You have that higher spec standard. Then you don't pay winter fuel allowance to homes that have the highest kitemark. It is a very simple policy.

Sir Bob Kerslake: It is clearly something we can look at, but that was the clear policy decision taken at the time.

Q61 Austin Mitchell: To come back to the argument that we started with about the effectiveness of the scheme, Knight Frank did a survey of more than 100 builders. In 2011, 63% were sceptical about the role of the bonus in incentivising building. In 2012, that had gone up to 81%. What does the latest survey say, and why have the builders got so little faith in the incentive?

Sir Bob Kerslake: I cannot speak for the builders who responded to the Knight Frank survey. All I can say is that this is one policy that provides an incentive. My experience with builders has been that their concerns were about the wider market, about the level of demand, so not surprisingly they would focus on those issues rather than new homes bonus work. All we can say from our own experience, and we have said it in the Report, is that there is feedback that behaviours have changed, in part from the effect of the new homes bonus. The evidence is there.

Q62 Chair: The evidence is there. Where?

Sir Bob Kerslake: I have just given you the evidence about the changes in the number of approvals.

Q63 Chair: Yes, but that's nothing to do with it. You don't know because you are not monitoring it. You have chosen not to evaluate it until next year or whenever. You have no idea whether that is connected to the new homes bonus. You can't make that assertion without the evidence. You can't make it.

Sir Bob Kerslake: I have made the assertion that it is one part of a set of changes that have led to a higher rate of approvals.

Q64 Chair: You don't know, Sir Bob. With the greatest respect, you just don't know. You are asserting it. It is fine to assert it, but don't give it to us as evidence until you have done that analysis.

Sir Bob Kerslake: I did not say it was evidence; I said it was one part of a change. Indeed, neither Knight Frank nor the builders have different evidence. These are opinions.

Chair: No, but that is as good as the survey you choose to quote to say you have support for it.

Q65 Austin Mitchell: It just looks like somebody had the bright idea, "Let's incentivise builders and councils by chucking some money at them", and you are now having to justify it. You cannot disaggregate it from all the other things that have been done to increase building.

Sir Bob Kerslake: I have been very honest.

Q66 Austin Mitchell: Let me go on to another question. Why was the policy not directed in the first place at areas that have the greatest housing need and the biggest household formation rates? Why not devise a policy that directs the money at them, where the problem is most acute?

Sir Bob Kerslake: I would make two points. First, we have been clear that it is one policy among a number that have been put in place to drive up new housing. We have not suggested it is the only part of the policy; it is one part of it. The evaluation will give us a better insight into its impact.

My second point—I apologise for repeating this—is that we wanted a clear policy that directly recognised and rewarded, linked to the number of houses that people built. We went for a clear policy that said, "If you get a house built, you will get a reward." Our expectation, which I think has proved to be the case, was that housing would typically be built where the highest demand was. To some extent, you get to the same place on this. We built in an additional supplement for affordable housing to give an added incentive for that. It was about simplicity and having a direct relationship between the building of houses and payment. We reasonably assumed that it was likely to have the largest impact in those places with the highest demand.

Q67 Austin Mitchell: Affordable housing is such a vague concept to me. What is affordable to one person is not affordable to another. There are areas where a comparatively high proportion of people cannot afford to buy at all because house prices are too high and they will not get a mortgage. You have not directed funding at those areas because it needs much more incentive for councils and housing associations to build social and council housing. Although they count towards the total, you have to give them a better incentive. Why don't you do that?

Sir Bob Kerslake: I would say that we know that there is a high level of need almost everywhere in the country. It is hard to find anywhere that does not experience the problem of housing need of one sort or another, whether it is affordable housing for low income, or market housing. Through this policy, we tried to overcome known barriers to building housing in local authorities and to provide a direct incentive. We would reasonably expect, as I said earlier, that the impact of the policy would be on those areas where the demand for housing was greatest.

Q68 Austin Mitchell: You can't chuck a load of money at people and hope that it will produce something. Why is it that, of the 15 local authorities that have done best under the scheme, all but two are Conservative—one is Labour and one is Liberal Democrat?

Jackie Doyle-Price: Because people are moving to Conservative areas.

Austin Mitchell: Of the 15 that have lost most, only four are not Labour. In other words, the money is going to Conservative authorities and not Labour

3 June 2013 DCLG

authorities. Why is that? Was that the intention of the scheme?

Sir Bob Kerslake: Some of the authorities that have done best are places such as Tower Hamlets, which you know is not a Conservative-controlled council. Quite a lot of the ones that have benefited most from the policy are in London. The policy was clearly designed to promote new housing where the opportunity and appetite were there. If you look at the empty homes incentive, 10 of the top 20 were in northern areas. While the new homes bit worked in one way, the empty homes bit worked in a very different way.

Q69 Austin Mitchell: Do we know that this scheme incentivised filling empty houses? The figures from the National Audit Office say that it did, but the trend of bringing empty houses back into use began before the scheme and was building anyway.

Sir Bob Kerslake: As I said earlier, we can't absolutely disentangle the different reasons for why local authorities have behaved in the way they have. That is not possible, and we may get more of that sense from the evaluation that we will do this year, as planned. What we can say is that building in an incentive, as I think one of the other members of the Committee has said, is likely to have some impact on behaviour. We have some evidence of individual authorities responding to the incentive by taking action—Sheffield being an example.

Q70 Mr Jackson: May I come back very briefly on that? You mentioned Tower Hamlets, and I think I am right to say that, in the survey on unexpired planning applications that have not been actioned, which the Chair mentioned earlier, Tower Hamlets had the highest number of any London borough. It has 12,000 units of unexpired planning applications. You pray in aid Tower Hamlets, but obviously something is going badly wrong there if there are planning applications for 12,000 units that are not being built. Either the new homes bonus is not working or the housing market in Tower Hamlets is fundamentally broken.

Sir Bob Kerslake: I would not say that either is true. I think we have seen a very flat housing market in terms of growth for a number of years, and we are now seeing some evidence of it moving upwards. Clearly, the more approvals you have and the more sites you have that are viable to deliver, the more likely you are to see housing happen when the economic and market conditions are right. So I do not think it says that the Tower Hamlets housing market is broken; it tells us that we had an economic shock in 2007–08 that led to a fairly dramatic falling off of housing. There is evidence now of housing coming up. We do not want to be back in the place we were five to six years ago: when the market lifted, house builders were saying, “We cannot build because we cannot get permission.”

Q71 Guto Bebb: Would you agree that there is now a significant difference between the policies being pursued in England and the policies being pursued in a Welsh context to encourage new house building?

Sir Bob Kerslake: I do not know all the details of the Welsh policies, but I am sure there are quite a lot of differences.

Q72 Guto Bebb: I am asking because there appears to be a degree of argument here today about whether the statistics show that the new scheme is working in the English context. All I am saying is that this scheme is not being operated in the Welsh context, yet what we have seen in Wales, too, is that new starts and completions are falling to a level lower than they were pre-crash. We have seen a decline in the Welsh context, too. Would there be any willingness in the Department to do a comparative study between the situations in England and Wales?

Sir Bob Kerslake: We will certainly look at the Welsh experience against the English experience. As you say, because the policy hasn't applied in the same way, there may be some cross-learning we can do from the evaluation. As I was saying earlier, there is now some evidence, after a long period of a pretty flat position on starts and completions—indeed, they were falling—that the numbers are going up quarter on quarter. We are a long way from where we need to be.

Chair: Let us be clear on the last quarter.

Q73 Guto Bebb: On a quarter-by-quarter basis, what are the last figures that you have?

Sir Bob Kerslake: I was quoting the house building starts, which, in England, are 15% higher in the March quarter of 2013 than in the March quarter of 2012.

Q74 Chair: And how much higher than the previous quarter in England?

Sir Bob Kerslake: On the numbers that I have, and Peter will come in on this, they are 4% higher than the previous quarter.

Chair: That is more relevant.

Sir Bob Kerslake: They are 15% higher than the equivalent quarter last year, and 4% higher than the previous quarter.

Q75 Guto Bebb: Those figures are interesting, because the last three quarters in Wales show a decline. We would be interested to see whether the different proposals are working differently, because surely within the United Kingdom we now have the ability to look at policies that have been implemented differently across the kingdom, as it were?

Sir Bob Kerslake: Indeed. We would be very happy to look at whether there is anything we can learn from the cross-comparison of rates. Again, it would be quite difficult to disentangle different housing markets and the buoyancy of different housing markets. We will certainly try to see if there are any differences in approval rates and starts in relation to equivalent housing markets, where we can identify them.

Q76 Guto Bebb: I think that is a very fair point, but it is worth noting that Redrow, for example, which is a significant house builder, has described the support system in Wales as the worst in the United Kingdom, so there is an issue in terms of the Welsh Government also learning whether the scheme is improving the delivery of housing. That is the first point.

3 June 2013 DCLG

Secondly, to what extent was the need to devolve decision making to local authorities a key driver of this policy?

Sir Bob Kerslake: I think the analysis started from the fact that, as I said earlier, the housing planning delivery grant had not worked in the way that was intended, and that the regional housing targets had created more heat than light, in many respects, and had not provided the sort of driver for new housing. Therefore, the view of Ministers was that we needed a bottom-up incentive that would, if you like, put the power in the hands of local authorities to get behind a pro-growth, pro-housing approach. That was the thinking behind it. So it was absolutely linked to an analysis of previous policies that had not worked to deliver the housing that we needed. I think that would be a fair description of it.

Q77 Guto Bebb: My very final point: is the non-ring-fencing of the funding set to continue? Are there any plans to change that?

Sir Bob Kerslake: There are no plans to change it. Obviously, I cannot prejudge what happens in the '15-'16 spending round, because it has not been concluded yet, but on the current spending round there are no plans to change it at all.

Q78 Chair: You just made a statement that I am afraid I have got a quarrel with. You said that the regional house building targets proved ineffective. Is the National Housing Federation wrong to say that when they were abolished, plans for more than 84,000 homes were dropped? They assert that. Are they wrong?

Sir Bob Kerslake: I think there was a falling-off of housing. It is very difficult to decide how much of that was down to the regional housing targets and how much to the market, but what I can say is that—

Q79 Chair: Well, it is the same way as you make the assertion that the bonus leads to more. Are you quarrelling with the National Housing Federation's assertion?

Sir Bob Kerslake: The question was: why was the policy introduced? I am saying that the view of Ministers at the time was that the regional housing targets had not proved effective in driving new housing.

Q80 Chair: I understand that that was the view of Ministers. I am asking you whether the National Housing Federation is wrong when they say that when the Government abolished regional housing building targets, that led to plans for more than 84,000 homes being dropped. Is that true or false?

Sir Bob Kerslake: I am not going to comment on the National Housing Federation's targets on that, to be frank. All I can say is what the view was in the Government at the time.

Peter Schofield: Just to add, it is worth looking at the way in which local authorities are now bringing forward their own local plans. The rate of local plan making is accelerating, and local plans are identifying where the houses are that they need in order to meet demand.

Sir Bob Kerslake: What I can say is that if you look at the percentage of local authorities that actually did their local plans in 2010, it was a very low percentage. As a system, it was not delivering what was originally intended.

Q81 Austin Mitchell: According to figure 8 on page 20, as far as I can see with these glasses on—if I take them off, you still look as beautiful as ever, Sir Bob, so don't worry about my eyesight—

Sir Bob Kerslake: That is very kind of you.

Austin Mitchell: The scheme is shovelling money into the south—on the principle of to them that have, shall be given, I suppose—and far less into the north. We need to stimulate development evenly over the whole country to bridge the north-south gap, and housing is a stimulus to the economy, so why is the south getting so much more?

Sir Bob Kerslake: I make three points on that. First, the money goes where the opportunity is and where the ambition is to build houses, and it is very directly and consciously targeted at those places that have both the opportunity and the ambition to build houses. That is the first point.

The second point is to say that if it was the only policy that the Government had in relation to distribution, you might have a point, but actually more widely—

Q82 Austin Mitchell: You have no proof that the other policies are working for the north either.

Sir Bob Kerslake: If you look at the regional growth fund, for example, that is very clearly and expressly targeted at the north. The north-west and the north-east secured more money than London and the south-east put together.

Q83 Austin Mitchell: But the regional funding is putting less into the regions than the old development areas.

Sir Bob Kerslake: That is a different point. What I am trying to say is that a range of policies is applied here, which must be seen in the round in relation to local government. One of them is the new homes bonus, another is the regional growth fund and another is the way in which the formula grant and the floor damping work in order to protect authorities with high grant dependency. Simon will be happy to answer that point.

You have to see the new homes bonus as one policy in the context of other policies that have distributional effects. In terms of its size, the current sum for the current year is £668 million, which is set against a total spending figure—a revenue budget figure—for local government of nearly £100 billion, so this is a relatively small part of the total system. You have to look at it in the round.

Q84 Austin Mitchell: That is true, but in the sense that the aim is to incentivise authorities to be easier on planning and give an easier ride to builders to build, authorities in the north have been as amenable to that as authorities in the south—indeed, authorities in the south tend to be stickier because of the “not in my backyard” argument.

3 June 2013 DCLG

Sir Bob Kerslake: There are two points I would make. First, this is about those places that had opportunity and appetite to build houses; some of those were in the north and some were in the south, clearly. Secondly, in relation to the empty homes, as I said earlier, 10 of the top 20 beneficiaries were in the north, not in the south. So the policy worked in different directions.

Q85 Austin Mitchell: Okay. Before I ask my last question, turn your eyes to the map in figure 9 and look at the pathetic spectacle of north-east Lincolnshire, which is just south of the Humber, Sir Bob.

Sir Bob Kerslake: I know where it is, Mr Mitchell.

Austin Mitchell: In terms of the colouration of that map, which shows payments per household—the top group is £39.90—we are as pale as the North Sea. It is very difficult to distinguish north-east Lincolnshire from the North Sea on the map, which means we are getting very little. Can you either supply us with a note or tell me now why north-east Lincolnshire is getting so little, because it must at the same time be suffering some withdrawal from its formula grant to compensate local authorities that are getting grants under this scheme?

Sir Bob Kerslake: I don't honestly know the exact details of north-east Lincolnshire; I am happy to drop you a note on their specific position. What I was saying earlier was that you would need to look at other factors in terms of funding for north-east Lincolnshire, not just the new homes bonus. I am happy to do you a note.

Q86 Austin Mitchell: Would you supply us with a note—

Sir Bob Kerslake: I will.

Austin Mitchell:—on why north-east Lincolnshire is suffering in this fashion?

Sir Bob Kerslake: Or why it has not managed to secure new housing, indeed.

Q87 Jackie Doyle-Price: I think we need to get into perspective exactly what contribution this policy can make to the overall policy of trying to increase the supply of housing, which is a massive objective and goes way beyond your Department. I should like to offer some reflections on what has happened in my patch. Previously we were given a top-down target of 20,000 new homes, which caused massive consternation in the locality and among the politicians. Now we have this policy, I detect much more maturity about the debates and which sites are going to be appropriate for housing allocation. Given that it is exactly the kind of place where we need to build, I am finding it very constructive in a very small space of time. It will take some time for that to be reflected in the figures.

Having said all that, obviously the new homes bonus is designed to change local authority behaviour in terms of delivering increased new housing. As you said, it is about developers and it is about demand. We also have risk aversion on the part of local authorities in allocating those sites, and they still want to do brownfield as opposed to greenfield, which is

less attractive to developers. How do you view this policy in relation to your other measures in relaxing the planning guidelines and so on, which are also designed to release land for new supply?

Sir Bob Kerslake: I think this policy works in terms of what I would call local incentives on the supply side. You would not expect a local authority to approve an application simply because of the new homes bonus. What they can say, though, is that if they do approve the scheme they will get some additional funding that they can use to directly address some of the issues that come up when housing is proposed. Having done the job and been chief executive of a local authority, I know that the debate is often as much about the consequential impacts of the housing as about the additional housing itself. This gives the local authority, if they choose to do it, a direct way of supporting communities and taking account of the impact.

In one of the initiatives, the authority—I will try to find out which—built a new community centre as part of the housing development. That was not a small thing for that community, and it clearly helped that authority to secure the new housing. That is where I think this initiative works—at the level of individual authorities' decision making and the incentives for them to agree something that anybody who has worked in local government knows is typically opposed rather than supported. That is just the way of the world.

Q88 Jackie Doyle-Price: So where you are trying to facilitate development that has a material impact on the locality, it enables a more mature debate to take place, both within the local authority decision-making process and with the community.

Sir Bob Kerslake: Absolutely right. They clearly have to consider proposals against the local plan and to consider the traffic impacts—all the normal things that go with the planning process—but when they are making the decision, they are aware that some additional funding will come in that will add to their capacity to deal with the consequential impacts of housing. That is the very simple nature of how this policy works on the ground.

Q89 Jackie Doyle-Price: The more direct way of changing local authority behaviour relates to bringing empty housing back into stock, and up and down the country we can see examples of where that has been less efficient than it ought to be. As a consequence of this, would you now expect all local authorities to have an empty homes officer?

Sir Bob Kerslake: I think that all local authorities should have an empty homes policy and the capacity to address empty homes. Whether there is one officer or two, how they organise it is down to them. It makes sense for them to have these policies because they all have desperate housing need and an empty home is a home that is not being used. Bear in mind that you do not get this unless you put a home that has been empty for six months back into use—this is not about very quick bringing back into use; it is about long-term empty properties. I would absolutely hope and expect

3 June 2013 DCLG

them to have a policy on it, and the bonus system gives them a direct financial reason to do that as well.

Q90 Jackie Doyle-Price: For those colleagues who may be disappointed about the number of new homes that have been constructed as a result of the policy, from your perspective, what has been the biggest impact on that? Has it been demand, absence of capital, or risk averseness?

Sir Bob Kerlake: I think it has varied over recent years. I would be happy for Peter to come in on this. There is absolutely no doubt that what happened after the financial crash was a collapse in demand—that is absolutely clear. People could not get mortgages, or they were worried about the economy so even if they could get a mortgage they were not getting one, or they could not get the deposit. There is no question but that at that point demand was the biggest factor influencing new supply. All the house builders simply cut the numbers they built and a lot of the smaller house builders went underwater financially. So it was undoubtedly a kind of demand equation.

As time has gone on, we have sought to strengthen the demand position—hence things such as Help to Buy for new housing—and also to get sites that could be developed over the line and built. The local infrastructure fund helps with those sites where there is essentially demand, but the viability of the site does not quite work. It started off as being very clearly a demand issue. Demand is growing again, albeit very slowly, and we now need a combination of measures on the supply side as well.

Q91 Mr Jackson: Can I pick up on that point about the supply side? It seems that the new homes bonus does not do anything about land banking. If you read any annual report of any of the large builders—Persimmon, Taylor Wimpey, Bovis, Redrow and so on—you see that they are awash with cash, they have loads of land and they pay great dividends. It seems to me that the new homes bonus says nothing about how to deal with that flaw in the market. They are sitting on lots of land and lots of unexpired planning applications, and there is just nothing that legislation or policy can do about it. Am I wrong there? My point is that it is a supply issue as well as a demand issue.

Sir Bob Kerlake: Absolutely right. What I am saying is that the new homes bonus gets paid when houses are built, so it is linked to construction. On some occasions, the land being built on is public land, and you can stop land banking by setting conditions such as the start on site. Of course, planning permissions are time-limited as well. There is a number of ways in which you can encourage, lean on and incentivise house builders to get on and build on the sites.

Q92 Mr Jackson: Only if you tax them. I asked a big developer why this happens, and they said that the land development manager has a target to build 1,000 homes this year, so he has no incentive whatever to build 1,200, 1,500 or 2,000. He hits his 1,000 target and gets a bonus—job done.

Sir Bob Kerlake: Undoubtedly there is an issue about house builders moving to a position where they can secure results with lower housing numbers, therefore

why would they take a risk? That is clearly an issue. Things such as the Help to Buy scheme provide an incentive for them to get on and build, because it gives them greater confidence about demand. I have spent quite a long time talking to house builders, and I know Peter has as well. For them, having low rates of build on sites is not a good place to be, because it is not an efficient way of running the site. Typically, they want to have higher building rates, but they have to be confident about demand to do that.

Q93 Mr Bacon: Can you explain that, Sir Bob, because it is not obvious to me, as long as their overall return, based on money in and money out down the pipeline, is sufficient? When I became an MP, the price of agricultural land in my constituency was £1,800; it is now between £5,000 and £10,000, but you are going to be turning that, once it has got planning permission and has been developed, into somewhere between £500,000 and £1 million, so you can afford to wait a year or two. What really matters is the return 10, 12 or 14 years out, not the rate at which you are building. You say that a lower rate is not efficient, but actually most of the work is done by subcontractors, so if they are working at a lower rate, they simply employ fewer subcontractors.

Sir Bob Kerlake: We could have a long debate about the drivers of the rate of supply by house builders, but they do have a whole infrastructure in terms of sales teams—

Q94 Mr Bacon: And they can lay those off whenever they want. We could have a whole debate about that—this is probably not the place for it—but I agree with Mr Jackson that they are a very big part of the problem.

Mr Jackson: The volume ones, that is. The niche builders of high-end housing or extra care facilities are the ones that are struggling to get capital to build—

Sir Bob Kerlake: They are indeed.

Mr Jackson: —but the volume ones are not. Some of them are awash with cash, but there is no fiscal incentive.

Q95 Mr Bacon: And awash with land. Mr Jackson has joined my all-party group on self-build and independent housing because he knows the importance of this.

Sir Bob Kerlake: I am sure you could bring the HBF here to defend its members very effectively, so I am not trying to do that. I am quite sure that there is a case that we should be encouraging them and pushing them to build more and build faster on their sites. What I am saying to you is that it is genuinely an issue for them if their rates of build fall below certain levels on sites, so they do have incentives to do this.

Q96 Mr Bacon: The genuine issue, Sir Bob, is that for 50 years we have not produced enough houses for people to live in, and every attempt to solve the problem has failed.

Sir Bob Kerlake: Which is why I have said to you that you have to have a combination of policies on public land, incentives for approvals, incentives to

3 June 2013 DCLG

create demand through house builders—it is not going to be one policy. If you think about it, if there were one silver bullet that would sort this problem we would have done it by now.

Q97 Mr Bacon: Not necessarily. Why do you think that self-build is such an outlier in this country? Why is the UK such an outlier compared with the rest of Europe?

Sir Bob Kerlake: I think we are very enthusiastic about self-build in the Department.

Q98 Mr Bacon: Becoming.

Sir Bob Kerlake: I have always been, I have to say.

Q99 Mr Bacon: You say that if there were a silver bullet we would have found it. In the UK, less than 10% is self-build—about 15,000 houses a year—whereas in Germany and France it is 40% or 50%, in Italy it is 60%, in Belgium it is 70% and in Austria it is 86%. My question is, why are we an outlier?

Sir Bob Kerlake: In self-build?

Q100 Mr Bacon: Yes. Why is it normal over there and not normal here?

Sir Bob Kerlake: That is a good question. I do not have a detailed answer to that.

Q101 Mr Bacon: If you examine that more closely, I think you will find that there are the makings of an answer to your question—I would not say a complete silver bullet—if you scrape away at it enough. The problem is the structure we have. Mr Jackson talked about the house builders who have an interest in keeping the price of this limited thing called land, which they have stopped making, artificially high. The planning system tries to cope with the fact that we have a limited supply of land, and it really does not work as well as it should.

You talked about incentives for demand. I think what you meant by that was incentives for effective, actualised demand, as opposed to aspiration. There is obviously a difference. The reason why it stays an aspiration and does not become effective, actualised demand is that there are so many impediments in the way. I would have thought that the job of Government is to remove those impediments, so that aspiration can become actual demand.

The people who know most of all about housing need are the people who need housing, and they are the people who are least consulted. Rod Hackney said that it is a dangerous thing to underestimate human potential and the energy that can be generated when people are given the opportunity to help themselves. It surely should be the job of the Government to give people the opportunity to help themselves. We are still a long way from that, aren't we?

Sir Bob Kerlake: I would say two or three things. First, self-build is one part of the story. I am not against it—in fact, I am very strongly for it and I am keen to create incentives for self-build. With the offsite construction that you can now do, self-build is even easier. To be very clear, we are not against self-build, and we are keen to look at the barriers that get in the way. All I am saying to you is that it is one part

of the story. We still need the big house builders to perform, because they are half the supply in the country, one way or another; we still need the small house builders to perform; we still need local authorities to perform in providing planning approval; and we still need to identify public land to build on. It is not one of these things; it is all of them.

My point about demand was absolutely about effective demand. We know that there is huge pent-up demand out there for new housing. It is the effective demand of being able to get a mortgage that is what Help to Buy seeks to achieve.

Q102 Mr Jackson: Sir Bob, would you be so kind as to supply a note on empty dwelling management orders and their use by local authorities? That is quite pertinent to this issue. Certainly in the last Parliament, there was a feeling that it was an underused regulatory tool for local authorities. It would be interesting to see how they have been used, if at all.

I want to come back to something the Chair mentioned about the Home Builders Federation. It is worth making the point that Caroline Spelman, then shadow Secretary of State, wrote to every chief executive in summer 2009 to advise them that whatever happened, regional spatial strategies would go and that chief executives of local authorities and developers should be mindful of that. So I would say that the idea that it came as a surprise that people had to amend their planning applications and planning policies as core strategies was probably not the case; I think the HBF protests somewhat too much.

I think it is fair to say that you also have to look at new homes bonus in the context of where we were. Eco-towns were a bit of a shambolic disaster, to say the least; housing market renewal areas were a disaster, as were regional spatial strategies and the Thames Gateway—in fact, becoming the Housing Minister was the ultimate hospital pass in the last Government. So this policy was designed to give a fiscal incentive for appropriate development, so that people could make a value judgment. If you were somewhere like Runnymede or Surrey Heath, where you have a good standard of living and quality of life, you didn't want lots more houses, so you would say, "We don't need the money. We are wealthy enough." If you were north-east Lincolnshire or Doncaster, you would say, "We need the wealth, the jobs, the economic activity and regeneration."

I am disappointed by this Report, because what was a Rolls-Royce idea has ended up being a Reliant Robin policy in practice. It seems to me that there has not been appropriate oversight, an appropriate methodology, or proper record keeping. If you intended to have the efficient allocation of resources to drive demand for desperately needed housing across the whole country, this could have been a great tool. I think it has been a lost opportunity. I would like your response to that.

I know that it is work in progress. I think it was a great idea—pretty liberal, pretty laissez-faire: if you want to build, you get paid for it, but if you don't want to, we are fine about that—but it has lost a great deal in translation. It could have been a flagship policy

3 June 2013 DCLG

for the Government, but unfortunately, it is definitely work in progress.

Sir Bob Kerslake: The policy that was implemented kept with the original design principles, which I think is important. First of all, it kept with the principle of being simple; secondly, it kept with the principle of giving a direct financial incentive to local authorities; and thirdly, it took on board incentives not just to build new houses but to convert empty properties as well. So the core principles were held on to; I would just add one last principle, which is really important here, which is that it was there as a commitment for a six-year period. In other words, what had undermined previous policies had been that they had been introduced, then tinkered with, then tinkered with again, and it made it very difficult for local authorities to have a clear planning assumption in what they do. On all those design principles, we stuck with the plan, and that was the right thing to do. We did monitor—I have been through that point before—and we committed to doing an evaluation when we had enough data to test whether the system was working. I will stand by all of those principles in this scheme.

Q103 Mr Jackson: Except that—forgive me: I was in and out of the room a little bit earlier on, so I might have missed this—paragraph 23 specifically says on the post-implementation review of the bonus that the Department “has not yet decided its scope or methodology”. It also says: “Monitoring and evaluating the impact of the Bonus requires time to develop and explore with the local government sector” and so on. By comparison, you can look at right to buy, which is not actually that much more complicated: you knew exactly all stock transfer and you knew exactly, by local authority, what was happening and the impact locally. It seems to me that this is not that complicated and I do not know why it has been lost in translation.

Sir Bob Kerslake: Just to be very clear, we do know exactly what is happening locally. We know who is getting the new homes bonus and for what kind of activity, so we have got that information, and indeed we have put it into the information given to the NAO. We are very clear about who has benefited, how much and on what types of property.

The issue of the evaluation goes to the questions that were raised earlier about behavioural impact: has it impacted on decision making and activity on the ground? As I said right at the beginning, we did not think it made sense to do that evaluation until we had a number of years of the scheme’s operation. It was always part of the plan to do the evaluation in 2013–14, and that is what we are going to do. We are now under way on the work on that, to get it completed by Easter of next year. We are doing what we said we would do.

The additional thing we did was some light-touch monitoring in the early years of the scheme to see how it was going. That is what is covered in the Report as well. The important point to make here is that we are going to do the evaluation as we said we would do it, when we said we would do it, and it will give us better insights not into who got the money and what they

have done with it—we have that information—but into the behavioural impact.

Q104 Mr Jackson: My final question to you, then, is you have all this information and are achieving your short-term objective to build more houses, but in generic national policy terms, are you getting over the essential problem that we have a very unbalanced housing market and economic activity? In other words, people are not wanting to live in North Yorkshire, Durham, Cumbria, north-east—

Austin Mitchell: No, don’t say that.

Mr Jackson: North-east Lincolnshire, possibly, which we hear is indistinguishable from the North sea—

Austin Mitchell: It will be, if global warming carries on.

Mr Jackson: Yet in the eight years between 1997 and 2005, we built 120,000 new homes in the floodplain in the south of England. I am trying to get an idea of how you will use that information cumulatively to inform national policy.

Sir Bob Kerslake: There are two points. I should say that there are some very nice places in north-east Lincolnshire. Let us deal with your wider point about regional disparities. Clearly what the Government is seeking to achieve is some rebalancing of the economy, partly from public to private but also into those areas that have underperformed economically for quite a long period of time now. Things like the regional growth fund, local enterprise partnerships, enterprise zones and the Growing Places fund are all about securing growth across the country and getting greater growth in some of the other parts of the country outside London and the south-east. There is a lot of work going on to try to get more growth outside of London and the south-east; you can’t see this policy alone as doing that. This policy was to try to tackle a particular issue about incentives to build new houses in areas that had struggled in the past. There is a whole range of other policies on the local economy that are seeking to get greater growth outside London. Peter, do you want to add anything to that?

Peter Schofield: No, I think that sets it out.

Q105 Chair: I have tried to keep mum as much as I can, but you have taken money out of the grant to fund this policy, so you have deliberately taken money from the things that Austin was pointing to. You have deliberately taken money out of the north-west, where there is no rise in demand. You have taken it from the formula and put it into areas like that of my good friend here, in south Norfolk, which is not short of a bob or two. You cannot say, “Take this policy on its own.” You have devised a policy that has deliberately redistributed. It may have been a political decision, which is fine, but do not pretend it is anything else. It has deliberately redistributed, because it has used formula grant, from areas of high need into areas—dare I say it to my good friend here?—of lesser need.

Sir Bob Kerslake: I very clearly said you should see this policy alongside other policies.

Q106 Chair: But you took formula grant, Sir Bob. You could say that it was a policy that was entirely

3 June 2013 DCLG

funded out of new money—extra money—but it is not. Half a billion, I think, comes out of new money; the rest comes out of formula grant.

Jackie Doyle-Price: In fairness, though, Chair, we have sat in this Committee before and drawn attention to how slow formula grant is at reacting to population changes. That has certainly been something that has affected my constituency.

Sir Bob Kerlake: I will have one more go at this, Chair, if I can. As I said earlier, yes, this was funded through a combination of direct money from the Department and formula grant. In proportion to the total spend of local authorities, it was relatively small, and you need to see it alongside other policies that look to protect those places with high grant dependency. I will ask Simon to come in on examples of those policies.

Q107 Chair: We are going to come to an end. There is disagreement in the Committee on this, which is not particularly partisan. It is a question of whether this is a well designed policy. I have three questions and then we are almost at the end. You talked about simplicity. Why, if you wanted it simple, did you give more money to expensive houses, because that distorts the market, too?

Sir Bob Kerlake: We did a consultation and we took the average for each of the bands—

Q108 Chair: But it is not simple. It is not an argument for simplicity, and there is a distribution argument that you are rewarding those areas where you have the priciest homes.

Sir Bob Kerlake: I think it is very simple, because you know that if a house is being built within a particular band, then the amount of money you get will be the national average, so it is a clear and simple policy. It recognises that, typically, the houses are being built in places with higher demand and higher costs. That is why the policy is as it is. It is a very simple policy that says if you build a band D property, you will get the national average and so on. I think that that is a clear and simple policy.

Q109 Chair: I don't think it is a simple policy. A simple policy would have said wherever your house gets built, you get the same subsidy. You chose to do something different. On the whole, more expensive houses are bought by better-off people, and it becomes yet another way of distorting away from need to another criterion.

Peter Schofield: It is worth saying, Chair, that this is something we consulted on, and a majority of respondents were in favour.

Q110 Chair: How many responded?

Peter Schofield: I can give you the numbers: 70% of those who responded on this question—

Q111 Chair: How many responded?

Peter Schofield: On that question, 267 were in favour.

Q112 Mr Bacon: Can you complete the sentence for the record: 267—70%—were in favour of?

Peter Schofield: Were in favour of exactly this policy of linking the payment to national banded council tax. It is also worth saying that, if you think back to the rationale for this policy, which is about combating the incentive against building because of the costs imposed on local areas, in many cases those larger or those more expensive properties are the ones where there are greater costs and greater burdens on local public services and on the demand for local infrastructure.

Q113 Chair: I don't think that that is true at all. I disagree with that. That is an assertion, Mr Schofield, for which there is no evidence. The better off you are, the less likely you are to demand local services. You are not going to be as dependent on local services. You might not even use local schools. It is complete rubbish.

Mr Bacon: Why are you pointing at me? Can I just say, by the way, we do need more infrastructure in south Norfolk, particularly a bypass for the A140? So next time you are looking—

Sir Bob Kerlake: The point I was going to make was that the banding effect works principally in London, because of the higher value properties.

Q114 Mr Bacon: While we are on the subject of my district, it is very obvious in the map that the South Norfolk district does much better in terms of bonus allocations per household than any of the others in that part of East Anglia, in Norfolk and Suffolk. It is by far the darkest chunk. Before the Chair gets away with describing my constituency as the land of milk and honey—obviously it has many redeeming features including the quality of its parliamentary representation, but it is still a needy area with a lot of low-income employment—am I right in saying that the result of this map depends upon applications received from the local authority? In other words, you will have a chance of being high up the list with a high number of bonus allocations per household if the local authority has caused there to be a lot of extra housing. Essentially, it is driven locally.

Sir Bob Kerlake: Absolutely. I am glad you have raised this.

Q115 Mr Bacon: That is right, isn't it?

Sir Bob Kerlake: Absolutely, yes.

Q116 Mr Bacon: That is what I thought. It would then suggest that the extent to which the local authority is very quick off the mark affects where it is on this map. I happen to know, because they are my local authority, that the South Norfolk district council is extremely quick off the mark and very savvy even by the standards of other Norfolk councils, and that would explain why they were darker, would it not?

Sir Bob Kerlake: It would absolutely explain it, yes. It is the direct effect of the policy, which is to reward those authorities that have the ambition to see more houses built in their area; it is very simple.

Q117 Chair: You don't know it is because you have not done the evaluation. It is fine for you to make those assertions, but we look forward to an evaluation

3 June 2013 DCLG

that confirms it. May I just ask you about empty homes? There is agreement here that there has been some success in bringing into use empty homes. Could you have done that more cheaply in another policy? Did you look at that or think about it?

Sir Bob Kerlake: We have a policy of giving direct support where a grant is needed as well towards empty homes.

Q118 Chair: Is there any evaluation that shows there is another policy that might be cheaper than the £7 billion-plus that we are spending on this to bring empty homes into use? I really do not know the answer.

Sir Bob Kerlake: What I am saying is that there is more than one approach to bringing empty homes into use.

Q119 Chair: Are the others cheaper or are they as expensive as this?

Sir Bob Kerlake: They are complementary.

Q120 Chair: Cheaper or more expensive?

Peter Schofield: I do not have the figures.

Q121 Chair: Can you let me have a note? The other thing is that what it does say in the Report is that some of the empty homes that were brought in were in fact not empty. Do you know how many?

Sir Bob Kerlake: There are some authorities where we picked up an issue—

Q122 Chair: How many? What are the figures? You told me you were monitoring this very carefully.

Sir Bob Kerlake: From memory, it is 23 authorities. It is in the paper.

Q123 Chair: We have a figure for empty homes somewhere.

Sir Bob Kerlake: We tested something like 21 or 23 authorities where we tested their returns and, in the end, there was an issue with six of them, where we actually changed the amount they got.

Q124 Chair: They what?

Sir Bob Kerlake: What I said was that there were 21—[*Interruption.*] Sorry, it was 29 authorities where we queried the numbers, because there was an issue, and of those, we made a change to the amount six got.

Q125 Chair: But have you monitored how many? Somewhere in the Report it says that authorities claimed the bonus for houses that were empty but aren't. So you tested 21—

Sir Bob Kerlake: Chair, this is the same issue. It is the same point. What I am saying is that we both picked up the issue.

Q126 Chair: On all of them or did you just do a sample?

Sir Bob Kerlake: No, I think this was all the authorities where we identified an issue. We tested it with the authorities—there were 29 of them and six of them had an issue where we had to adjust the numbers.

Q127 Chair: Didn't you think when you set up the policy that there was unlikely to be demand for houses in the north-west, but there was likely to be demand for houses in the south-east. Did you realise that?

Sir Bob Kerlake: Of course we were aware that different places had different abilities to build houses and different appetites.

Q128 Chair: So did you not realise that it would redistribute money from the north-west to the south-east?

Sir Bob Kerlake: We knew that it was a policy that would reward those places that could secure new housing whether they were in the north or in the south.

Q129 Chair: So you knew, in using the formula grant largely to fund this—accepting what Jackie said that the formula grant is not the most sensitive instrument for a changing population—that formula grant would be redistributed from the north-west to the south-east.

Sir Bob Kerlake: No, what I said is that we knew that the policy would work to recognise and reward those authorities that had the opportunity and the appetite to build new housing, whether they were in the north or south.

Q130 Chair: But you also knew this, Sir Bob, as we all know. I remember looking at Newcastle—the north-east not north-west—when brand new estates were built that they could not fill and they were pulling them down. It was crazy. That was I think in a period under the Labour Government. Anybody with any understanding of the housing market knows that the pressure is in the south-east. If you deliberately use a policy, partly funded by formula grant, you are deliberately—I hope, in thinking it through—recognising that you are going to distribute money from the north-west to the south-east.

Sir Bob Kerlake: We absolutely knew that there was a distributional effect. As I said earlier, it was one part of a whole set of policies, others of which positively protected grant in grant-dependent areas.

Q131 Chair: Could you show us? It might be interesting, if you are so assertive about that, that you did that evaluation. If you knew this took money from the north-west and gave it to the south-east—I assume you must have done, as it is common sense—could you show us what other policies you had that then shoved money back into the north-west?

Sir Bob Kerlake: We are very happy to tell you about it.

Simon Ridley: We can do you a note on the detail of the changes we made to the distribution of formula grant overall, of which the damping effect is very significant. We made a lot of changes.

Q132 Chair: I understand the damping effect. No authority was allowed to use more than 8%. I don't consider that sufficient, because that is only two or three years. This was a deliberate policy—fine, a complete prerogative—but the impact must have been known before you started. All I want to know is what is being asserted this afternoon by Sir Bob: that this is one policy and there were others. I want you to give

3 June 2013 DCLG

me the analysis you chose, the others that put it into the areas of greater need where unemployment is high and you wanted economic growth. This is a policy around economic growth.

Sir Bob Kerslake: I quoted two examples: the damping effect and the regional growth fund.

Q133 Chair: The damping effect is temporary, Sir Bob.

Sir Bob Kerslake: No, it is not actually.

Q134 Chair: It is. It is a two-year programme according to the Report.

Simon Ridley: We did a two-year settlement for 2011–12 and 2012–13 with damping in it, and we have continued that into a two-year settlement for 2013–14 and 2014–15.

Q135 Chair: What? You can't lose more than 8% a year?

Simon Ridley: That is a spending power number. Then inside the formula grant distribution we have maintained a damping that has reduced the reductions for councils most dependent.

Q136 Chair: It reduces your losses but you still lose.

Simon Ridley: That is because overall public spending for local government through formula grant is going down, so everybody is losing on the formula grant.

Q137 Chair: Well, it doesn't go down for everybody, as we know.

Simon Ridley: Formula grant does.

Peter Schofield: To give you an example. The regional growth fund is £2.4 billion—

Chair: Do us a note that shows the assertion that you have made today: that you knew there was going to be a distributional impact but there were other things you did that mitigated that impact on areas with high unemployment and high need for a growth strategy. If that is the case, I would like to that in a note.

Q138 Austin Mitchell: What compensation did Yorkshire, the north-east and the north-west get for the losses that were falling on them?

Sir Bob Kerslake: We need to be clear. There was no compensation policy. What there was—

Q139 Austin Mitchell: But you just gave an instance of the regional growth fund.

Sir Bob Kerslake: Let us be clear. What I said was that we had a number of policies with different distributional impacts. The new homes bonus was likely to affect those places who had higher demand and appetite for housing, but other policies we had worked in places that had lower demand. We can show you those other policies and will send you a note on that.

Austin Mitchell: But the total effect of Government policy was to take money out of those areas that depended most on public spending, that is the north, and give it to the rest.

Q140 Chair: Two final questions. I am going to allow Meg one question as she came in late. Can I

just ask about one of my key things, Sir Bob? Do you still in retrospect, at the end of the session, think it was right not to plan a systematic evaluation from the start of the scheme?

Sir Bob Kerslake: I think it was absolutely right to set the evaluation year for 2013–14 after we had run the scheme for a number of years.

Q141 Chair: Would you do the same again?

Sir Bob Kerslake: Absolutely.

Q142 Chair: So are you planning any evaluations, and when, for other incentivising policies that have just started, such as business rate reform or the localisation of council tax support? When are you doing those evaluations?

Simon Ridley: We have got a commitment to reviewing council tax benefit localisation in, I think, 2015–16, which came through the legislation. The business rates scheme started on 1 April this year and we will look at the impact of that in the context of the spending power analysis that we do every year alongside the settlement.

Q143 Chair: So there is no attempt, with these very radical changes, to evaluate as you go along.

Sir Bob Kerslake: The evaluation for council tax benefit is in 2015–16.

Q144 Chair: You will evaluate the council tax benefit as you go along; the others you are doing only after you have implemented, and it may be too late to—

Sir Bob Kerslake: No, council tax benefit is 2015–16. We will assess how business rate is going on an annual basis.

Q145 Chair: I have to say that I find that deeply disturbing, but I may not be in a majority in this Committee.

Q146 Meg Hillier: Chair, I apologise for being late, but the Prime Minister's statement was long—but interesting. Hackney is a good beneficiary of this, as an area that is deprived but able to build houses, so we are getting £8 million over three years for 2,000 new homes. But, because of the future funding approach that is taking out the money from the revenue support grant to fund the new homes bonus, Hackney and other deprived boroughs will be losers. Can you explain why you have decided to do this top-slicing of that budget? The way that you have allocated it to local authorities means that you are allocating in line with the total share of the total revenue support grant that authorities get, which affects deprived authorities more. To pick up on the Chair's points—

Sir Bob Kerslake: To go back to your point, you are right to say that Hackney benefits from it, but also, because it is quite a grant-dependent authority, it will also be a loser in terms of the way that the top-slice works. That is absolutely correct.

There are two points to make. One is that we put what money that we could into the system from the Department's budgets, and then, to keep the scheme

3 June 2013 DCLG

going, there was a need to take some money out through top-slicing. The simplest and most effective way of doing that is to take the money out ahead of the formula grant distribution. You can do it other ways, but it is extremely complicated; effectively—Simon, I think this is right—you have to give the money to the authority and then take it back again. So the established way, if you are going to take money out, is to do it on a top-slice basis.

As I said earlier, the way we have tried to deal with the impact of losing funding generally, of which this is a very small part—we need to keep that in mind—has been through other adjustments to the formula grant, particularly the way that the floor damping works. We have tried to compensate for the impact of lost grant on high grant dependent places within the formula itself.

Q147 Meg Hillier: Just a comment: it seems that the policies do not work well together. You have got one reward for authorities like Hackney and others that are doing well on developing new homes, but the reward for achieving that, the new homes bonus, is offset by the loss of revenue support.

Sir Bob Kerslake: I hear what you say, but I think that you have got to look at all the things that are going on within the formula grant process, which try to compensate for local authorities that lose money. I think it is a mistake simply to look at the new homes

bonus in isolation, and I said that earlier in the discussion. In the nature of this particular scheme, it was always going to be something that worked to the benefit of places that had the capacity and appetite to grow.

Q148 Fiona Mactaggart: I am very sorry I was late. I was not only asking the Prime Minister a question; I was also asking one of your Ministers a question, and he promised that he would be influenced by this Report's recommendations in relation to the review of the bonus. What I wanted to ask you was whether that meant that you would be doing what I think is implied in section 1, which is reviewing the short-term impact on changes in behaviour of local authorities as a result of the bonus, rather than just seeing what happened.

Sir Bob Kerslake: We will take on board, obviously, what has come out of both the Report and this discussion, and we will look at the issue of behavioural impact as part of the evaluation. That is one of the key parts of it, and I said that earlier in the meeting. We have not done the evaluation; that is being done this year. One part of the evaluation will be to look as far as we can at behavioural impact, although, as I said earlier, disentangling one kind of behavioural impact from another is going to be a tricky thing.

Chair: Okay. Thank you.

Written Evidence from Department for Communities and Local Government

Q16—DCLG to send HBF data on increase in planning approvals

The HBF Pipeline Report is a publicly available document. A copy is attached, it can also be found at the following links, including covering press notice:

<http://www.hbf.co.uk/media-centre/news/view/upward-trend-in-housing-planning-permissions-continues/>

http://www.hbf.co.uk/uploads/media/Housing_pipeline_report_Q1_2013_-_May_2013.pdf

Q45–49—DCLG to provide a league table of the Councils which have brought empty homes back into use in 1st and 2nd year of NHB.

Please see the detailed table attached on empty homes issues. We have provided information for *all three years* of the Bonus allocations. When looking at this data we would make the following points:

- As per the request, the data is supplied and the table ordered based on the number of units brought back into use.
- The impact on funding of these units is shown alongside.
- In the overall table, the funding impact is as per the payment of New Homes Bonus—i.e 3 x Year 1 impact, plus 2 x Year 2 impact, plus 1 x Year 3.
- This means that the *timing* of when empty homes are brought back into use leads to significant differences in overall reward
- For example, if we look at Bolton and Sheffield, ranked 26 and 27 on the overall league table, they have brought back into use almost the same number of units—513 and 510 respectively. But because Bolton have had a consistent record on empty homes—reducing them significantly in each year, while Sheffield had an *increase* in empty homes in Year 1, followed by a small decrease in Year 2, and a very large decrease in Year 3, the funding received by these authorities varies significantly. Sheffield will of course continue to benefit from Year 3 delivery in Years 4–8.
- Similarly, the impact of Council Tax Banding should be borne in mind. So some authorities with no overall change in their number of empty homes may gain or lose funding—i.e an *increase* of 8 Band A empty properties, and a *reduction* of 8 Band D empty properties will give a zero change in properties, but would earn a Bonus payment due to the credit given for the band D properties more than offsetting the debit of the Band As.

- In the time available, we have found no significant statistical relationship concerning the geographical location of authorities in the bottom third.

Q50—DCLG to reflect upon and provide a note on the willingness of LAs to publish comparative data

Given the wider-ranging nature of this request, the [Committee/Senior Committee Assistant] has agreed that this may be provided by 14 June.

Q85—DCLG to provide a note on why North East Lincolnshire benefits so little from the NHB.

This note briefly describes summary data for North East Lincolnshire pertinent to the calculation of the New Homes Bonus. It also makes reference to payments on a £ per household basis, consistent with Figure 9 in the NAO's report published in March.

Detailed data, which is used for the calculation of the Bonus, can be found on the Department's website: <https://www.gov.uk/government/policies/increasing-the-number-of-available-homes/supporting-pages/new-homes-bonus>. The "New Homes Bonus Calculator", which goes into the detail of Bonus calculation on an authority-by-authority basis, can be found on this page.

NORTH EAST LINCOLNSHIRE NEW HOMES BONUS—SUMMARY TABLE

	<i>New builds and conversion</i>	<i>Empty homes in use</i>	<i>Of which: Affordable homes</i>	<i>Yearly allocation</i>	<i>Total grant each year</i>
2011–12	350	-58	<i>n/a</i>	£383,312	£383,312 (Year 1 only)
2012–13	200	47	172	£370,616	£753,928 (Years 1+2)
2013–14	369	-7	128	£512, 859	£1,266,786 (Years 1+2+3)
Grand Totals	919	-18	300	n/a	£2,404,026

- To date, NE Lincolnshire has been allocated **£2.4 million over the three years** of announced payments of the New Homes Bonus.
- This recognises a total of **901 net additions** to the housing stock: 292 in year 1; 247 in year 2 and 362 in year 3. The **2013–14 payment** (which Figure 9 p.27 in the NAO report refers to) allocated to NE Lincs **totalled £1.27 million**. This therefore relates to housing delivery over all three years for which payments have been allocated.
- Overall, over the three years, NE Lincs has seen an *increase* in the number of empty homes (18). This compares to an average reduction in empty homes of 171 per authority, across all authorities over the same time period. Whilst there was a reduction of 47 empty homes in NE Lincs between Oct '10 and Oct '11, this was offset by increases in each year either side of this.
- The delivery of 300¹ affordable homes was recognised as part of the total 2013–14 payment for NE Lincs, compared to an average of 364 per authority, across all authorities.

Q102—DCLG to provide a note on LAs use of empty dwelling management orders.

Empty Dwelling Management Orders

1. Empty Dwelling Management Orders (EDMOs) allow a local authority to take over the management (but not ownership) of an empty property, carry out the necessary renovation work and rent the property out.

2. There are two types of EDMO. An *interim* EDMO lasts for a maximum period of 12 months and requires the authorisation of a Residential Property Tribunal. During this period the local housing authority cannot arrange occupation of the property without seeking the consent of the owner. In effect, this means the owner has a final opportunity to reach an agreed solution. Where such agreements cannot be reached, an interim EDMO can be revoked and replaced with a final EDMO. A final EDMO lasts for a fixed period between one and seven years. The local housing authority does not require the consent of the owner to grant occupation rights under a final EDMO.

3. The Government made changes to the EDMO regulations in November 2012 and now before applying to the Residential Property Tribunal for an interim order, the authority must satisfy itself that the property has been wholly unoccupied at least 2 years (previously 6 months) and there is no reasonable prospect of it becoming occupied in the near future. Local housing authorities are also required to give property owners a minimum notice period of 3 months, and also to provide all information they have to demonstrate that the

¹ ... 172 in respect of the 2nd year of the bonus, 128 in respect of the 3rd year. No affordable premiums were paid for any authority in the 1st year of the bonus.

empty property has been causing a nuisance to the community and that there is community support of the proposal of the local housing authority to take control of it.

4. The Department regards it as important to put the right checks and balances in place to ensure that local housing authorities focus their efforts on the worst long term empty homes—ie those that have been empty for a significant period of time and are a nuisance to the community.

5. Since the introduction of EDMOs in 2006, 72 interim orders have been authorised. We do not collect information on the number of final empty dwelling management orders made as they do not require the authorisation of a Residential Property Tribunal. Detailed decisions can be found on the following link

www.residential-property.judiciary.gov.uk/search/decisions_browse.jsp

6. It is thought that the small number of EDMOs authorised is because the process is often time-consuming (particularly the obligation to make reasonable efforts to contact the owner of the property and to ascertain their intentions in relation to the occupation of the property) and can be expensive in the short term because the authority must bring the property up to an appropriate standard for occupation. (In the longer term, provided the authority is able to grant a tenancy or licence of the property, they should be in a position to recoup their costs.) Also, in many cases, the threat of an EDMO will encourage an owner to take action.

7. In some cases, applications for interim empty dwelling management orders have been refused by the Residential Property Tribunal. These include instances where local authorities have applied for the interim empty dwelling management order to instigate action against homeowners that the tribunal has deemed inappropriate, including against people in vulnerable situations.

Q118 -121—DCLG to provide a note on the cost of other policies designed to bring empty homes back into use and whether these therefore offer better value for money than NHB.

1. The following note sets out the approach and funding applied to other policies aimed at bringing empty homes back into use. It is however, worth pointing out at the start that empty homes brought back into use via these schemes will themselves attract New Homes Bonus. There is some discussion of the different types of funding and allowable uses at the end of this note.

2. Government has committed £235 million to bringing around 15,000 empty properties into use. Funding is allocated as follows:

- **£100 million** to bring empty homes back into use as affordable housing using two different routes:
- £70 million will be delivered by Registered providers to bring 5,600 properties back into use across England
- £30 million will be delivered by Community and Voluntary groups and bring around 2000 units back into use
- **£60 million** to tackle Clusters of Empty Homes in areas of lower demand. This funding will bring back 3,600 empty homes back into use.

3. On 26 November 2012 we launched a further bidding round worth **£75 million** to bring around 5000 empty properties back into use as affordable housing. This programme has a particular emphasis on refurbishing former commercial and high street properties. We will be announcing successful schemes later in June 2013.

4. The grants allocated through the Empty Homes capital grants programme (affordable housing element) are based on a rigorous value for money assessment. The parameters for the level of grant awarded across the programme assume that the maximum grant for renovation payable on any individual property would be aligned to the value of the Housing Benefit/Local Housing Allowance savings from accommodating an Housing Benefits/Local Housing Allowance recipient in the property on an affordable rent basis, rather than in the private rented sector. To this would be added the VAT generated by the repair works.

5. The level of grant which can be justified per bid depends largely on the length of the lease and the number of bedrooms the property will provide (ie the length of time and number of people, for which HB savings are generated). Bids are assessed against various criteria which take into account value for money (considered relative to other bids received in the operating area), meeting local priorities, deliverability and standards.

6. Across all the empty homes programmes the average cost of a unit is £15,150

7. New Homes Bonus allocations have been paid for approximately 56,000 empty homes brought back into use between October 2009 and September 2012, representing around 12% of total net additions

8. The inclusion of empty homes within the New Homes Bonus recognises that bringing empty property back into use is an effective way to increase housing supply with many additional benefits for communities. Question 118 within the uncorrected transcript of oral evidence asks, “Is there any evaluation that shows there is another policy that might be cheaper than the £7 billion-plus that we are spending on this to bring empty homes into use?”. We estimate that the allocation of NHB awarded in respect to empty homes is likely to be in the region of **£750 million over the period 2011–12 to 2018–19.**

9. Broadly speaking the average grant awarded per unit via direct funding is higher than the New Home Bonus awarded per unit brought back into use (£15k and £7k respectively). However a direct comparison of the costs of the two funding mechanisms detracts from the most important point which is that both programmes address different barriers to the same problem; that of bringing empty homes back into use. **They are complementary in their function and together provide an effective package.**

10. The empty homes programme provides the upfront capital for a variety of delivery partners including registered housing providers, community and voluntary groups and local authorities to carry out the works to bring property back into use. This funding helps to overcome the barriers to getting empty property back into use including lack of available finance, irrational behaviour from property owners and lack of skills and experience.

11. The NHB is awarded on the back of the empty property being brought back into use. It is **a significant incentive for local authorities to proactively support and address empty property.** Excluding empty properties from the NHB programme could encourage local authorities to favour new development over the use of existing buildings as their financial reward would be vested in new development. Under the current system the local authority generate an income from empty property brought back into use even where they did not directly carry out the works on the property. If the funding which is currently anticipated to cover the empty homes element of the NHB allocation was siphoned off and allocated via direct funding, it would significantly reduce the income of some local authorities.

12. The NHB payment is unringfenced and can be used to help local authorities cope with the pressures generated by increased growth. Many choose to reinvest the money to further address the problem of empty homes. The revenue funding provided by the NHB enables work to be supported which cannot under the terms of capital funding. Local authorities have for example used the NHB to fund the posts of empty homes officers who identify empty homes and plan how to bring them back into use. Again, the NAO's report found that local authority actions in this field would not have occurred, and efforts to tackle empty homes would have been weaker, if the Bonus had not included payment for empty homes brought back into use.

13. Around 40% of respondents to the Department's first survey in 2011 from district, unitary and London and metropolitan borough councils, reported that they were now more supportive of tackling empty homes. . The NAO's report found that around two-thirds of the sample of 28 local authorities' empty homes strategies they reviewed referred to the Bonus as an incentive to bring empty homes back into use.

Q131 and 137–139 *DCLG to provide a note on changes to formula grant and funds which redistribute formula grant in the reverse direction to NHB (Do you agree we can wrap these up together?)*

The two examples given at the hearing were changes to the operation of formula grant, and the Regional Growth Fund.

FORMULA GRANT

To briefly recap—the process for setting formula funding for 2013–14 includes the removal of an amount for the New Homes Bonus (a “top slice”) from the overall control total before calculations are made. Unallocated NHB funding is returned to LAs through section 31 grant prorata to the Start-Up Funding Assessment.

Floor damping is a key tool in distribution as it ensures a level of stability in grant from year to year and has been part of the system for at least the last seven years. This government introduced banded floors as a new tool in 2011–12 to mitigate the impact of reductions on most grant dependent local authorities. This year government has gone further and stretched the banded damping floors so they give even more weight to the councils who are most dependent on grant, and introduced banded floors for fire and rescue authorities for the same reason.

The levels of grant floor for the four damping groups of local authorities for 2013–14 are set out below.

	<i>Social services authorities</i>	<i>Shire district councils</i>	<i>Fire and rescue authorities</i>
Four banded floors at:			
Band 1—most dependent	-2.7%	-5.4%	-8.7%
Band 2	-4.7%	-7.4%	-10.2%
Band 3	-6.7%	-9.4%	-11.7%
Band 4—least dependent	-8.7%	-11.4%	N/A

A table showing which authorities are in which band is at:

<http://www.local.communities.gov.uk/finance/1314/1314FFmodels.xls>

In 2013–14 the government also restored the level of the relative resource amount to that for 2010–11 to help authorities with a low council tax base. This was done while retaining the increased needs adjustment amount of 83% which was also introduced in 2011–12 to support more councils covering more deprived areas.

Overall spending per local authority is measured by spending power. Details of spending power for each local authority are at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/73089/Spending_Power_by_dwelling_2013-14.xls

A total Spending Power “heatmap” is also attached.

Beyond this, the Efficiency Support Grant ensures that no authority receives a reduction in Spending Power of more than 8.8%.

REGIONAL GROWTH FUND

The Government’s Regional Growth Fund is aimed at improving the economic growth prospects of areas. A table showing the distribution of this funding is overleaf. This shows that the North East and North West both receive more RGF funding than the E Midlands, East of England and the South East combined.

REGIONAL GROWTH FUND—DISTRIBUTION OF AWARDS—ROUNDS 1 TO 3

REGION	SUPPORT (£M)*	SCHEMES	JOBS*	P. SECTOR INVESTMENT (£M)*
W MIDLANDS	420	52	70,000	3,300
NORTH WEST	380	75	85,000	2,700
NORTH EAST	340	108	55,000	2,200
E MIDLANDS/EAST/ SOUTH EAST	310	44	60,000	2,400
YORKS AND HUMBERSIDE	250	46	65,000	1,600
SOUTH WEST	200	26	35,000	800

*—Approximate figures subject to due diligence

Both the North East and North West individually total more than South East, East of England and East Midlands taken together.

The South East, East of England and East Midlands are aggregated due to the number of bids being low enough in these areas for individual bidders to be identified.

In January 2013 the Deputy Prime Minister announced the opening of a fourth competitive round of the Regional Growth Fund.

The additional funding was announced in the 2012 Autumn Statement as part of a range of measures to target help for businesses and rebalance the economy to drive growth. This brings the overall total of RGF to £2.6 billion.

Sir Bob Kerslake
Permanent Secretary

11 June 2013

Supplementary written evidence from the Department for Communities and Local Government

Q50—DCLG to reflect upon and provide a note as to the willingness to publish some comparative data [...]

In light of the preamble towards the requested note we have, in addition to covering the above note, defined and answered the following specific point:

“Do we have or can we get comparative data for local authorities showing section 215, 216 and 219 notices?”

On the specific issue of these notices, the Department does not collect data on local authority planning actions to deal with derelict land or buildings. The Department does collect information on total enforcement actions but does not differentiate between specific powers.

We have no plans to increase the data we collect in this area but in the interests of transparency and openness we would expect local authorities to make this information available on request. Local authorities are obliged to keep a record of section 215 notices with this information being made available to the public on local authority websites

Central Government continues to collect a wide variety of consistent, comparable spend and performance data from each local authority which is published on Departmental websites. In addition, the Local Government Association (LGA) will launch its LG Inform tool publicly later this year—allowing members of the public to compare authorities’ performance where comparable data exists.

LG Inform will contain over 500 national performance metrics, and will allow local authorities to upload local data where there is a required need. This offers local authorities a tool to conduct peer reviews and “peer support” to ensure performance improvement where necessary. Details on public access to LG Inform will be announced later in the year.

In the future, additional metrics can be added to LG Inform, if there is a sufficient requirement for comparative data on a given topic from the sector. This would be provided voluntarily by local authorities.

Sir Bob Kerlake
Permanent Secretary

ISBN 978-0-215-06331-1



9 780215 063311

