



House of Commons
Committee of Public Accounts

Housing: State of the Nation

Sixty-third Report of Session 2016–17

Report, together with formal minutes relating to the report

*Ordered by the House of Commons
to be printed 24 April 2017*

The 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

[Meg Hillier MP](#) (*Labour (Co-op), Hackney South and Shoreditch*) (Chair)

[Mr Richard Bacon MP](#) (*Conservative, South Norfolk*)

[Philip Boswell MP](#) (*Scottish National Party, Coatbridge, Chryston and Bellshill*)

[Charlie Elphicke MP](#) (*Conservative, Dover*)

[Chris Evans MP](#) (*Labour (Co-op), Islwyn*)

[Caroline Flint MP](#) (*Labour, Don Valley*)

[Kevin Foster MP](#) (*Conservative, Torbay*)

[Simon Kirby MP](#) (*Conservative, Brighton, Kemptown*)

[Kwasi Kwarteng MP](#) (*Conservative, Spelthorne*)

[Nigel Mills MP](#) (*Conservative, Amber Valley*)

[Anne Marie Morris MP](#) (*Conservative, Newton Abbot*)

[Bridget Phillipson MP](#) (*Labour, Houghton and Sunderland South*)

[John Pugh MP](#) (*Liberal Democrat, Southport*)

[Karin Smyth MP](#) (*Labour, Bristol South*)

[Mrs Anne-Marie Trevelyan MP](#) (*Conservative, Berwick-upon-Tweed*)

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.

Publication

Committee reports are published on the [Committee's website](#) and in print by Order of the House.

Evidence relating to this report is published on the [inquiry publications page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Dr Stephen McGinness (Clerk), Dr Mark Ewbank (Second Clerk), Hannah Wentworth (Chair Support), Dominic Stockbridge (Senior Committee Assistant), Sue Alexander and Ruby Radley (Committee Assistants), and Tim Bowden (Media Officer).

Contacts

All correspondence should be addressed to the Clerk of the Committee of Public Accounts, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 4099; the Committee's email address is pubaccom@parliament.uk.

Contents

Summary	3
Introduction	4
Conclusions and recommendations	5
1 The ‘housing gap’ in England	8
The Department’s ambitions for housebuilding	9
Reliance on a “broken” housing market	9
Transparency of the Department’s housebuilding objectives	11
2 Getting more out of spending on housing benefit	13
Housing benefit and the construction of new homes	13
Subsidising poor quality housing in the private rented sector	14
Formal Minutes	16
Witnesses	17
Published written evidence	17
List of Reports from the Committee during the current session	18

Summary

The number of homes built in England has lagged behind demand for housing for decades. The effects of this long-running shortfall in housing reveal themselves in the growing barriers people face in getting on the property ladder, or simply affording their rent. The human costs are emphasised by the growing problem of homelessness, with the number of families living in temporary accommodation rising from 50,000 in 2011–12 to 72,000 in 2015–16. Almost 120,000 children in England live in temporary accommodation today.

The Department for Communities and Local Government (the Department) has an ambition to deliver 1 million new homes over the five years of this Parliament. But despite acknowledging that the housing market in England is “broken”, it remains dependent on the existing market, which is dominated by a handful of private developers, to realise its ambition. Even if this is achieved, the Department acknowledges that it will not come close to meeting the actual level of housing need, so problems of affordability and homelessness are likely to persist for years to come. The Department’s lack of ambition on such a fundamental issue is matched by a lack of information, in particular on the impacts and value for money of the roughly £21 billion the government spends each year on housing benefit. The Department has recently published a White Paper outlining proposals for accelerating housebuilding, and we look forward to monitoring the development of its programmes.

Introduction

The Department for Communities and Local Government (the Department) leads on housing on behalf of the government. It has two strategic housing objectives: driving up housing supply, with the ambition of delivering one million new homes over the five years of this Parliament; and increasing home ownership. These objectives are supported by a range of interlocking programmes. In February 2017 the government published a White Paper in which it acknowledged the housing market in England was “broken”, and had not been delivering enough houses to meet demand for many years. The results of this long-running shortfall in supply are that, in many areas of the country, housing has become increasingly difficult to afford. First-time buyers now on average need to borrow over three times their income, for example, and private tenants in London have seen rents go up twice as fast as earnings in a decade. Homelessness has risen since 2009–10, with more than 70,000 families in temporary accommodation at the end of March 2016.

Conclusions and recommendations

1. **Housebuilding has been falling short of demand for many years, with escalating human costs. The Department for Communities and Local Government acknowledges the scale of the ‘housing gap’ between supply and demand, but its ambitions do not come even close to addressing it.** Housebuilding in England has lagged behind demand for decades: between 2001 and 2010, for example, an average of only 144,000 new homes were completed annually—100,000 fewer per year than in the 1970s. The Department for Communities and Local Government (the Department) acknowledges that to make up for this long-term shortfall, and to keep up with population growth, between 225,000 and 275,000 additional homes are now needed each year. Despite this, its ambition of overseeing the construction of one million additional homes over the five years of this Parliament equates to an average of only 200,000 net additions per year. In the absence of any clear plans for raising supply further, the Department conceded that the fundamental flaws in the housing system could persist for decades to come. We are highly concerned by this lack of urgency and ambition, most of all in view of the rising costs, both human and financial, of homelessness. Not only does becoming homeless people represent a terrible blight on people’s lives, it also places additional strain on public spending: councils’ spending on temporary accommodation amounted to £840 million in 2015–16, a real-terms rise of nearly half (46%) in just five years.

Recommendation: *In its Single Departmental Plan, the Department should publish a ‘housing gap’ figure (updated on an annual basis), showing the difference between the latest rate of net additional housebuilding and estimates of the rate required to meet demand as identified in its recent White Paper.*

2. **While the Department has acknowledged that the housing market is ‘broken’, it is still reliant on the market to achieve its housing ambitions.** The private housebuilding market is dominated by around 10 large firms, between them accounting for nearly two-thirds (around 60%) of new private homes. The Home Builders Federation agrees that such firms limit the rate at which they build to what they believe the market can absorb. The Department’s view was also that big housebuilders have little incentive to accelerate housebuilding through investing in innovative methods of construction. In its recent White Paper the Government accepts that the housing market is ‘broken’. Yet the Department remains dependent on the big housebuilders to deliver its one million homes ambition, and accepts that its ambition therefore depends on the health of the wider economy. Dependence on the market means that even the social housing sector is increasingly reliant on profit from private sales to finance construction. Local government stakeholders, meanwhile, complain that councils are being prevented from building more homes because of government policies which limit their ability to borrow. The Department remains confident, however, that councils retain the capacity to build new homes, and that in the event of a downturn it has the tools to facilitate public investment. The Committee is also enthusiastic to see an increase in rates of self-build and other more innovative forms of housebuilding.

Recommendation: *To aid evidence-based consideration of alternative policy options to accelerate housebuilding, the Department should:*

a) review international evidence and report to Parliament on lessons to be learned from the housing policy and institutional landscape of other countries with higher rates of housebuilding than England, in particular focusing on innovative methods of accelerating construction and improving affordability; and

b) write to us within six months with estimates of how many homes councils will be able to build up to 2020 under current financing arrangements, and with details on what other, more innovative measures councils can pursue to develop new housing.

3. **The Department has not been transparent enough about its overarching housing objectives and the progress of individual programmes which will contribute to meeting them.** The Department did not announce publicly that its ambition for 1 million new homes over five years was actually to be achieved in nearly six years, making it easier to achieve. Neither did it announce formally that it had changed this ambition back to be delivered within five years, within a month of the NAO's January 2017 report. The only metric of progress towards the one million new homes ambition in the Department's Single Departmental Plan is a backward-looking figure for net additions in the previous year. The Department is taking a similarly backward-looking approach to judging its progress against meeting a commitment for a one-for-one replacement of council housing sold under the reinvigorated Right to Buy. This does not enable Parliament or the public to judge whether the Department is on track. The Department's plans to develop metrics for public land disposal, and for the efficiency of the planning system, are welcome, but have been very slow in coming.

Recommendation: *The Department should improve the transparency with which it reports both its objectives and progress towards achieving them. In particular, in its Single Departmental Plan it should set out:*

a) the cumulative total of net additions since the beginning of its one million homes ambition, showing how many homes need to be completed in future years; and

b) how its individual programmes and spending are contributing to the one million homes ambition (making clear where these are projected as being additional to what the market is likely to have delivered in any case).

4. **The Government spends around £21 billion each year on housing benefit, but does not know what contribution this money makes to the supply of new housing.** Total Government spending on housing amounted to approximately £28 billion in 2015–16. Of this around three-quarters (£20.9 billion) went on housing benefit. Some £8.4 billion of the spending on housing benefit went to housing associations, which use rental income such as this to borrow to invest. However, neither the Department nor the Department for Work & Pensions (DWP) is able to quantify the impact of this funding on the construction of new homes. Another £8 billion of housing benefit went to private tenants. While this funding subsidises rents it does not contribute to the financing of new social housing.

Recommendation: *Reporting back to us within one year, the Department should work with DWP to:*

a) identify metrics that can be used to establish the full impact of housing benefit on construction of new homes; and

b) examine the scope for this financing to be used more innovatively to increase housing supply and home ownership.

5. **Too often, the Government is subsidising landlords in the private rented sector to provide homes below a decent standard.** In 2001 the Department set out a definition of a “decent” home. Following the introduction of this standard, and substantial central government spending on the Decent Homes Programme, there has been a significant improvement in the number of social rented homes that meet these standards. The government spends around £8 billion in housing benefit a year on subsidising the rents paid by tenants in the private rented sector. Yet, according to the latest available data, in 2014 the private rented sector had the highest proportion of non-decent homes (29%), compared with 14% in the social rented sector. The Department accepts that 29% is too high, but seems reluctant to use the leverage from the money it is paying to private landlords to encourage them to provide accommodation of a standard comparable to the social sector.

Recommendation: *Working with the Department for Work & Pensions, the Department should commission research on how many non-decent homes in the private rented sector are being subsidised through housing benefit, the total amount of housing benefit this represents, and potential policy mechanisms for utilising this funding to raise the quality of the housing it subsidises so as to meet decent homes standards.*

1 The 'housing gap' in England

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department for Communities and Local Government (the Department) and the Department for Work & Pensions.¹ We also took evidence from Terrie Alafat, Chief Executive of the Chartered Institute of Housing; Peter Andrew, Deputy Chair of the Home Builders Federation; Toby Lloyd, Head of Policy at Shelter UK; and Lord Porter, Chair of the Local Government Association (LGA).

2. The Department leads on government housing policy. It has two strategic objectives for housing over this Parliament: driving up housing supply, with the ambition of delivering one million new homes; and increasing home ownership. The Department has already in place or recently announced a range of policy measures designed to contribute to these objectives. Other departments and agencies also play significant roles relating to housing. Notably, of the roughly £28 billion which the Government spends per year on housing, around three-quarters (£21 billion) is spent on housing benefit, under the responsibility of the Department for Work & Pensions.²

3. In February 2017 the Department published a housing White Paper which acknowledged that the housing market in England was “broken”, and had not been building enough homes to meet demand for many years.³ The results of this long-running shortfall in housing supply can be seen in the growing lack of availability or worsening affordability in many parts of the country. Getting on the property ladder has become harder in recent years: in 2000 first-time buyers on average paid a deposit of 16% and had to borrow 2.3 times their income, but by 2014 this had risen to 21% and 3.2 times their income respectively. In London, tenants in the private rented sector have seen rents go up on average twice as fast as earnings in the past 10 years: between 2006 and 2016, average rents increased by 32%, while earnings increased by 16%. Across the country, between 2001–02 and 2014–15 rents in the social rented sector (let at subsidised rents by councils and housing associations) also increased more rapidly than earnings.⁴

4. The human costs of the housing shortage in England are emphasised by a rise in homelessness since 2009–10. In 2015–16, 58,000 households were accepted by local authorities as having become homeless unintentionally, and as possessing a priority need: a rise of 14,000 households since 2010–11. At the end of March 2016, there were in total 72,000 families living in temporary accommodation, up from 50,000 in March 2012.⁵ By September 2016, this had risen to almost 75,000 households, who between them had 117,520 children.⁶

1 C&AG's Report, *Housing in England: Overview*, Session 2016–17, HC 917, 19 January 2017

2 C&AG's Report, paras 14, 3.4–3.8; Department for Communities & Local Government, *Single Departmental Plan: 2015 to 2020* (September 2016)

3 Department for Communities and Local Government, Fixing our broken housing market, [Cm 9352](#), February 2017

4 C&AG's Report, Figure 2, paras 1.13, 1.14, 1.17

5 C&AG's Report, para 1.20, Figure 10

6 Department for Communities and Local Government, *Statutory homelessness and homelessness prevention and relief, England: July to September 2016*, December 2016, p. 11

The Department's ambitions for housebuilding

5. In its 2017 housing White Paper, the Department stated that, according to expert consensus, between 225,000 and 275,000 homes needed to be added to the housing stock in England per year. This was both to keep up with population growth and to start to tackle “years of under-supply”.⁷ In contrast to these estimates of housing need, the actual volume of housing construction has been much lower: between 2001 and 2010, an average of 144,000 new homes were completed annually, some 100,000 fewer per year than in the 1970s. The trend has continued further downward since 2010, and between 2011 and 2015 it has been estimated that only around half (54%) of the homes needed to keep pace with demographic change were actually built.⁸

6. The Department has an ambition for this Parliament of delivering one million new homes over five years, equating to an average of 200,000 additional homes per year.⁹ The Department thought this total would be achievable by the end of this Parliament (i.e. spring 2020).¹⁰ At the same time, it acknowledged that housebuilding rates would have to accelerate if this goal were to be reached: as 189,000 additional homes were built in 2015–16, some 11,000 below the 200,000 average required, the Department confirmed that future years would have to see this rate rise to above 200,000 in order to make up the shortfall.¹¹

7. Even if one million additional homes were completed by the end of 2019–20, the Department acknowledged there would remain a considerable gap between that rate of housebuilding and the need it recognised for up to around 275,000 homes a year. Despite this, the Department said it did not have a target to “get those figures significantly above 200,000 in the next few years”. While it did say it was its “ultimate aim” for housing supply to meet demand, it could not say when this point would be reached. Indeed, it conceded that the shortfall in housing “will continue as it has done for decades”, and that this would be reflected in issues of affordability and of homelessness.¹² Regarding the latter point, in addition to the human costs for those who are made homeless, ongoing rises in homelessness will pose significant issues for local authorities, already coping with the challenges of long-running funding reductions. In 2015–16, councils’ spending on temporary accommodation amounted to £840 million, a rise in real terms of nearly half (46%) in just five years.¹³

Reliance on a “broken” housing market

8. In its White Paper, the Department acknowledges that the housing market in England is “broken”, and that the dominance of large private housebuilders makes it hard to increase supply. The Department has noted that 60% of new private homes are built by just 10 large firms, and that such businesses lack an incentive to invest in more innovative designs

7 Department for Communities and Local Government, *Fixing our broken housing market*, Cm 9352, February 2017, p. 9

8 *C&AG's Report*, paras 1.10, 1.11, Figure 5

9 Department for Communities & Local Government, *Single Departmental Plan: 2015 to 2020* (September 2016)

10 Q128

11 Q93

12 Qq128–132

13 *C&AG's Report*, para 1.21

and productive methods of construction.¹⁴ The Home Builders Federation confirmed to us that such firms limit the rate at which they build to what they believe the market can absorb.¹⁵ The Federation also suggested that smaller housebuilders have declined by around 80% in around a decade, and that increasing their numbers again would help to boost supply.¹⁶ The Department has named supporting smaller housebuilders one of its main policies for accelerating construction, alongside reforms to the planning system.¹⁷ However, it conceded that such measures were likely to take effect over the longer term.¹⁸ Furthermore, it remains to be seen how effective such policies will prove: for example, while one of the Department's key reforms is to insist that all councils have an up-to-date local plan for housing, the Chair of the LGA, Lord Porter, said that his own council did not have one, because it was unnecessary.¹⁹

9. Overall, the Department made clear that it remained not only “very dependent” on the big private developers to achieve its one million homes ambition, but that they in turn depended on the health of the wider economy.²⁰ The Department said it wanted to become less dependent on this “very cyclical model of the big house builders”, but that this was a challenge for the longer term. The Department said that in the event of an economic downturn, it “would not sit back”, and had a wide range of tools with which to intervene. However, if the market did slow down, it suggested that housing supply would be diminished, as it could not always offset reductions in private sector housebuilding.²¹

10. Both Shelter and the LGA suggested that the private housebuilding sector could not be relied on alone to meet the demand for housing.²² The LGA and other local government stakeholders suggested that the social housing sector was capable of building much more affordable housing, but that councils were being prevented from doing so by limits on their ability to borrow against their housing revenue accounts.²³ The Department conceded that borrowing caps on these accounts were a constraint for some councils, but thought there were still many things councils could do to facilitate housebuilding.²⁴ It made clear that lifting councils' borrowing caps on these accounts was a decision for the Treasury, which in turn suggested this could have a negative impact on the Government's fiscal position.²⁵

11. The Chartered Institute of Housing expressed concern that it was not just private housebuilders which were reliant on a buoyant market, but also housing associations, many of which increasingly depend on private sales to support their social housebuilding programmes.²⁶ On a similar theme we also noted that, even where the market remains buoyant, the requirement for social housing providers to build for sale could induce them to build luxury developments, out of the reach of local people, in order to cross-subsidise

14 Department for Communities and Local Government, *Fixing our broken housing market*, [Cm 9352](#), February 2017, pp. 9, 14

15 Q15

16 Q1

17 Department for Communities and Local Government, *Fixing our broken housing market*, [Cm 9352](#), February 2017, p. 14

18 Qq79, 110

19 Q17; Department for Communities and Local Government, *Fixing our broken housing market*, [Cm 9352](#), February 2017, p. 14

20 Qq106–7

21 Qq107–11

22 Q1

23 Qq8, 18; [Phil Glanville, Mayor of Hackney](#) (ESN 22); [London Councils](#) (HSN 15)

24 Qq154, 174–5

25 Qq9, 18, 154

26 Q46

the construction of affordable housing elsewhere. The Department acknowledged that in such circumstances local people might find it hard to accept being outpriced by “a wall of money from overseas”, especially where such properties were left unoccupied.²⁷ However, it said that it had always been the case that central London was “beyond the reach of people”; and that, positively, such developments levered in significant investment for infrastructure and other housing.²⁸

12. We suggested that a key element of fixing our broken housing market could be diversifying the market through expanding self-build and custom building, as well as through other innovative forms of housebuilding. We and the Department were in agreement that these forms of housebuilding had the potential to be both creative and to bring people into the housing market who may otherwise not be able to access home ownership. We are keen to see an increase in the rate of self-building, which the Department could encourage through its Home Building Fund.²⁹

Transparency of the Department’s housebuilding objectives

13. The Department has a high-profile ambition of delivering one million new homes over five years, but it has been very unclear about the details of this objective, including how challenging it really is. The May 2016 Queen’s Speech referred to the Government’s “commitment to build a million new homes”, but did not specify the timeframe within which these would be built.³⁰ In its latest Single Departmental Plan, published in September 2016, the Department frames its ambition as being to deliver one million new homes “over the next five years”—which would imply the commitment extended into the next Parliament.³¹ Giving evidence to the House of Lords Economic Affairs Committee in March 2016, the then Housing Minister clarified that the one million homes target was to be achieved within the lifetime of this Parliament.³² This was understood to imply an average of 200,000 new homes per year (i.e. to be achieved over the five years from May 2015 to May 2020).³³ However, in January 2017 the NAO revealed that the Department was actually working to a timeframe of 1 April 2015 to 31 December 2020, extending the time allowed to closer to six years, and lowering the annual average required to approximately 174,000. This was lower than the then current rate of housebuilding, 190,000 additional homes having been built in 2015–16.³⁴ The Department subsequently revealed to us that, since publication of the NAO’s report, it has shortened the timeframe to the five years of this Parliament, meaning it is now correct to assume an average requirement of 200,000 additional homes per year.³⁵

14. Given the annual average requirement was now higher than the rate of housebuilding achieved in 2015–16, the Department accepted that construction would need to accelerate over the remainder of this Parliament.³⁶ However, it said it would not be providing figures

27 Qq158–159

28 Qq160–1

29 Qq112–114, 168

30 HL Deb, 18 May 2016, [cols 2–4](#) [Lords Chamber]

31 Department for Communities & Local Government, [Single Departmental Plan: 2015 to 2020](#) (September 2016)

32 Oral evidence taken before the House of Lords Economic Affairs Committee on 22 March 2016, HL paper (2016–17) 20, [Q237](#)

33 House of Lords, Economic Affairs Committee, First Reports of Session 2016–17 [Building More Homes](#), HL paper 20, p. 3

34 [C&AG’s Report](#), paras 3.20–21, Figure 16

35 Qq87–93

36 Q93

for a forward trajectory, illustrating the number of new homes required in the future years of this Parliament in order for the overall target to be achieved. Instead, it expected to be held to account on the basis of the backwards-looking figures for the previous year's housing completions.³⁷ At the time of our evidence session the most recent figures the Department had published were for 2015–16 (i.e. for a period which ended almost a year earlier).³⁸

15. This was not the only case in which the Department did not want to be held to account on the basis of a projection of progress towards achieving its targets. Another example concerned its commitment to ensure a one-for-one replacement for council homes sold under the reinvigorated Right to Buy since 2012–13. The Department conceded that to continue to meet this commitment it would need to see an acceleration in the construction of new council homes, but nevertheless considered that “We aren’t actually behind yet”, given that the time allowed to meet this commitment had not yet expired.³⁹

16. The Department told us of a number of measures it was pursuing to improve information and transparency on the progress of its measures. These included improving data on the performance of the local planning system;⁴⁰ working on new indicators of progress for an updated version of its Single Departmental Plan;⁴¹ and publishing detailed data on the public land disposal programme.⁴² However, it said it did not have any targets for the number of additional homes that would be built as a result of its White Paper.⁴³ Regarding its existing policies, the Department implied these would not all make an additional contribution to meeting its one million homes ambition. For example, it cited research which suggested the majority of homes purchased through Help to Buy may have been built anyway, and clarified that many of the homes to be built on released public land would not be completed before 2020.⁴⁴

37 Q95

38 Department for Communities & Local Government, [Single Departmental Plan: 2015 to 2020](#) (September 2016)

39 Qq150–2

40 Qq144–7

41 Q86

42 Q96

43 Qq82–3

44 Qq120, 97

2 Getting more out of spending on housing benefit

Housing benefit and the construction of new homes

17. Total government spending on housing stood at approximately £28 billion in 2015–16. Of this, around three-quarters (£20.9 billion) went on housing benefit, which subsidises the costs of rented accommodation in both the social and private rented sectors.⁴⁵ This means that the majority of government spending on housing does not directly support either of the Department’s strategic priorities for housing, neither driving up housing supply nor increasing home ownership. Both the Department for Communities and Local Government (the Department) and Department for Work and Pensions (DWP) stressed that housing benefit does make a significant indirect contribution to housebuilding, by providing a revenue stream against which housing associations can borrow to finance the construction of new homes.⁴⁶ In 2015–16 the total amount of housing benefit which went to housing associations was £8.4 billion.⁴⁷ However, DWP was unable to provide any figures for how much private capital this leveraged in, nor how many new homes resulted from it.⁴⁸

18. Before 2011 and the introduction of the Affordable Homes Programme, the Department used to do more to directly finance the construction of housing: as DWP explained, this “involved very significant amounts of government capital grant going to fund affordable housing with a lower ongoing rent”.⁴⁹ From 2011, meanwhile, the Department simultaneously reduced grant funding and allowed social rents to increase, Shelter suggesting that it had been a government policy choice that “housing benefit was there to take the strain”.⁵⁰ In 2012 the previous Committee of Public Accounts questioned whether this would deliver better value for money, given that the rise in housing benefit spend would shift costs from one department to another.⁵¹ DWP argued there were two advantages of this policy: first, it levered in capital finance that was outside public spending; and second, by not directly funding construction, it meant government subsidy was not “baked into the bricks and mortar”. This meant it could respond to people’s changing circumstances—if someone’s income increased, that is, their housing benefit could be reduced, unlike a capital grant which would already have been spent in building a new home.⁵²

19. In 2015–16 tenants in the private rented sector received £8 billion in housing benefit, a rise of £3.6 billion in real terms compared with 2007–08.⁵³ For the Chartered Institute of Housing, this illustrated the effects of the 2008 financial crash, and the ongoing problem of wages relative to housing costs since then.⁵⁴ According to the London Borough of

45 [C&AG’s Report](#), paras 2.17, 2.18

46 Qq55–59

47 [C&AG’s Report](#), Figure 13

48 Qq57–58

49 Q185

50 Q5

51 Committee of Public Accounts, Thirteenth Report of Session 2012–13, [Financial viability of the social housing sector: introducing the Affordable Homes Programme](#), HC 388, p. 3

52 Qq185–7

53 [C&AG’s Report](#), Figure 13

54 Q5

Newham, private sector rents in the Borough rose by 40% between 2011 and 2015, while wages stagnated.⁵⁵ The Department was aware that in some other countries the state regulates private rents and spends much less on housing benefit, but confirmed it is a policy position of the Government to allow the market to set private rental levels in England.⁵⁶ The Department was aware that private rents have been increasing, but conceded it was “quite tricky” to do something about it, suggesting the long-term solution was to build more homes. It did not suggest that housing benefit in the private rented sector could be levered to aid the construction of new homes, although there was discussion of a potential example of something similar occurring abroad.⁵⁷

Subsidising poor quality housing in the private rented sector

20. In 2001, the Department set out standards which defined a “decent home”, requiring homes to meet a statutory minimum standard, be in reasonable repair, have modern facilities, and provide thermal comfort.⁵⁸ These standards were accompanied by significant amounts of grant going to public sector housing to enable these improvements to be made.⁵⁹ By 2013, the number of social rented homes adjudged to fall below these standards had been reduced by 1.1 million, meaning that some 85% of social rented units were deemed to be decent homes. The social rented sector now has the lowest proportion of homes (14% in 2014) that fail decent homes standards. In contrast, the private rented sector has the highest proportion of non-decent homes, at 29% of all private rented homes in 2014.⁶⁰ In view of the poor quality of much private rented stock, local government stakeholders suggested that the Government was obtaining poor value for money from the £8 billion or so of housing benefit with which it annually subsidises private landlords.⁶¹

21. We asked whether the Department had investigated using its housing benefit expenditure to leverage an improvement in standards in the private rented sector. The Department agreed that 29% of private rented homes failing the decent homes standards was too high, and that it was a “fair challenge” to ask about its decent homes strategy in this respect. However, it had a number of reservations about intervening to improve standards across the sector. Both the Department and DWP recalled that the Government had invested significant public money in capital grants to raise the standards of social rented homes in the early 2000s. DWP suggested the challenge now was to find sources of additional funding, particularly from the private sector, to invest in the private rented sector.⁶² The Department was concerned, meanwhile, that if landlords were required to raise standards at their own expense, then this might result in their charging higher rents or even taking their homes off the market for tenants in receipt of housing benefit. Finally, The Department argued that there was a balance to be struck about how far to put up landlords’ potential costs, which would end up being reflected in rents, and said it was not sure that a landlord receiving housing benefit meant that it therefore had a lever to

55 [London Borough of Newham](#) (HSN 16)

56 Qq182–5

57 Qq59–60

58 [C&AG’s Report](#), para 1.7

59 Q73

60 [C&AG’s Report](#), para 1.7

61 [Greater Manchester Combined Authority](#) (HSN 17); [Phil Glanville, Mayor of Hackney](#) (HSN 22)

62 Qq72–75

ask for higher standards. The Department said its preferred approach was to focus on the most egregious examples of bad practice in the private rented sector, and had introduced a number of measures to tackle rogue landlords in the Housing and Planning Act 2016.⁶³

Formal Minutes

Monday 24 April 2017

Members present:

Meg Hillier, in the Chair

Mr Richard Bacon	Anne Marie Morris
Charlie Elphicke	Bridget Phillipson
Kwasi Kwarteng	Karin Smyth
Nigel Mills	

Draft Report (*Housing: State of the Nation*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 21 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the Sixty-third 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.

[The Committee adjourned.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Wednesday 22 February 2017

Question number

Terrie Alafat, Chief Executive, Chartered Institute of Housing, **Peter Andrew**, Deputy Chair, Home Builders Federation, **Toby Lloyd**, Head of Housing Development, Shelter, and **Lord Porter**, Chair of the LGA [Q1–46](#)

Melanie Dawes CB, Permanent Secretary, **Helen MacNamara**, Director General, Housing and Planning, Department for Communities and Local Government, and **Peter Schofield**, Director General, Finance, Department for Work and Pensions [Q47–195](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website. HSN numbers are generated by the evidence processing system and so may not be complete.

- 1 Amicus Horizon ([HSN0032](#))
- 2 Chartered Institute of Environmental Health ([HSN0019](#))
- 3 Council of Mortgage Lenders ([HSN0020](#))
- 4 Crisis ([HSN0021](#))
- 5 Department for Communities and Local Government ([HSN0031](#))
- 6 Giroscope Housing Charity—Hull ([HSN0003](#))
- 7 Greater Manchester Combined Authority ([HSN0017](#))
- 8 Heylo ([HSN0013](#))
- 9 Home Builders Federation ([HSN0024](#))
- 10 Home Builders Federation ([HSN0026](#))
- 11 Local Government Association ([HSN0025](#))
- 12 London Borough of Newham ([HSN0016](#))
- 13 London Councils ([HSN0015](#))
- 14 McCarthy & Stone ([HSN0002](#))
- 15 Modern Masonry Alliance ([HSN0018](#))
- 16 National Energy Action (NEA) ([HSN0001](#))
- 17 National Housing Federation ([HSN0011](#))
- 18 Phil Glanville, Mayor of Hackney ([HSN0022](#))
- 19 RIBA ([HSN0012](#))
- 20 Royal Town Planning Institute ([HSN0014](#))
- 21 Shelter ([HSN0023](#))
- 22 Stonewater ([HSN0004](#))
- 23 Wandsworth Council ([HSN0009](#))
- 24 Woodland Trust ([HSN0010](#))

List of Reports from the Committee during the current session

All publications from the Committee are available on the publications page of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2016–17

First Report	Efficiency in the criminal justice system	HC 72 (Cm 9351)
Second Report	Personal budgets in social care	HC 74 (Cm 9351)
Third Report	Training new teachers	HC 73 (Cm 9351)
Fourth Report	Entitlement to free early education and childcare	HC 224 (Cm 9351)
Fifth Report	Capital investment in science projects	HC 126 (Cm 9351)
Sixth Report	Cities and local growth	HC 296 (Cm 9351)
Seventh Report	Confiscations orders: progress review	HC 124 (Cm 9351)
Eighth Report	BBC critical projects	HC 75 (Cm 9351)
Ninth Report	Service Family Accommodation	HC 77 (Cm 9351)
Tenth Report	NHS specialised services	HC 387 (Cm 9351)
Eleventh Report	Household energy efficiency measures	HC 125 (Cm 9351)
Twelfth Report	Discharging older people from acute hospitals	HC 76 (Cm 9351)
Thirteenth Report	Quality of service to personal taxpayers and replacing the Aspire contract	HC 78 (Cm 9351)
Fourteenth Report	Progress with preparations for High Speed 2	HC 486 (Cm 9389)
Fifteenth Report	BBC World Service	HC 298 (Cm 9389)
Sixteenth Report	Improving access to mental health services	HC 80 (Cm 9389)
Seventeenth Report	Transforming rehabilitation	HC 484 (Cm 9389)
Eighteenth Report	Better Regulation	HC 487 (Cm 9389)

Nineteenth Report	The Government Balance Sheet	HC 485 (Cm 9389)
Twentieth Report	Shared service centres	HC 297 (Cm 9389)
Twenty-first Report	Departments' oversight of arm's-length bodies	HC 488 (Cm 9389)
Twenty-second Report	Progress with the disposal of public land for new homes	HC 634 (Cm 9413)
Twenty-third Report	Universal Credit and fraud and error: progress review	HC 489 (Cm 9413)
Twenty-fourth Report	The sale of former Northern Rock assets	HC 632 (Cm 9413)
Twenty-fifth Report	UnitingCare Partnership contract	HC 633 (Cm 9413)
Twenty-sixth Report	Financial sustainability of local authorities	HC 708 (Cm 9429)
Twenty-seventh Report	Managing government spending and performance	HC 710 (Cm 9429)
Twenty-eighth Report	The apprenticeships programme	HC 709 (Cm 9413)
Twenty-ninth Report	HM Revenue & Customs performance in 2015–16	HC 712 (Cm 9429)
Thirtieth Report	St Helena Airport	HC 767 (Cm 9429)
Thirty-first Report	Child protection	HC 713 (Cm 9429)
Thirty-second Report	Devolution in England: governance, financial accountability and following the taxpayer pound	HC 866 (Cm 9429)
Thirty-third Report	Troubled families: progress review	HC 711 (Cm 9429)
Thirty-fourth Report	The Syrian Vulnerable Persons Resettlement programme	HC 768 (Cm 9429)
Thirty-fifth Report	Upgrading emergency service communications	HC 770 (Cm 9433)
Thirty-sixth Report	Collecting tax from high net worth individuals	HC 774 (Cm 9433)
Thirty-seventh Report	NHS treatment for overseas patients	HC 771 (Cm 9433)
Thirty-eighth Report	Protecting information across government	HC 769 (Cm 9433)
Thirty-ninth Report	Consumer-funded energy policies	HC 773 (Cm 9433)
Fortieth Report	Progress on the Common Agricultural Policy Delivery Programme	HC 766 (Cm 9433)

Forty-first Report	Excess Votes 2015–16	HC 954 (Cm 9433)
Forty-second Report	Benefit sanctions	HC 775
Forty-third Report	Financial sustainability of the NHS	HC 887
Forty-fourth Report	Modernising the Great Western Railway	HC 776
Forty-fifth Report	Delivering Restoration and Renewal	HC 1005
Forty-sixth Report	National Citizen Service	HC 955
Forty-seventh Report	Delivering the defence estate	HC 888
Forty-eighth Report	The Crown Commercial Service	HC 889
Forty-ninth Report	Financial Sustainability of Schools	HC 890
Fiftieth Report	UKTI and the contract with PA Consulting	HC 772
Fifty-first Report	HMRC's contract with Concentrix	HC 998
Fifty-second Report	Upgrading emergency service communications	HC 997
Fifty-third Report	The HMRC Estate	HC 891
Fifty-fourth Report	Department for International Development: investing through CDC	HC 956
Fifty-fifth Report	Tackling overseas expenditure	HC 1034
Fifty-sixth Report	The Defence Equipment Plan	HC 957
Fifty-seventh Report	Capital funding for schools	HC 961
Fifty-eighth Report	Local support for people with a learning disability	HC 1038
Fifty-ninth Report	BBC licence fee	HC 1037
Sixtieth Report	Integrating health and social care	HC 959
Sixty-first Report	Access to General Practice: progress review	HC 892
Sixty-second Report	NHS ambulance services	HC 1035
First Special Report	Protecting the Public's Money: First Annual Report from Chair of Committee of Public Accounts	HC 835



Public Accounts Committee

Oral evidence: Housing: State of the Nation, HC 958

Wednesday 22 February 2017

Ordered by the House of Commons to be published on 22 February 2017.

Watch the meeting: <http://www.parliamentlive.tv/Event/Index/0cb82a33-fa14-4a93-ba5f-3e35e756a073>

Members present: Meg Hillier (Chair); Mr Richard Bacon; Philip Boswell; Chris Evans; Caroline Flint; Kwasi Kwarteng; Nigel Mills; Anne Marie Morris; John Pugh.

Sir Amyas Morse, Comptroller and Auditor General, Adrian Jenner, Director of Parliamentary Relations, National Audit Office, Aileen Murphie, Director, National Audit Office, and Richard Brown, Treasury Officer of Accounts, were in attendance.

Questions 1-195

Witnesses

I: Terrie Alafat, Chief Executive, Chartered Institute of Housing, Peter Andrew, Deputy Chair, Home Builders Federation, Toby Lloyd, Head of Housing Development, Shelter, and Lord Porter, Chair of the LGA.

II: Melanie Dawes, CB, Permanent Secretary, Department for Communities and Local Government, Helen MacNamara, Director General, Housing and Planning, CLG, and Peter Schofield, Director General, Finance, Department for Work and Pensions.

Written evidence from witnesses:

– [Add names of witnesses and hyperlink to submissions]

Report by the Comptroller and Auditor General

Housing in England: overview (HC 917)

Examination of witnesses

Witnesses: Terrie Alafat, Peter Andrew, Toby Lloyd and Lord Porter.

Chair: Welcome to the Public Accounts Committee. We are here to look at an issue that has been a big concern for the Committee and one in which we have determined to take a close interest in this Parliament: housing in England.

We are pleased to have a National Audit Office Report that pulls together a landscape review of what housing policy is out there and how the housing market across all sectors is working, which I know our witnesses on the first panel will have had a chance to look at. We have called it, "Housing—State of the Nation", which sounds grand. Given the Government's White Paper, the Report is timely.

We know there is a chronic shortage of housing in England. The costs include £28 billion of Government spending in the last year, of which three quarters was on housing benefit. At the same time, there are issues around private sector rents in all parts of the country, with different issues affecting different parts. The Government are promising to build 1 million new homes by 2020.

We want to try to get an understanding today of how the various housing policies of the Government interact, what is working and what is not, where the stresses are and whether the ambitions in the White Paper are deliverable. As a Committee, we do not look directly at housing policy, but we are looking at the economy, the efficiency and the effectiveness of the policy. We hope our first and main panels will be able to answer some of those questions.

I am pleased to welcome our first panel, consisting of Terrie Alafat, the chief executive of the Chartered Institute of Housing; Lord Gary Porter, the chair of the Local Government Association and the leader of Lincolnshire—

Lord Porter: The best part of Lincolnshire: South Holland District Council.

Mr Bacon: The bit nearest to Norfolk.

Chair: I think I have family living there, so forgive me; I tripped over my words. I also welcome Toby Lloyd, who is the head of housing development at Shelter, and Peter Andrew, deputy chair of the Home Builders Federation. I apologise that we do not have a housing association representative here. That is through a mix-up on our part rather than the sector's, but we will ensure we get appropriate written evidence about their views on these issues. I remind people if they are following on Twitter that our hashtag today is #housing. I will ask Richard Bacon to



kick off.

- Q1 **Mr Bacon:** Chair, thank you. May I ask each of the witnesses, starting with Ms Alafat, to say in one minute what they think is wrong? The White Paper is called "Fixing our broken housing market", so it is Government policy that the housing market is broken. Can you say very briefly why you think it is broken?

Terrie Alafat: First, it is quite clear—Government have acknowledged it—that we have not been building enough homes, and there is a whole range of reasons why that is the case. The White Paper goes quite far in addressing some of those reasons and there is probably more we can do. The second thing that needs to happen is a debate around affordability. The statistics are showing us that it is increasingly difficult for people to access and afford the private rented sector market, and obviously there are issues about access to social housing as well. There is an issue about affordability going forward, and it is a strategic issue that we should be looking at as a country. The other issue is joining up better two particular policy areas: welfare and housing. Another area is housing and health and care, because of the pressures.

Mr Bacon: Thank you. We will probably come back to welfare, because it is a key point in the Report.

Lord Porter: It is quite simple: we have more families than we have housing. We need to build more housing. For the past 45 years, successive Governments have fallen out of love with developing enough homes of the type that people want, in the place where they want to be and at a price that they can afford. The coalition Government failed to do what was necessary, but the previous Labour Government drove councils away from delivering council housing. The only way we have ever built enough homes in this country to keep the country in satisfactory accommodation is when the state plays its part in building enough homes. The private sector generally, with the exception of recessions, does roughly the same number of properties year on year. It is the state sector that has failed to keep up with the demand, which we should have kept up with.

Toby Lloyd: I agree with everything Lord Porter just said. I would go further and say that the fundamental failure of the state here is not just in building homes directly but in intervening in the land market to ensure that enough land is available at a low enough cost to build more homes at prices that people can actually afford. That is not the fault of the speculative house building industry, but that industry, as Lord Porter said, is incapable of building a number of homes at the price that people can afford.

As a result, more people are renting and we have a private rented sector that is fundamentally not fit for its purpose. It was designed for footloose yuppies in the '80s. It is now accommodating huge numbers of working families with small children and is simply not fit for purpose. The final piece of the jigsaw is that the benefits system, which is there to ensure that people who cannot house themselves adequately in the market can at

least afford the rent, has now been cut back to the point where those people cannot afford the rent.

Peter Andrew: I tend to agree. The issue goes back about 35 years, when we started under-supplying homes and under-supplying land with planning consent for those homes. Successive Governments since the recession have really moved towards trying to address some of those demand and supply-side needs, but we are still in a place where we are under-supplying the overall market. Some of that is to do with more players on the pitch building homes. That is partly, without a doubt, to do with local authorities, but it is also to do with trying to widen the builder base. Smaller builders need to get into the marketplace. They have suffered by about 80% of their numbers in the past 10 or 12 years. It is about getting more players on the pitch as well as more planning consents.

Q2 **Mr Bacon:** Thank you very much. I would like to pursue each of those points further. Can we start with the land economics point? Since it is entirely relevant can you remind us, Mr Lloyd, of the title of your book that is coming out next week? You haven't actually told me yet, and I would quite like to know.

Toby Lloyd: It is called "Rethinking the Economics of Land and Housing".

Q3 **Mr Bacon:** I do not want to diminish your book sales, but can you say what your book says in two sentences?

Toby Lloyd: The fundamental problem of housing is a land problem: because land is inherently scarce, a market-only solution will never deliver sufficient homes in order to bring the price down to a level that everyone can afford. Therefore, we need public sector intervention in land markets in order to provide enough land at a low enough cost, let alone provide it with the infrastructure needed to make genuinely attractive, affordable and sustainable communities.

Q4 **Mr Bacon:** That was very succinct, thank you. Just to be clear, when you say not "a market-only solution", you are not saying that the market cannot have some role but that a market-only solution will not suffice.

Toby Lloyd: Precisely. As Lord Porter said, the mixed economy in housing and land supply has historically been the only thing that has successfully delivered enough good-quality housing in order to keep prices within reach of ordinary people.

Q5 **Mr Bacon:** Okay. Can I turn to the question of benefits? I would like to ask you, Mr Lloyd, to continue with that; I will also ask Ms Alafat, who mentioned it earlier. One of the most striking things about this Report is that the Government spend £28 billion every year on housing—that is the number on page 4—and some 74% of that goes on housing benefit. In other words, it helps people to pay their rent because, presumably, they cannot pay it otherwise, either because they are out of work and have no income or, in many cases, because they have some income but it is not enough. How do you see the relationship between benefits and housing—



HOUSE OF COMMONS

this is for you as well, Ms Alafat—evolving in a way that is more effective? Bear in mind that we do not look at policy, but the remit of this Committee does include the effective use of public money.

Toby Lloyd: The first thing to say is that that situation is fundamentally unsustainable. It is one in which we are effectively paying the price of failure. We are paying continually to compensate for the failure to fix the deep structures, which stem back to the land market, as I said, and that mean so many people cannot afford to house themselves adequately in the market.

If we want to turn that around, and I suggest that we should, first we have to recognise that it was a policy choice to go down that route. It is not an accident. When public housing was scaled back and land market interventions were scaled back, the deliberate statement by the Minister at the time was that housing benefit was there to take the strain. That was a choice, and it is a choice that can be unmade; however, unfortunately, it is not a choice that you can unmake quickly. If you cut back on that benefit bill now, it will do nothing to fix the fundamental dysfunctions and will just mean more homeless people—we are already seeing that. Unfortunately, this is a long-term proposition of invest now and bring down the benefit in the long-run.

Mr Bacon: Thank you. Ms Alafat?

Terrie Alafat: One of the graphs in the Report that I thought was particularly interesting is the one showing the increase in housing benefit in different sectors against the increase, or lack of increase, in income and wages. One of the things that is striking about that graph is that in 2008—

Chair: Sorry, can you remind us? I know the graph is in there, but I can't see it. Is it figure 13 on page 31?

Terrie Alafat: Yes, I think it is figure 13. What really strikes me is that you start seeing a great divergence in 2008-09, and of course we all know what happened in 2008-09. When you start to ask the question about the cost and price of housing, which, as Toby said, is surely affected by the lack of housing—mismatched demand and supply obviously has an effect on prices—you also have to ask some questions about wages during that period. There is an interrelationship between what we need to do in terms of building more housing and the number of working people who are going on benefits, which is linked to wages and the nature of jobs that they have in the market. Those things need to be looked at in the round.

What has actually happened in Government policy is that the Department for Communities and Local Government is focusing on supply—we all know that if we can build enough houses, it starts to affect affordability theoretically in the longer term—but in the short term we have put in place a number of Department for Work and Pensions policies that are having an effect on some of those people who cannot afford to buy and some of those people at the margins.



HOUSE OF COMMONS

I think that is worth looking at now, because during an economic downturn is exactly when you will start to see the pressures again. It really needs joined-up thinking in the round, rather than measures to increase supply and to cut benefit. It needs to be looked at in the round and probably looked at in terms of the effects in different parts of the country and for different groups of people. We have done quite a lot of research and we are happy to be part of looking at that big issue.

Q6 **Chair:** So you are saying one size does not fit all.

Terrie Alafat: One size does not fit all. We are finding that it was always going to be the case that the cumulative effect of separate policies over time would begin to affect certain individuals in certain groups. The most recent research we did, which looked at issues to do with the cap on benefits and also the disparity between private sector rents and local housing allowance. There is a gap and it is affecting more and more families—two and three-children families, not just the largest—in more parts of the country. It is an indication that we need to look at that in the round.

Q7 **Mr Bacon:** Thank you. Lord Porter, you said Governments have fallen out of love with building houses. In sum, we have fewer houses built than used to be the case. I have yet to meet the grandmother whose daughter has just had a second baby and who is happy at the idea of her daughter's family living in a ditch. One would have thought that the idea of having enough houses for everyone to have a dwelling to live in would, among other things, be politically popular. Can you explain why you think that we have fallen out of love with building enough houses?

Lord Porter: If we have not fallen out of love with building enough houses, why do we keep getting in the way of being able to deliver enough houses? It is state intervention in some things and lack of state intervention in others that have created the position that we are in. The Government's job is to monitor the population, and if people are now choosing to live in separated families as opposed to together, the Government allowed that to be a proposition. We did not scale up house building as a result of that; we scaled back. I don't know why politicians don't like houses. I love 'em.

Q8 **Caroline Flint:** Are you talking about council building as well?

Lord Porter: Councils have been actively discouraged—you know this as a former Housing Minister—from building houses. I cannot recall any previous Labour Housing Ministers while I was leading on housing for the LGA that ever attempted to encourage councils to build houses. In fact, the Labour Government that you were a part of actively tried to make us get rid of the housing through stock transfer. We have now got a Housing Minister who actually is open to housing. I just think his hands are being tied by the Treasury. If Governments really loved housing, somebody would get hold of the Treasury and make them understand that it is all their fault.

Q9 **Mr Bacon:** Mr Brown, what have you got to say?



HOUSE OF COMMONS

Lord Porter: It is not the councils' fault. It is not because we don't have enough land. It's because builders cannot get access to money.

Mr Bacon: It is all your fault, Mr Brown.

Richard Brown: That is not directly the case. There are always difficult decisions to be made about the allocation of resources. The Government regard housing as an important priority, but there are things it competes with.

Q10 **Mr Bacon:** Mr Andrew, you said among other things that there had been a systematic and prolonged under-supply of planning consents. I heard the Housing Minister speaking at the CPRE annual conference on Monday. The figure he quoted, which I presume to be an accurate current DCLG figure, was 277,000 planning consents in the last 12 months. We know that in any given year there are significantly more planning consents than there are houses built, so how can there be an under-supply of consents?

Peter Andrew: I meant over a period of about 35 years. In recent years, planning consents have been rising quite rapidly. You are right that there were about 280,000 planning consents last year. If you look at the supply against consents, there is about a three-year lag between consents being granted and getting the pre-commencement conditions satisfied and permits and the like and going through the infrastructure and build process. If we go back three years to 2012-13 for the equivalent number of homes last year, there were about 180,000 or 190,000 planning consents three years ago. Last year there were 164,000 new builds and a total of 189,000 net additions. There is a three-year correlation. So the pro-development policies that have come through from successive Governments over the last five or six years are leading to an increase in planning consents, getting to the level that we need. With that lag, I think that delivery over the next three years will start to match planning consents three years ago.

Q11 **Mr Bacon:** The Home Builders Federation commissioned YouGov to do some research. Can you remind us what percentage of the people you surveyed said that they were unlikely to or would prefer not to buy the products of volume house builders?

Peter Andrew: About 90% of people would be happy to buy a home, and about 85% of new-build people we surveyed would recommend a friend to buy a home.

Q12 **Mr Bacon:** Really? The number I was thinking of was the 67% who said that they would prefer not to. I can find you the survey; I have it on my iPad.

Peter Andrew: If I am incorrect, I apologise, but they are the numbers I remember.

Q13 **Mr Bacon:** My point is about the reason you do not sell more houses more quickly and therefore you do not build out quickly. The industry as a whole, which you are obviously here representing, is often criticised for not building out as quickly as you might and for "land banking", although



HOUSE OF COMMONS

it is apparent from talking to people in the industry that there are lots of different views about that. Is it fair to say that that land banking criticism is overstated, and that a better way of stating the issue would be that you can only sell houses at a certain rate, and if you could sell them faster, you would build them faster?

Peter Andrew: It is fair to say there is no evidence of a land banking issue with land that is sat with house builders. The economic model that house builders use does not lead to land banking.

Q14 **Mr Bacon:** Not with house builders, but land that is sat with strategic land promoters.

Peter Andrew: No, in my view, land that has a consent is being built out by house builders where it is in house builders' hands. In terms of speed of build, I think the house builders are building at a rate that they can manage with regards to the labour that they have, the demand that they have—

Q15 **Mr Bacon:** And the sales. I am not criticising you, but presumably it is fair to say that you are only going to build houses at a rate that you can sell at and still makes you a profit. There is nothing wrong with making a profit, but—

Peter Andrew: There is a rate at which a market can take new homes, and house building tries to match that rate. In other words, we will sell to the demand of that particular area for the product of that particular site.

Mr Bacon: Mr Lloyd, you look like you want to come in.

Toby Lloyd: That is entirely accurate, and a simpler way of saying that is that that model will never build so many homes that the price comes down. We cannot expect that model to solve the affordability crisis; it is absolutely set up to do the opposite.

Q16 **Mr Bacon:** In other words, the house builders will build when and only when it is sufficiently profitable to do so, for perfectly understandable reasons.

Toby Lloyd: And where it does not lower the price of the product.

Chair: I am going to bring in Caroline Flint. Ms Flint, Lord Porter made some particular comments about your tenure as Housing Minister, so I will allow you to respond to those. But we do not want to dwell on having a little ding-dong between Lord Porter and Ms Flint.

Q17 **Caroline Flint:** In the about a year that I was Housing Minister, we tried to get eco-towns off the ground. They then got converted into garden cities, so when the first garden city is built, I will have some claim to have had something to do with that being created.

The point I was making to the chair of the LGA was that I understand what you are saying about politicians at national level being able to deal with some difficult questions, but in my experience it is also the case that some of the problem lies at a local level. A lot of local authorities do not



HOUSE OF COMMONS

actually have a housing plan that is up to date. Also, when it comes to big decisions on private developments, I'm afraid that local councillors, perhaps like local MPs, tend sometimes not to want to take those decisions. I will not mention any names or which party they are from, but a number of housing leads at local authority level said, "We just want you to make the decision at the centre, because it's a lot easier for us." On this problem about local needs and making tough decisions, how better could councils actually promote why there is housing need and what the answers to it are?

Lord Porter: May I just dispel one myth about councils without housing plans? I do not have a plan that is NPPF compliant, because I was part of the group, with Peter, that drafted the NPPF, and you don't actually—

Chair: Just explain NPPF.

Lord Porter: The national planning policy framework. You don't actually need a plan to be able to build houses; you need a plan to stop building houses. The idea of a local plan is to control development, not to enable development. That is the whole point of the plan. If you really are free and open to building more homes, you need to be compliant with the NPPF; you don't need a local plan that sits underneath that.

Caroline Flint: So there is nothing stopping—

Lord Porter: I must defend my own council. Strategically, I am not bothered that we do not have a local plan, because we are a pro-growth council.

You are right: local politicians, like national politicians, know that sometimes there are votes in things and sometimes there are no votes in things. And I can guarantee there will be no votes in houses. Nobody ever wants to vote to have their view obscured or to have people who are less desirable than they may wish as new neighbours. With the first pairs of council houses I started to build in 2006, when John Prescott did the £60,000 challenge, I got complaints from the neighbours next door, who did not want to live next to social tenants, but the neighbours next door were in a council house. Because we had managed to change council tenants to social tenants in the language change, they did not want those people living next door.

There are no votes in houses, but politicians generally are brave, aren't they? We normally find a way around that. You will find very, very few councils that deliberately set out to thwart development. Something like 87% or 92% of council planning applications are dealt with and granted when the application first comes in. It is only the most controversial that become issues that go to appeal. The vast majority are granted as soon as they turn up.

Can I just go back to the point about the Treasury? We do not want Treasury money. You are missing the point. This is not about the Treasury printing new pound notes. The private sector banks, either in this country or in Canada, have enough money to lend to us to build houses. We are



HOUSE OF COMMONS

sitting on 2 million council houses that do not have sufficiently large mortgages on them. We are prepared to get big mortgages on those, secured by the value of the asset, to build new council houses. You just have to let us. That's all. We don't need a cheque; we just need the permission.

Q18 **Chair:** Well, I think Mr Brown will take that back. Mr Brown?

Richard Brown: I rather suspect that if you were to adopt that policy, you would have an impact on the fiscal aggregates, which is something we keep our eyes on very closely.

Lord Porter: The problem is that we put those houses on the public sector debt book. The rest of Europe does not do that.

Chair: That is a long-running issue; it has been going on at least since I have been involved in housing, if not longer.

Q19 **Caroline Flint:** Let me go back to the Government's White Paper, and we'll go along the panel from Terrie through to Mr Andrew. I want to ask you about supply. There are lots of interventions in this White Paper, and in some ways they are finessing what has gone before to help people to buy a property or get hold of property, but if the supply is not there, that is not going to work. So what is the best policy on supply in the White Paper, and what is missing that you would like to see there to boost supply?

Terrie Alafat: I think the best thing about it is actually the recognition that it is not just about home ownership and if I can get a second, and it is not just about private house building. There is a shift in what the White Paper says, which is that we need all bits of the sector, including local authorities. I agree entirely with what Lord Porter has said: there is a lot that can be done with the right package of incentives or freedoms, with local authorities playing a bigger role. That is the big shift for me.

There are a lot of other things in it. The Minister has been clear that there is not one silver bullet; you need to do a number of things. And a number of those things are beginning to work, but I think the recognition that you cannot do this with just a very single-minded approach to tenure or with only one bit of the sector is the best thing about the White Paper.

Going back to what I said earlier, I think for us there is still a big question about affordable housing, and by that I do not mean just social rented housing or whatever, but what do we mean by building for those 20% to 25% of people who cannot afford the market or cannot afford home ownership? What does it mean to have housing that is truly affordable? I think things have shifted quite a lot in terms of policies and it is probably the right time just to say: going forward, let's ask that question and figure out what makes the most sense in terms of Government investment.

Lord Porter: Again, I would agree. The thing that is most appealing in this White Paper is that it actually recognises the problem is too big to be fixed by one type of tenure alone, and that multi-tenures will be the only



HOUSE OF COMMONS

way we fix this problem; and the recognition that sometimes major infrastructure projects can unlock housing, and the fact that the Government have actually been prepared to find some money for the major infrastructure that could be necessary to free up some sites: that is a really positive move as well.

If I were suggesting that there is something that is not joined up in there, it is that there is a recognition that we have not got enough construction materials and construction professionals to build the homes that we all say we need anyway; even if they were permissioned and paid for, there are still not enough people to do it. Therefore we need to move more to system build, to get up to the level of supply. We won't get system build at the scale we need based on purely private sector delivery. The state have got to get into there. I am not sure about which sort of tenure you will have around this table, but I can guarantee none of you would have bought a system-build house if you could have bought exactly the same type of property in traditional construction methods next door to it. Private people will not spend money on system-build property at scale.

Q20 Mr Bacon: When you say system build, are you including things like Huf Haus?

Lord Porter: Yes, at scale.

Q21 Mr Bacon: A Huf Haus can cost £1 million. People choose to buy that rather than a traditionally constructed one.

Lord Porter: Few people. Very few. Most wouldn't. Most people will have grown up when we had that little kiddies' story about the three little pigs, and it was only the one built out of bricks and mortar that the wolf did not get in the door; and that is the psyche that we operate on.

Caroline Flint: Which goes to the point about why so much in the social housing sector is more energy efficient than some we find in the private rented sector; because it leads in that area.

Toby Lloyd: I would say the most encouraging thing in the White Paper was actually some of the more obscure bits—so the announcement that local authorities will be given the power to create development corporations. As long as the detail is there, that could be genuinely transformational. What is missing is precisely that detail. Development corporations work precisely because they are able to acquire land compulsorily at existing use value, and unfortunately the land compensation code has been changed by case law since 1969, which means that now when that happens they have to pay all future possible speculative gain to the existing landowner, meaning that there is almost nothing left over for infrastructure, for quality construction, for affordable housing, or any of the things that make house building acceptable to local communities. So what we need to see, to make that provision really work and be transformational, is an amendment to the compensation code.

Q22 Chair: Would you care to expand on that?



Toby Lloyd: It is simply that where local authorities are creating development corporations they should be able to capture the value created by that local authority investment and the public grant of planning permission, rather than happening to create an enormous windfall for a lucky landowner. There is plenty of value there to give landowners an extremely healthy return, without them being able to claim all future possible value growth on day one, before a planning permission has even been applied for, before a single brick has been laid. At the moment the law effectively gives them 100% of all future value.

Peter Andrew: We think the White Paper moves the situation further forward. I think there are lots of t's crossed and i's dotted around planning, bringing some of the planning matters that have been discussed before and held back to the White Paper. That is positive. I agree that multi-tenure housing has got to be a focus. I said at the start of this that we needed more players on the pitch, and local authorities are, and Government is, part of that.

We were very pleased with some of the measures to help small builders. As I said, small builders have been depleted by about 80%, so some of the planning matters about the presumption in favour, and these kinds of things, are very positive towards suppliers as well.

Then we were very pleased to see the transparency questions from both the local authority and the developer side. We have been calling for transparency around local plan five-year supplies, and where they are coming from, as well as the industry being more transparent about their supply, and how they were going to manage the five-year supply for the local authorities. All of this is positive.

If I may just say, on the demand side we were very keen to see the discussion about Help to Buy—what happens post-2021—coming into the equation as well. House building is about long-term, three-year—

- Q23 **Chair:** I am going to stop us here, because a vote is imminent. I think we will adjourn now, briefly. I apologise, because we are nearly at the end of this panel. We will adjourn and come back. As soon as we are quorate, we will start again, if colleagues are happy with that.

Sitting suspended for a Division in the House.

On resuming—

- Q24 **Caroline Flint:** Mr Andrew, you were answering my question and giving me one thing you thought was good about the White Paper and one thing you thought was missing. You gave me lots of things you thought were sort of quite good. What is missing from the White Paper, in terms of delivering supply?

Peter Andrew: I have got to be honest, I think it moves dramatically forwards, in terms of supply. It has helped SMEs and the planning system—we will see whether that works.



Q25 **Caroline Flint:** You have to have the planning officers there in local authorities to do the job, haven't you? Can you give me a practical suggestion about something that you feel—from your perspective and that of the people you represent—could be there but isn't? If there isn't anything, just say so.

Peter Andrew: There is one thing I would like to see that I don't fully understand yet, but it will come out. There is talk about ring-fencing the increase in planning fees. You mentioned planning officers; the lack of those is definitely an issue. I would like it to go further and ring-fence the whole planning fee, rather than just the increase of 20% in planning fees, so that the whole planning fee goes towards planning departments and the like.

Lord Porter: May I reiterate one of the LGA's strong messages, which is that ordinary taxpayers are and have been for years subsidising the planning system? If we got to full cost recovery, I would agree with Mr Andrew's position, but until we get to full cost recovery, the state is already having planning fees subsidised by individual council tax payers.

Chair: While we are on that point, Lord Porter, one of the concerns we have—certainly in high-value areas like London, but perhaps it is not the same in South Holland and The Deepings—is that developers, and large developers particularly, tie planning officers up in knots talking about the viability of schemes. That can go on for many months, at a great cost. Sometimes that planning officer is paid for by the developer. Is there anything you want to add about how that works or whether that is a problem in terms of the supply coming through?

Lord Porter: I am not aware of anybody who has expressed a problem about having their staff tied up in dealing with viability. Planning officers are probably not the best people to deal with viability. We can find out information.

Q26 **Mr Bacon:** Mr Lloyd, you were nodding at the Chair's question. Can I add a supplementary question before you answer? We hear a lot about viability. Correct me if I am wrong, but my impression is that the word "viability" is played like a violin by developers to get exactly the outcome they either want or are prepared to see happen. Is that fair?

Toby Lloyd: I would say that the viability system as it is currently structured is completely broken. It gets into horrible circularities where if you overpay for a piece of land, you can then say that the affordable housing requirement that was in the local plan already is no longer viable—you overpaid for the land knowing full well what that policy was, and yet the law now says that that is no longer viable, and the local authority is obliged to drop its affordable housing requirements. There are fundamental legal problems with the definition of viability that need to be changed. The idea that a competitive return to a landowner is enshrined by law, in conditions of a competitive land market, is deeply problematic. There are also genuine pragmatic problems to do with skills and capacity.

Q27 **Mr Bacon:** On that point, in Germany the land is, in the first instance,



HOUSE OF COMMONS

after it stops being owned by the farmer, owned by the local authority. If you want to buy a piece of land in Germany, you go to your local council and say, "I'd like to buy a piece of land please," and they say, "Would you like a big one or a small one?" It is very easy and very normal. Do you think that the way land is brought forward is also fundamentally flawed?

Toby Lloyd: Absolutely. That is why I spoke earlier about the need for compulsory purchase reform and for development corporations at a local level, in order to acquire land and get it into development at reasonable prices. The existing market supply of land effectively creams off all of the value long before Peter's colleagues even get their hands on it, because it is the landowners who are effectively able to benefit from all of the future uplift in value that comes from planning permission, development and growth. In that situation, we will never be able to build enough homes, let alone the infrastructure, the affordable homes and the high-quality construction that we all need.

Q28 **Philip Boswell:** This ties in with what Mr Lloyd just said and a comment earlier from Lord Porter in relation to politicians being brave and commending it when they are so. I agree with that, but do they necessarily keep promises? There was an article yesterday in the *Huffington Post* by Owen Bennett saying that the Government will "miss its own housing target by 12 years." It says: "In 2015 the Government vowed"—we know all about broken vows in Scotland—"to sell enough public land to build 160,000 homes by 2020." It goes on to say that yesterday the Government released a report that shows land for just 13,817 homes has been sold off, which is less than 9% of the promised amount. Under that rate of progress, we have the prospect of achieving the target by 2032. Lord Porter, is there any way the Government can keep their pledge if, say, even one third of this promised public land is not sold off in the next few years?

Lord Porter: I don't think it is my job to speak for the Government and whether or not they will hit their targets. It is a good target to have, and I'm sure local government will play its part in it, but you have to deal with other parts of the state—

Q29 **Philip Boswell:** Well, Lord Porter, you did speak up for the Government earlier on.

Lord Porter: I don't recall ever speaking up for the Government, even though it happens to wear the same colour rosette as I do once every four years.

Chair: We can put that to Melanie Dawes. For those who might not be following this, the annual report on land disposals was published on Monday—something this Committee has called for. We will touch on that with Melanie Dawes when she is in front of us in a moment. If that is everything, Mr Boswell, then we will go to Dr Pugh.

Q30 **John Pugh:** This is for Mr Andrew specifically. I was sitting here quietly, determined not to say anything very much. You used the word



HOUSE OF COMMONS

“transparency”. I am aware that some builders now are selling properties that really ought to be freehold as leasehold. I can point you to advertisements where it is clearly not a declared fact. When people get to the purchasing process and are committed they understand that at the end of the day, but at the start they do not. I have tried to find whether there is a growing tendency for people—I am talking about in the north-west, and not in London and places like that where leasehold is more the norm—not to sell property freehold, but with various strings attached. Of course those add to the value for the builder. Is that a trend you pick up?

Peter Andrew: We are still collating information on this, but certainly the practice of selling some leasehold houses has been prevalent in the north-west and the north-east over time. That has gone back many years and is quite often driven by the landowner.

Q31 **John Pugh:** That was in feudal time; feudal landowners in my area used to have 999-year leases. Most new property is sold freehold, until very recently when builders have been trying to, as it were, maximise the value that they get.

Peter Andrew: As I am aware, there are still houses—we are not talking about apartments, but can come back to those—being sold as leasehold in the north-east and the north-west. That has been the practice for quite some time. That is partly because that has been the tradition up there, and is partly because some land is sold to developers on a long leasehold basis. As I understand it, the majority of those are 900-odd year leases but anything above 150 year leases—

Q32 **Chair:** But you do know what Dr Pugh is referring to—

John Pugh: I am talking about a growing trend in the way in which property is marketed.

Chair: It has received quite a lot of publicity, Mr Andrew. Could you just answer the question?

Peter Andrew: Yes. I am also aware that there are some sites other than in the north-east and the north-west that are being sold on that basis, so I guess you could say that it has increased. From our information it is predominant in the north-west and the north-east and that has not changed for a lot of years, but there are some elsewhere in the country that are starting to—

Q33 **Chair:** You are saying it is not a new phenomenon.

Peter Andrew: Selling houses leasehold is definitely not a new phenomenon.

Q34 **Mr Bacon:** It is not a new phenomenon, but it is a growing scandal, isn't it?

Peter Andrew: There is no doubt that there are some sites elsewhere in the country that are now leasehold from the selling of a house point of view, so I guess it has moved out of the north-east and the north-west.



HOUSE OF COMMONS

Q35 **Caroline Flint:** So it is all right for the north-east and north-west to have it, but it becomes a problem where everybody else—

Peter Andrew: I cannot really comment on that. It is the tradition up there and it has been like that for 30, 40, 50 years.

Q36 **Chair:** Does the Home Builders Federation have a view on whether this is an appropriate or desirable practice?

Peter Andrew: I don't have at this moment in time. We are putting together a lot of information to understand what is exactly happening, and I have not got that view yet.

Q37 **Mr Bacon:** It sounds like a growing rip-off to be honest; it sounds like people doing it because they can. The ordinary punter does not get much choice. There is so little choice; we know that 60% of houses are built by the top 10 housebuilders whom you represent—they are your members. There is not a huge series of alternatives at scale that people can take advantage of like, for example, large numbers of serviced plots. At the moment isn't it fair to say that the large entities that are increasingly doing this, are doing so because they can—to their own economic benefit and to the long-term economic detriment of the house buyer?

Peter Andrew: I think you need to ask the individual housebuilders that question with regards to their own policies.

Q38 **Mr Bacon:** But you are representing them—you are here representing all of them at the Home Builders Federation.

Peter Andrew: I am representing the industry. I am not representing individual housebuilders and by no means all, as I understand it—

Caroline Flint: Do you think it is healthy?

Q39 **Mr Bacon:** You are representing your members, presumably? Your members are the people who are doing this.

Peter Andrew: Yes. As I said, they are certainly doing it in the north-east and the north-west because they have been doing it for very many years, and there are a number of sites elsewhere in the country that have moved towards leasehold houses.

Q40 **Chair:** I don't think we want another description of it. I think we may well want to write to the housebuilders and find out what their policies are. Policy is not our area, but there wider issues for the housing market. Mr Boswell has a very brief point, I have a couple of quick points and then we will move to our second panel.

Q41 **Philip Boswell:** I have a brief question for Toby Lloyd. I am looking at the submission to the Public Accounts Committee consultation, "Housing - State of the Nation", from Shelter. Page 4 says: "The point is made within the report that current owner-occupiers' housing costs have become more affordable in recent years because of historically low mortgage interest rates...At the same time...rising house prices are increasing the barriers to ownership".



HOUSE OF COMMONS

We then come to a table on page 6 which looks at the various regions of England and “% of working renting families who cannot afford”. They are 76%, 86% and in the 90s. Can you explain to me whether this trend is getting better or worse? Are we actually improving things at all in this respect?

Toby Lloyd: It is getting worse pretty fast. Wages have been stagnant for a long time, and house prices and rents have been rising very fast. Do the maths.

Q42 **Philip Boswell:** So the definition of affordable housing should maybe be changed to “houses you can actually afford”, rather than a scheme?

Toby Lloyd: There are, unfortunately, two definitions of affordable housing. One is a planning definition which refers to certain types of tenure and has nothing to do necessarily with an individual household’s income. Then there is a house that people can afford, which obviously depends on the price of the home and that household’s income, and therefore cannot be assigned to an individual home.

Q43 **Chair:** We have pulled together with the help of the NAO the history of the affordable housing policy, something that has been subject to a debate for a long time, and what percentage of income should be spent on it. If only we together in this room could solve that, we would be a long way to solving a lot of these problems.

Toby Lloyd: That is relatively straightforward, actually. There have been an awful lot of studies attempting to solve that problem with very sophisticated polling and modelling and so forth. They always come back to pretty much the same rule of thumb: about a third. When Shelter conducted a very large piece of research last year, we just asked ordinary British people, “What do you consider is required for a decent home?” Right across the piece, from conditions, to size, location and everything, again, it was that for it to be reasonably affordable, you should not be spending more than about a third of your income.

Q44 **Chair:** We hear what you say, and I think there is probably not much disagreement on this. I will ask some quick-fire questions. I am not asking everyone to come in on this. The private rented sector is now growing. In my constituency, more people rent privately than own their own homes. Colleagues in Greater Manchester talk a lot about the poor quality of the private rented sector there. Lord Porter, where there are areas with very poor-quality private rented sector properties, councils have some powers to do things, but not necessarily the resources. The combined authority in Greater Manchester submitted some good evidence on this. What is the view of the LGA about what the role of local government could and should be in helping people living in the private sector live in decent homes?

Lord Porter: I need to declare an interest at this point, because I am a private sector landlord myself.

Chair: Actually, you remind me that I didn’t declare my interest. So am I. Carry on, Lord Porter.



HOUSE OF COMMONS

Lord Porter: The LGA will give you the standard line that we are quite happy to get involved in enforcing higher-quality housing to let, but that will require resource, and that is an unmet resource. Central Government would need to resource it, but I think we are missing a trick at that level. I think the best way of doing it is seen in the councils that are starting to set up their own housing companies, where they are keeping some of their stock as buy-to-let stock. Getting councils to become the landlord of choice for the private sector renter is probably a better way of driving quality and ensuring that we build houses and rent out houses that are high quality, so that the private sector has to follow suit.

To get a sustainable private sector, you need more than regulation. You need market competitiveness. If they have to compete against good-quality council-owned private sector rental units, that will drive up the sector quality. Then, obviously, when people are found to be mistreating their tenants, the courts need to have serious amounts of teeth to bite people who are serial offenders.

Q45 **Chair:** Have you got the powers now that you need to tackle some of the poorest quality and worst landlords?

Lord Porter: I will get the office to give you a full response on our whole wish list, but our whole wish list will come with a price tag, which is why I am reluctant to say it. I do not want to be sitting here saying, "Just give us more money and we'll fix it."

Q46 **Chair:** Terrie Alafat, on the issue of housing association rents and rent levels, a 1% cut was forced on housing associations. We will be getting further evidence from them directly, but from your perspective at the Chartered Institute of Housing, what impact do you think this will have on the supply side?

Terrie Alafat: First, the worst thing that can happen with housing associations is uncertainty, because as we know, the whole model relies on private finance. That was the biggest issue with the decrease in the rent: there was a 10-year rent settlement, and then there was quite a rapid decision which affected their whole model. I am sure the National Housing Federation can give you lots of numbers on the actual direct effect. I think it is quite an important one going forward, particularly when there is a lot of discussion about what the next rent settlement might look like and there is a lot of debate about rent flexibility and various things. I think it does need to be thought through very carefully, because it is that issue of certainty.

It is not just about rents; a lot of the debate is now around supported housing, for example, which we have not touched on today. There is the LHA cap on supported housing and the funding of supported housing. We also know that the uncertainty around the future funding of supported housing means that some organisations are holding back. The other thing is that organisations have obviously looked at what they are there to deliver. Different organisations are deciding what their core purpose is and pulling back from some sectors. One has to look really carefully at those



HOUSE OF COMMONS

kind of policies and bear in mind the environment that they create, which then affects access to funding and building.

Having said all that, we know that there are a lot of other things where the housing association sector is responding very positively in terms of diversifying tenure, going into the private rented sector and those sorts of things. They are also becoming more and more reliant on sales to support their housing programmes, and in a downturn that is riskier. Bearing in mind where we might be going—I do not want to speculate—in a downturn, counter-cyclical investment has helped the housing market. It just needs to be looked at in the round in that way. A lot of things have changed around the whole model and system, and it is worth looking at that and thinking about the right model to sustain going into the future.

Chair: I thank you for that, and I thank our panel for giving their time and managing through the interruption of the vote. Our transcript of this hearing will be up on the website in the next couple of days, but we will obviously send you a copy of that. It goes up uncorrected, so get in quick if you think there is something wrong. We will obviously send you a copy of our Report, which we will be hoping to get out in the next few weeks. I cannot be precise on the timing, but we will make sure you get a copy. Thank you for your time. You are very welcome to stay for the next panel if you wish, but if you have to get off, thank you.

Examination of witnesses

Witnesses: Melanie Dawes, Helen MacNamara and Peter Schofield.

Q47 **Chair:** Welcome. It is quite warm in here, so feel free to take your jackets off, if you wish. I thank you for your forbearance; the previous panel lasted a little longer than we intended, although we had some interesting evidence and were interrupted by the vote.

We are now on to our second panel to look at “Housing—State of the Nation”. We have in front of us Helen MacNamara, the director general for housing and planning at the Department for Communities and Local Government. Welcome, Ms MacNamara. I think it is your first time in front of this Committee. We are a very friendly bunch, as I am sure Ms Dawes will testify. We have Melanie Dawes, the permanent secretary at the Department for Communities and Local Government, and Peter Schofield, who is the director general for housing benefit at the Department for Work and Pensions, but who previously did Helen MacNamara’s job. We thought it was helpful to have you here. Apologies that there was a bit of to-ing and fro-ing about whether we were requiring you today. We are aware that we are asking mostly about housing benefit. We are not going to be asking you about things that you might not have had time to prepare for. You are very much on top of your subject in that respect. Thank you for coming along.

Peter Schofield: Just to say that my job title is director general for finance at DWP. It is a wider role.

Q48 **Chair:** Forgive me. It includes housing benefit, and you did Ms



HOUSE OF COMMONS

MacNamara's job, so you are well across the piece. Our hashtag is #housing, if anyone is following on Twitter. Before we get into the main discussion, Ms Dawes, I wanted to mention the annual report on land disposals. First, I thank you for publishing it. Does this mean that you will now be publishing it annually at the same time every year, or will it be at a different time in future years?

Melanie Dawes: Yes, I hope it will be at the same time.

Q49 **Chair:** To recap for those who may be following this, some 92% of the programme commitment has now been identified for land releases over this Parliament. The improvement is that the high-risk sites have dropped from 52% to 42%, although that is still quite high. What are you doing to manage those high-risk sites and ensure that they are able to deliver the homes that this public land disposal is supposed to be delivering?

Melanie Dawes: We are working very intensely with Departments. Over the past few months, we have looked at the 100 biggest sites across the programme as a whole. We have worked with every Department and gone through all of those sites to ensure that we have a realistic date at which the disposal can take place and that we understand the number of homes and all the barriers. As you say, it is encouraging that the number of high-risk sites has come down and keeps coming down as we keep looking at the sites. Equally, the programme is still high risk. There are a lot of big, difficult sites here, where Departments have still got to take them out of operational use and where work then needs to be done to prepare them for sale.

We are putting in place more and more programme governance around this is in the Department. It is something that my colleague has put in since she arrived in the Department. All I can say is that we keep a very sustained effort on this and we will be very transparent about our progress.

Q50 **Chair:** You have the overview across Whitehall for delivering housing and, of course, the Government have their infrastructure funding going in. If there is a high-risk site that needs a road or other facilities, is that something that you then try to unlock with the Department that is actually releasing the land? Is that a particular role for you at DCLG?

Melanie Dawes: It might well be the right answer. On the housing policy side, we have got additional funding. In November, we announced our housing infrastructure fund of more than £2 billion, where we can go in and help local areas with money that they might need to unlock development.

That might be on a public sector land site or it might be on a private site. It might be about helping the community to be more engaged in those plans or it might be a specific bit of infrastructure such as a road, footbridge or something like that. That gives us more flexibility and we have opened that up for bidding for the next financial year.

Q51 **Chair:** Policy is not our area but this relates to our role. If DCLG says that



HOUSE OF COMMONS

this land can be unlocked to develop this number of new homes, where does that rank in priorities for the Government in the infrastructure spend? Do you have first call or high-priority call on that or are you waiting in turn with other demands?

Melanie Dawes: I am seeing my opposite number at the Ministry of Defence in the next fortnight to talk about their public sector land contribution. If they have got particular needs, we can talk together about how to ensure that that is prioritised across Government.

I would always ask a Department first of all to look to how they are going to achieve their own objectives. They have all been funded in the spending review to sell this land and they did all go through the process of thinking what investment they might need to take to realise those objectives. Equally, sometimes as you go through the process, you discover that there is something extra that is needed, or it might be another Department that needs to make the spend.

The way that we set the programme up, the engagement that we have got across Government at ministerial and permanent secretary level, means that I think we have got the conversations that we need. As I said, we have got extra funding now in DCLG, which is primarily just to get housing delivered locally but it might well be relevant in some cases for this programme. However, if we have already got the funding identified in Departments, I would not want to take it from the new funding, if that is not necessary.

Q52 **Chair:** Good, you are watching taxpayers' money but hopefully delivering.

Melanie Dawes: Absolutely.

Q53 **Mr Bacon:** I wanted to pursue this point about unlocking infrastructure because the Chair asked what priority you put on it and I want to know what weight you put on it, given other methods of funding, given how powerful unlocking can be. I spent a day in Plymouth recently and saw where £5 million spent from this unlocking pot produced £45 million spent by Plymouth University on what is going to be a huge new facility in the air above the railway station.

As it happens, that is university facilities, not residential, but it could so easily be residential as well. Therefore, should you be looking first to other Departments to spend their own money or should you be looking first to collaborate to ensure that that kind of leveraging effect happens as often as it possibly can?

Melanie Dawes: As you say, sometimes relatively small sums for a largish development will be what makes that development happen. The sort of story you have just told is exactly the kind of thing that we might be able to help through our new funding.

What I think has happened in the past is that Departments have tended to prioritise their budgets in accordance with their own objectives. For example, Network Rail's or Highways' programmes of improvement have generally been driven by Highways' objectives. Although housing often



HOUSE OF COMMONS

comes into the calculations, as they do their Green Book analysis for example, we are still not necessarily prioritised as much as you would expect, given the overall priority to build homes for the Government as a whole.

What has happened is that the Treasury has given us additional funding to help unlock that. The issue we are going to need to watch is the one I have just mentioned around additionality. I don't want to let those other agencies off the hook if they were already going to fund it. Equally, if we are clear that it was lower for them just on transport grounds or whatever other grounds are in play, we do now have the capacity to put a little bit more money in from the housing side.

- Q54 **Mr Bacon:** I'd like to start with Mr Schofield. I should declare two interests. One, when he was doing the DCLG job, Mr Schofield came on our all-party group visit to Berlin, so he is fully aware of the power of community house building and the potential of self-build. The thing that strikes me by far the most in this Report is the fact that the total spend is £28 billion and 74% of it is in your Department, Mr Schofield, for housing benefit. Plainly, that is the policy of the Government. Let's not shilly-shally around. It is also the policy of the Government that the housing market is broken. That is what it says on the front page of the White Paper, which I regard as a very welcome acknowledgement before the thing can be fixed. Do you see a role in this £21 billion in helping to fix the housing market better and more effectively, which is the remit of this Committee, than is currently being done?

Peter Schofield: I do.

- Q55 **Mr Bacon:** May I declare my other interest? I am a member of the right to build taskforce that is referenced in the White Paper.

Peter Schofield: You need to start from the point that you have just made, which is that the primary objective of housing benefit is to enable people on low incomes to access the housing that they need. That is why the regime is in place. But there is something very important in what you have just said about the fact that with housing benefit we have got a flow of Government-backed funding into the sector—£21 billion, as the Report says, in England and £24 billion or so if you look at it Great Britain-wide. The reason why that is important is that it provides the backing that enables housing associations in particular to go into the capital markets and raise finance at cheap rates.

If you compare the business models and the cost of capital of housing associations with the business model and the cost of capital of the major private sector house builders, it is dramatic. One is capital markets-funded to a large extent, which is important. You can raise finance cheaply in the capital-intensive industry that house building is. On the other, you have one that, primarily I suppose, is equity-funded and therefore has a much higher cost of capital, and that will constrain its ability to deliver the volumes of house building that we need.

- Q56 **Mr Bacon:** How do you get more of the money that in many cases is



HOUSE OF COMMONS

effectively subsidising poor-quality housing—taxpayers are paying this money—spent more effectively on the creation of more dwellings and more high-quality houses?

Peter Schofield: The limit of DWP is around eligibility to housing benefit, in terms of enabling people who are eligible to receive the money that they are entitled to. That is as far as we go in that respect. What I would say, in my old role, is that there is building on success in the sense of the scale of investment that housing associations have been able to raise since 2011-12—

Chair: Mr Bacon is talking about the private rented sector.

Q57 **Mr Bacon:** No, I wasn't. If you turn to page 31, the housing benefit spend is set out there. Some of it is private rented sector and some is housing association. If you look on the bottom right of the chart on the housing association line, it says £8.387 billion in 2015-16. Presumably, a lot of that is for the ongoing activities of housing associations and their staff and so on. Do you know how much of that £8.3 billion can be ascribed to new buildings and housing development?

Peter Schofield: I don't know the number; Melanie might. I have a number in my mind, though. When we went into the 2011-2015 affordable housing programme, there was £4.5 billion of Government grant. That leveraged in £15 billion of funding from particularly the capital markets, but it was private sector borrowing. So it gives you some indication of the scale of funding that was being brought in as a result of this funding model from the capital markets.

Q58 **Mr Bacon:** Very roughly, on this £8 billion, are you saying that we ought to assume that three and a half times that—£30 billion of extra private sector capital market funding—is going in as a result of that £8.3 billion?

Peter Schofield: Sorry, I am in danger of misleading the Committee if I have put it that way. I was comparing the capital grant put in by Government via DCLG and the amount of money that was raised in capital funding from the capital markets to fund new house builders. What I couldn't tell you the answer to is how much—obviously, that capital funding is then financed by free cash flow from housing associations and their business models. Different housing associations will be in a different position in terms of their overall surpluses. That is something that the housing regulator will look at on a regular basis. The key point from a DWP point of view in terms of our contribution to this is the very fact that we have, according to 2015-16 figures, 4.1 million people who are entitled to housing benefit. So to a degree there is Government backing of the ability to pay rents into the sector.

Q59 **Mr Bacon:** Of course. The question then is—it is rather like this discussion about 109,500 potential homes. Constituents do not live in planning permissions or potential homes. Going back to our remit, how effectively is that money, that potential or that borrowing capability translated into extra dwellings? For example, as you saw in Berlin, people go along to a local authority as a housing co-operative and put forward a scheme and



HOUSE OF COMMONS

get the support of the local authority in bringing it forward to create new dwellings that they then rent at an affordable rent through a mutual housing co-operative. De novo, a bunch of people who are entitled to housing benefit could do that, potentially, if the soft infrastructure and hard infrastructure were there for them to do that. That is not really there at the moment.

Going back to Melanie Dawes, if I may, luckily you do talk to other Departments—I am sure you talk to Mr Schofield, and the Committee fully understands the limits of his current remit in relation to the entitlement to housing benefit—but do you see my point that this could be much more effectively spent and solve what looks like a long-term problem that is just a running sore?

Melanie Dawes: You are right that the primary purpose of housing benefit is to help people put a roof over their heads. That £21 billion is also a very significant revenue stream from which we should be getting maximum economic value. On the housing association element of that, over the past few years the Department has developed stronger ways of getting the best bang for our buck in terms of house building. The question of whether it is right to raise affordable rents creates wider questions about the impact on households, particularly those who are not getting housing benefit, but it has enabled us to gear more housing out of our affordable housing grants.

When it comes to local authorities and that element of housing benefit, we do support local authorities to build. There are always questions over housing revenue accounts and the cap, and that is partly a fiscal question for the Treasury to be judging against other priorities. What you have seen in the White Paper is a sense that the Government are open to a bigger role for local authorities, not only necessarily in building their own housing but in buying land for the private sector to develop, as they are doing in some parts of the country. For example, in Bicester, that is happening for new forms of housing, such as custom-build and self-build.

The private rented element of this is quite tricky. In the end, the solution is to build more homes. Part of the reason why the figures have gone up in the private rented sector is that rents have been increasing. There is a wider affordability issue there, of course, to which the right longer term solution is to keep building, but there are short-term issues.

Q60 **Mr Bacon:** Presumably the rents have only been increasing because the supply is insufficient.

Melanie Dawes: Yes, exactly.

Q61 **Mr Bacon:** If we can temporarily park the private rented sector and concentrate on local authorities and housing associations, that is still £13.3 billion according to this chart. What I am trying to get a handle on—from either of you—is how we measure the extent to which that is being translated into new dwellings. Do you have metrics that enable you to do that? If not, are you developing them?



HOUSE OF COMMONS

Melanie Dawes: That is a very good question. As so often happens, you have asked a question that has genuinely made me think about the question in a slightly different way. I do not have at my fingertips a sense of the overall building and wider borrowing—

Q62 **Mr Bacon:** If you did, and you had a number, you could do things that would make the number go in the right direction, and then you would be spending the money more effectively—both you and Mr Schofield.

Melanie Dawes: It is a very interesting question. Peter might want to come in again. Housing associations are also getting rents from their tenants. Not all are on housing benefit and some are only part-funded by housing benefit. The overall income into the sector is significantly larger than these figures. I am very happy to have a think about how we can come back to you and answer your question.

Q63 **Mr Bacon:** These are annual numbers, aren't they?

Melanie Dawes: Yes, they are.

Q64 **Mr Bacon:** So, it is £65 billion over a Parliament, roughly calculated on the back of a cigarette packet. That is not small potatoes. It is serious money.

Peter Schofield: There are two ways into the point you are making. One is the way that the affordable housing grant is allocated, which is a competitive process, with the money going primarily to those who can demonstrate that with the smallest amount of grant they can deliver the largest amount of housing. If that is a process that can work effectively, it is a competitive tension that should be driving a balance sheet efficiency, maximising the amount of borrowing that can be done.

The second is the role of the housing regulator, in terms of its ability to identify metrics and produce data that then demonstrate not only balance sheet efficiency but, in this case crucially, operating efficiency.

The crucial thing there is, are you driving your costs down, which would then enable you to maximise the free cash flow that you can gain from your rent to a large extent backed by housing benefit? If you have free cash flow, that gives you the opportunity to raise capital against that.

Q65 **Mr Bacon:** When you say the housing regulator, you mean the Homes and Communities Agency.

Peter Schofield: Yes.

Q66 **Mr Bacon:** Good. I am seeing them very soon so I will raise that point.

Q67 **Chair:** While we are on the subject of housing benefit, and before I pass to Caroline Flint, I wanted to pick up on the impact of Government policy changes on housing benefit, and the knock-on effects of that. We have had the bedroom tax, which was an attempt to reduce the housing benefit bill. Mr Schofield, some people, certainly some of my constituents, went into smaller properties that were more expensive, so the housing benefit bill actually went up, for individuals if not in aggregate.



HOUSE OF COMMONS

There is also the issue of the benefit cap, which again is a policy delivered through DWP. I know I am not the only MP who has people coming to surgery who five years ago would never have darkened the door of surgery looking for a council or housing association property because they were living in the private sector, but they are now prevented from doing so. If they have fallen out of luck and lost their job, or their salary has not kept pace with rent, they just can't afford it. That is certainly very much a London problem.

Melanie Dawes and Peter Schofield, do you advise Ministers about the interaction of these policies, and look at the bottom-line numbers of the cost to the Exchequer, let alone the personal impact on individuals?

Melanie Dawes: The answer is, yes we do. We work very hard to ensure, as we think about housing policies and DWP thinks about welfare policies, that together we do factor in the impact through housing effectively, and housing benefit and other benefits sometimes as well. For example, when we are putting together value for money business cases for the Treasury for our capital spending, we do factor in, as we build new homes, which is where we get the primary economic benefit from those programmes, that we are also reducing the number of people who need to live in the private rented sector, and therefore save some housing benefit and temporary accommodation costs. We do factor that in.

Peter might want to expand on this, but likewise, when DWP thinks about welfare policy, and that is most often in a fiscal context, as it thinks about the impacts on house building, it asks us to do the modelling, which we do. That then feeds in through the Office for Budget Responsibility and its economic forecasts. To be the best we can, the revenue forecast for the DWP and our value for money assessments are consistent with the policy agendas of the two Departments.

We can't always get every single i dotted and every t crossed, but we do have a framework, ultimately underpinned by the Green Book, for doing that. Sometimes there are trade-offs between the policies. There is evidence through some of what we will be talking about, I'm sure. We try to ensure that that is factored in, too.

Q68 **Chair:** We are aware that in the end Ministers make policies and you can only advise.

Peter Schofield: I very much support what Melanie has just said. I have the luxury of having seen it on both sides in both Departments. The analysis is done in a very joined-up and effective way, as Melanie says, sharing models and information.

From a DWP point of view, of course, I should say up front that housing supply matters as much from a welfare point of view as it does from a housing policy point of view. Those factors need to be taken into account. Then we put the advice up to Ministers who, as you say, make the decisions.

Q69 **Chair:** It is interesting you say that. I am a London MP so my perspective



is slightly different from that of many members of the Committee. Rents have gone up so they are really out of reach. A woman came to my surgery who had had a good job but was unemployed temporarily because she was ill. The rent went up and she could not find anywhere as a single woman, even with a good job when she was working, without some reliance on housing benefit, and the housing benefit would not cover because the rents are too high. She is somebody who is now looking for social housing who would not have been before. There is an impossible loop that people like that are in.

Do you look at this on a regional basis and look to see whether there are advice and recommendations that you can give? The knock-on effect to the taxpayer—the cost-shunting through the system of somebody who was managing well and funding their own rent in the private rented sector and is now unable to do that—is immense once you put the multiplier in. To take just one example, my own London borough is spending £35 million a year on homelessness. We are going to touch more on that later. You say that you do all this number crunching, yet there is a knock-on effect on the public purse—the taxpayer—of some of these policies. The interactions do not always seem to work.

Melanie Dawes: You are right to challenge us to keep on top of what is, certainly in London, a rising problem of affordability of rents as well as of homes to buy. You touch on the questions of homelessness. We have seen homelessness rising in recent years, particularly in the capital. The ending of private tenancies—you were describing some of the problems that can give rise to those tenancies ending—is the single biggest cause of that. We do need to keep this under review. The DWP has put more money in through discretionary housing payments to help people in particular need. In the end—Helen may want to say more about this—we are doing a lot on homelessness in DCLG as well, particularly on getting the service support that local authorities can give earlier in the process so that people do not lose their home.

Q70 **Chair:** We are going to come back to homelessness. Looking at the interaction, if policies kicking in causes some of these problems, surely some thought has not gone in at an earlier stage of policy making that could have prevented that in the first place. Rent levels in the private sector are not entirely in your control, although you are an influential part of it—but that is a policy issue. At the moment the way it works is that there is a market, but there are knock-on effects of policy decisions. How do you monitor that regionally so that you try to stop these problems before they start? There are so many initiatives in housing and the way they interact sometimes creates these problems.

Peter Schofield: To assure the Committee, we do get into a level of regional and local detail when it comes to assessing what is going on in local housing markets and local rental markets. To give one example, when it comes to the local housing allowance freezing, we have taken 30% of the savings to be reinvested back into targeted affordability funding. That money is targeted on particular places where we think there is a particular problem. We have identified 48 market areas where we are



HOUSE OF COMMONS

going to be allowing some flexibility around the LHA next year, and our analysis feeds into those sorts of decisions—so we do all that.

I have to say that everything we do is also in the context of Government policy and a Government mandate to find £12 billion of welfare savings. Another interesting thing about the graph that we have talked a lot about—figure 13 on page 31—is what has happened in terms of the stabilisation of spend on housing benefit since 2010-11. That is a Government policy—

Q71 Chair: You say that, but do you know where that case load has gone? Do you know where those people who are no longer claiming housing benefit have gone? Do you have an analysis of that? Are they living on the sofa in a family member's property?

Peter Schofield: We have done evaluation, as the Report says, of quite a number of our policies. A quite a lot of evaluation has looked at the way that different claimants have responded. Looking at the bottom line—the case load numbers—in that table below figure 13, it shows that case load numbers are broadly stabilising around just over 4 million. As the Report says, we have looked at a number of these policies, at what has happened to individuals, and in particular at the way that many of our policies are helping to encourage our claimants to look for work, which is a very positive dimension and key objective that we have.

Chair: Not many working households on an average income in London are actually able to rent privately without housing benefit of some sort—I should just throw that in. We might come back to this, but we are going to come back to homelessness later.

Q72 Caroline Flint: Before we get on to supply, I want to touch on one other aspect of the amount of money spent on housing benefit, particularly in the private rented sector. In figure 13, the table shows that claims by tenants in private rented housing now make up the largest share of spending. If you look at page 13 of the NAO Report, the final sentence of paragraph 1.7 on housing stock quality says, "In 2014, the private rented sector had the highest proportion of non-decent homes (29%), while the social rented sector had the lowest (14%)." That is presumably because of the decent homes standard that was established in 2001. Both yourself, Ms Dawes, and Mr Schofield made the valid point that we need to remember that the housing benefit being paid into the private sector is providing people with a roof over their heads. Couldn't we use the amount of money that we are paying to those landlords through housing benefit to ensure that it is a decent roof over those people's heads? I would suspect a huge proportion of the 29% of non-decent homes in the private rented sector are for people who are having to claim housing benefit to pay their accommodation costs. Have you thought about using that leverage to improve standards in the sector?

Melanie Dawes: Perhaps I can come in on this; I may ask Helen to talk more widely about our approach to decent homes. You always have to balance the costs that you are putting on to the landlord— which will in



the end feed their way through into rents, whether they are covered by housing benefit or not—and the need to ensure that the homes are decent. I think that is at the heart of our approach to the private rented sector. It leads us into questions about wanting more secure tenancies but recognising that if we push too far in those kinds of directions we can end up with a response that takes homes off the market, which is not what we want. Our approach has been to drive improvements in decent homes through other means. We have made more progress in the social rented sector. Perhaps Helen might like to say more about that.

Helen MacNamara: Our policy so far is to focus very much on those people who are being exploited the most. So we are concerned about those people in the private rented sector who are the victims of rogue landlords. In the Housing and Planning Act we put a number of things in place to tackle those things. From April this year, local authorities will be able to charge civil penalties on landlords, which we hope will help. There are rent repayment orders to hurt the landlords where we think it will hurt the most.

Q73 **Caroline Flint:** I understand all that. My specific point is that in 2001 the Government of the day set a decent homes standard. That undoubtedly contributed to the upgrading of our social housing stock. It probably impacted on the amount of money that was left over to build more social homes, but I am not going to get into all that. It had a massive effect in terms of improving people's quality of life. There are lots of things we can do around landlords, about tenure and security, but why can't we demand of those who want to be landlords that the homes they provide are as decent as the homes we have in our social housing sector, given that your White Paper about the broken market suggests that private rented tenure is here to stay and may grow bigger?

Chair: The bigger point, of course, is that if housing benefit is going to those landlords, that is a direct amount of money—

Caroline Flint: Subsidy—

Chair: From the taxpayer via the Government.

Peter Schofield: As I recall, the 2001 initiatives were accompanied by very large amounts of Government grant going in to the social housing sector to enable those sorts of improvements to be made. I guess the challenge that we are all raising here is how we get additional funding, particularly private sector funding, into both the private rented sector and the social sector. There have been a huge number of initiatives that have been taken forward to get more private capital coming into the private rented sector.

Q74 **Caroline Flint:** Hang on. I understand your point that there was money to support it, but are you saying that for someone who decides today that they want to go out and become a landlord, we shouldn't say to them, "Actually, if you want to provide a home, it should be of this decent standard"?



Melanie Dawes: There are standards that landlords are required to meet. It is a question of how far we go. In the end, it is a balance about how far you want to put up the cost for landlords, which will in the end be reflected in rents. That is just a balancing act. As Peter says, we put in money in the early 2000s to fund that through the public purse. I am not sure that, just because a landlord is receiving housing benefit, it necessarily means that there is a particular lever that gives us the ability to ask for a higher decent homes standard than if they were simply going out to the private market. I would worry there that you would take homes off the market for tenants in receipt of housing benefit—

Q75 **Caroline Flint:** Are you worried that 29% of homes in the private rented sector are below standard?

Melanie Dawes: I think that is too high, yes. As Helen said, our approach is to focus on the most egregious examples. I am particularly worried about overcrowding, rogue landlords, beds in sheds and so on. We are doing quite a lot there but it is a fair challenge to ask us about the wider decent homes strategy as well.

Caroline Flint: Ms Dawes, the title of the White Paper is “Fixing our broken housing market”. I think everyone has acknowledged that that is a bold statement to make, and maybe it allows us to focus on a long-standing problem. The document sets out what you have described as radical reforms to build more homes. Are you now confident, given that there have been many housing White Papers over a number of years that have tried to address similar problems, that you really understand what the problem is and that you can fix it?

Melanie Dawes: We have set out the challenge in the White Paper. We have got policies that go right through, from the planning system and recognition that at the root of this is the lack of availability of land, as the earlier panel discussed, because it is rationed through the planning system in England, which is already a highly populated area, through to measures to speed up the build-out of planning permissions. As you discussed earlier, we have a building industry that is used to a business model with relatively slow build-out.

The third leg of our strategy is to diversify the sector and bring in as many new players as we can, with more flexible business models, whether that is smaller and medium-sized builders or recognising the contribution of housing associations, building on the back of the revenues from the rents that we have just been discussing, and also boosting the private rented sector.

In the end, there are also policies to support individuals and families to get the homes they need through affordable housing and other policies. We have set out a pretty broad-ranging set of policies. A lot of those are opening a debate and we are consulting on some new areas. Questions such as the delivery test are quite significant, and a tighter and stronger set of sanctions for councils that do not really want to build the homes that their areas need.



HOUSE OF COMMONS

Similarly, we are opening up a question about how we define that need and whether we are reflecting the overall challenge to the country as a whole, when local plans are doing their areas. There is still quite a lot here to be played for.

Q76 **Chair:** Could you remind us of the timetable for those consultations? I think they are on a rolling basis. Is that right, Ms MacNamara?

Helen MacNamara: Yes, they are.

Q77 **Chair:** Could you just rattle off dates quickly?

Helen MacNamara: The bulk of the consultations are all designed around producing a new national planning policy framework in July this year.

Q78 **Chair:** So when will the country see the benefits or the outcomes of this White Paper, if they materialise as planned?

Helen MacNamara: Starting with the planning policy changes, provided we make the changes that we want to do and obviously do the consultation, the planning policy happens immediately we have published the new NPPF.

Q79 **Chair:** When will the country see the fruits of your labours?

Helen MacNamara: In planning policy terms, it will take some time. This is quite profound system change.

Q80 **Chair:** Exactly. So, roughly? Months, weeks, years? How many? We are halfway through a Parliament already. There is a lot of impatience, as you have heard from colleagues around the table and elsewhere.

Helen MacNamara: It might be easier if I can frame my answer in a slightly different way. There are things in the White Paper that we hope will get an impact from straightaway: the things we are doing on accelerated construction to try to create a new pipeline of modern methods of construction; the potential housing deals we might do with local authorities where we can try to unlock planning permissions; the housing infrastructure fund that Melanie referred to, where we will be looking for places where we can apply just that little bit of money that will start to make sites viable.

Q81 **Chair:** What about in the long-term, the big stuff?

Helen MacNamara: Planning changes take time. When we have changed the planning policy, that means it will apply from the point at which—

Q82 **Chair:** Do you have a target for outcomes—additional dwellings you want to see as a result of these changes to planning?

Helen MacNamara: Not from the White Paper package in its totality. We have very clear ambition in terms of—

Q83 **Chair:** I know you have the other ambition. I wondered whether there was anything pinned to these issues. You are saying, “No, there is not a specific target pinned to the White Paper.”



HOUSE OF COMMONS

Helen MacNamara: There is not an aggregate number where you can add up everything in the White Paper and say it is X rather than Y. What I can say is that we have named in the White Paper the size of the problem as we see it and there is broad consensus around that: between 200,000—

Q84 **Chair:** Okay. I am just going to bring in the Comptroller and Auditor General and then back to Caroline Flint.

Sir Amyas Morse: I have a point on that same theme. Given that you have a composite of different policies and interventions, understandably some are going to work better than others and you are going to need to keep track of that and change tack a bit, I assume. The real question is, have you thought through yet, or are you going to think through, how you keep track of that? Maybe you can also let the Committee know how they will keep track of such a large, composite front of different changes. Any thoughts you have on that would be very interesting.

Helen MacNamara: Of course. Our thinking is more advanced in some areas than others. I fully expect over this Parliament to be back in front of you talking about our delivery of different elements of it. On the areas where we have most worked up the targets we are aiming for, in the White Paper we said that we want to see 200,000 new homeowners by the end of the Parliament. That is made up of a number of different programmes and we have two or three plans for each of them in place. The Housing Minister and I are chairing a programme board where we are going to look across all the things we are supposed to be delivering, take regular soundings about where we are and monitor our progress that way.

Some of these things are more straightforward, because they have an obvious input and a clear output. For some of them, especially the planning changes, it will be harder to track the causality of one thing rather than another, but we have ways. Every week, I get a whole set of indicators about what is happening in the housing market, and at both a national and a place-based level we will be looking at what we can do.

Sir Amyas Morse: So you can share your thinking on this with the Committee? That would be very helpful.

Q85 **Chair:** We like annual reports, or some sort of reporting mechanism. I don't see, Ms MacNamara, why most of those metrics couldn't be fairly public. Are they in the public domain?

Helen MacNamara: The biggest metric is the national statistic about how many houses we have built each year, so a lot of the main measures—

Q86 **Chair:** Yes, but that is the very end of the process. I think we can have dialogue outside this about exactly what metrics you can provide us with. We will watch them eagerly, even between hearings, if that is all right. Well, whether it is all right or not, that's what we are asking for.

Melanie Dawes: We will be publishing our departmental plan probably in April, which will set out what the targets are. We will also say more about the kinds of indicator we will be looking at.



HOUSE OF COMMONS

Chair: I am going to bring Ms Flint back in, and then at a certain point I am going to bring in Mr Kwarteng.

Q87 **Caroline Flint:** What I find quite interesting is that we have got this very detailed White Paper with a lot of interesting ideas in it, but does the sum of it get us any closer to where we need to be in making sure the pace of house building keeps pace with demand? I think that is confusing. The White Paper tells us, Ms MacNamara, that England needs 275,000 or more new homes a year, but the ambition, as I understand it from the Department, is to deliver 1 million new homes by 2020, which requires only 174,000 new homes a year. That is fewer than what we delivered last year. What number of homes are you aiming to deliver to keep pace with demand?

Helen MacNamara: Our ambition for this Parliament is to deliver 1 million homes at the end of the Parliament.

Caroline Flint: Yes, I just said that.

Helen MacNamara: The White Paper recognises that number and gives a name to the number of houses that will need to be built to start to bring back down the affordability ratios that people are very concerned about and that we are concerned about. If you are asking me whether we believe that we have got all the tools in the White Paper that we think are going to help to change supply, I think we do. I think one of the striking things from listening to the panel earlier and from the response we have had is that nobody is saying that we are not doing the right things across the piece; it is just that we have to act on every lever and at every level.

Q88 **Caroline Flint:** I appreciate that, but this is a White Paper, isn't it?

Helen MacNamara: Yes.

Q89 **Caroline Flint:** It's not a Green Paper; it's a White Paper. My understanding is that a White Paper is meant to be a much more thought-through version of a Green Paper. Therefore, given all the suggestions and initiatives that populate this White Paper, which is entitled "Fixing our broken housing market", why is it that at this stage you can't tell us more about how some of the individual propositions in the paper are going to contribute to the number of houses that need to be built, with some targets against that?

Melanie Dawes: I think we can. Can I just clarify that, as Ms MacNamara said, the 1 million homes target is for the end of the Parliament, so that is a slightly faster trajectory than the one we gave the NAO last summer? That is reflected in the Report.

Q90 **Chair:** It is the end of the Parliament. The land disposals have now slipped to December 2020, haven't they?

Melanie Dawes: No, they are still for the end of the Parliament.

Q91 **Chair:** That is the public land disposals.

Melanie Dawes: Yes.



HOUSE OF COMMONS

Q92 **Chair:** And that is to the end of the Parliament.

Melanie Dawes: That is to the end of the Parliament. On the 1 million homes ambition, we shared our trajectory with the NAO last summer, and at the time we were forecasting that a reasonable trajectory was to get there by the end of 2020. Our Ministers are ambitious here, and we now want to get there by the end of the Parliament. That is a slightly faster annual rate than the one that you just mentioned—175,000 a year. It is actually slightly higher.

Q93 **Caroline Flint:** I am just quoting what you said in the paper—that 275,000 or more new homes a year are needed to keep pace with demand. I am just juxtaposing that with what we currently have on the stocks, which is 174,000 new homes a year.

Melanie Dawes: I am saying that the 174,000 will now need to be more than that to get to 1 million homes by the end of the Parliament. We have 189,000 in year 1, so we will need to exceed 200,000 in some of the years to come. That is a change in approach compared with what was in the NAO Report. Our Ministers have brought the date forward.

Q94 **Caroline Flint:** So what number of new homes are you aiming to deliver in 2017-18?

Melanie Dawes: It will be a combination of what we see from the private market and what we deliver through our own programmes.

Q95 **Chair:** So how many?

Melanie Dawes: I do not have a figure for you. I am not expecting we will be publishing a detailed trajectory for that. We will be held to account by the annual number every year, which is a national statistic and comes out in the autumn. What I can say that is that we have within that some very clear targets, particularly where we are using public money, such as on public sector land—where of course we are also using public assets and giving out grant through the affordable homes programme—and on accelerated construction, where we are putting investment in on public sector land. We are very clear about the precise numbers we are delivering in each year.

Q96 **Caroline Flint:** So when you talk about targets in each of those areas, you are talking about the number of new homes built.

Melanie Dawes: Yes.

Q97 **Caroline Flint:** Could you give me the headlines in each of those three areas you just mentioned?

Melanie Dawes: Yes. Public sector land is quite familiar to the Committee. The target is to release land towards 160,000 homes by the end of the Parliament. That is a target for the release of the land; many of those homes will be built out later, but we will be publishing detailed data on the trajectory for that, so that you can see as the homes are built. That is the first target I mentioned. The second is the one that Helen



HOUSE OF COMMONS

mentioned, which is a new target in the White Paper. The Government previously had a target of 200,000 starter homes in this Parliament—

Caroline Flint: Just give us the headlines for now.

Melanie Dawes: We are now saying that we will support 200,000 homeowners to buy a home through Government programmes—that is people with a key to the door—by the end of the Parliament, which is either a new starter home, a home for shared ownership or support through a Help to Buy mortgage.

We then have a target of up to 15,000 homes that we will deliver through the accelerated construction programme. More broadly, we have our affordable housing programme, where we hope to get 400,000 homes by the end of the spending review period, which is 2021. We will set all this out in our single departmental plan.

Q98 **Chair:** Can we be clear? Does the 400,000 include shared ownership—ones at 80% of private rent?

Melanie Dawes: Affordable rent, yes.

Q99 **Chair:** So that is all affordable. We are not talking about affordable social housing rents as they are now, necessarily; we are talking about a mix—just to be absolutely clear for the record.

Melanie Dawes: Yes.

Q100 **Caroline Flint:** It would be interesting to see—perhaps you could write to the Committee—how those different strands and the numbers add up to what the White Paper says about needing to contribute to 275,000 homes or more a year. If I heard you correctly, they may not be realised by the end of this Parliament. The plots may just be released, so it will be less.

I have two other quick points; I know other colleagues want to come in. Ms MacNamara, how are you going to ensure that homes are actually built in the places we really need them? We could have more homes but ones that are not in the right place.

Helen MacNamara: We are very focused on what we can do in high-demand areas. There are two things. One of the main proposals in the White Paper is that there could a different way of assessing the real need in a place and changing the way in which objectively assessed need is calculated. People tell us that in some places they produce a lower number and that there are lots of arguments and debates and time wasted by people in planning committees arguing about the level of need. We think that by defining better the number of homes that need to be built in a particular place based on the demand in the area, we would start getting more homes planned for in those areas through the local plan and more planning permissions through. That is one of the strongest things we are doing.

Q101 **Chair:** How would you do that? In my area, we would know very clearly what the need is, because a lot of people are in a homeless hostel and



HOUSE OF COMMONS

others are doubling up by living on someone's sofa. You can count them quite easily. What is the Department going to do that local authorities are not already doing?

Helen MacNamara: There are two things. First, are areas planning for the need they have? I appreciate that in London in particular, it is not that the need is hidden or not planned for; it is the land constraints that are an issue. But there are places that are just not planning and recognising. We think that is quite a big thing—perhaps not in very high-demand areas, but in the next places out—which should help in aggregate to bring the numbers up.

On your question about what we are doing in London in particular, and areas of extremely high demand, that comes down to us working with places— We are trying to shift our approach now—we have this national policy framework—to a very place-based approach. You will see a lot in the White Paper about the deals we want to do with different places and the way in which we can work with places to understand how we unlock that particular housing need. In lots of urban places it is about brownfield development and what we can do to encourage more density and all of those things. I know that we are working very closely with the Mayor of London as he develops his London plan to work out how we can best combine our efforts to get the supply in London and the surrounding area that we think we need.

Q102 **Caroline Flint:** The role of council planning departments came up in the last session. They have often been the poor relation within local authorities. Ms Dawes, you envisage a beefed-up role for those departments. Could you describe to me how they are going to get the resources they need to be able to provide some of the things and initiatives that you have outlined, and how they will work with developers, whether social or private?

Melanie Dawes: As you say, this is one of the areas that has actually experienced some of the largest cuts as local government finances have been reduced over the last few years. The NAO has shown that in previous Reports and it tallies with the Departments figures. That is why the Government have said that they will allow planning departments to increase their fees, which will help to bring more money into those departments.

We also have capacity funding in the Department. We have found that to be quite helpful, particularly in areas that are seriously planning for large increases in homes and have a lot of work that they need to do with developers and so on to get those homes built, as well as the early stages of planning. We have a number of means to get more money into the system and I think we need to keep that under review. The lack of capacity in local authority planning departments is often an area that developers say they think is their number one priority.

Q103 **Kwasi Kwarteng:** Obviously, representing a south-east seat as I do, the future of the green belt is something of grave public concern. How do you



HOUSE OF COMMONS

envisage the green belt developing with your bid to try to give enough supply to meet the demand?

Helen MacNamara: As I think and I hope is clear in the White Paper, we are not changing Government policy on the green belt. The policy position at the moment, as set out in the national planning policy framework, says that the green belt can be developed on only in exceptional circumstances. That absolutely remains the case. What we have done in the White Paper is describe a bit more about what those exceptional circumstances mean. A local place will really have to have done its homework and will have to have looked at all of the brownfield sites that can be used, looked at density and whether needs can be met through co-operation with local places. Only when all of that has been done, and the inspector thinks that green belt development is justified in that place and it is what a local authority wants, will green belt development go ahead. We have not made any substantial changes to green belt development policy.

Q104 **Kwasi Kwarteng:** You are essentially saying that the policy has not changed, but you have spelled out more of the exceptions?

Helen MacNamara: Yes.

Kwasi Kwarteng: Some people might think that was a change.

Q105 **Mr Bacon:** A quick follow-up on the green belt. There are very large areas of the country that have no green belt. In fact, if you search “green belt” on Google images, you get a map on which, I think, there are 14 big blobs of green. None of those are in East Anglia; I think there might be one around Cambridge, but there is certainly nothing to the east of there. We have vast amounts of land in Norfolk. Government policy is to have market towns and garden cities and garden villages. Do you see not only new garden villages but, potentially, new garden towns being used as a vehicle to take the pressure off the green belt? Looking at large areas of the country, assuming that the economic activity were there—they proved with Canary Wharf that it is possible to create a zone of high-value economic activity out of a sandbank, a tidal mud flat and an estuary—do you think that, if you could create the right conditions and economic value, you could have really quite large settlements elsewhere that would significantly reduce the pressure on the green belt?

Helen MacNamara: Yes, I agree. That is exactly the sort of thing we would like to see, but I do not think it is for central Government to decide where those places are. That is partly why we are so committed to the local planning framework. If places come together and decide, either through different boroughs, districts or countries working together, that a new settlement is the answer, we are doing things to try to make having those settlements easier. As you say, we are very open to garden villages and garden towns, and a very small percentage—13%, I think—of the country is green belt. There is a lot of land that is not developed.

Q106 **Mr Bacon:** Melanie Dawes, I would like to return to the question of the 1 million target. To what extent are you dependent upon private sector housebuilders to help you achieve that?



HOUSE OF COMMONS

Melanie Dawes: We are very dependent. They will continue to form the bulk of that house building over this Parliament. It is about all sectors pulling together.

Q107 **Mr Bacon:** Although the Bank of England keeps on revising its economic forecasts upwards and having to apologise for having got it wrong, there could be an economic downturn. There is no sign of it at the moment, but these things do happen. If there were to be an economic downturn, what would be your plan B?

Melanie Dawes: As you say, the 1 million homes target is dependent on wider changes in the economy. We have always said that, and it will continue to be correct. When you look at the range of our policies and at things like the fact that the affordable housing programme has provision for affordable rent, or things like accelerated construction where we are using the Government's own balance sheets, we do have policies in our armoury now that are more countercyclical and will help us to balance any changes in the economic situation that we might see. Putting public sector land into the system is another example. Clearly we cannot always offset any change in private sector house building—that is subject to market conditions—but I think we have a good range of things to work from.

Q108 **Mr Bacon:** You say “clearly”—an interesting assumption there—but surely the aggregate demand for housing, the long-run aggregate demand of the number of people who want a roof over their head, is intimately and fundamentally related to the number of people. There are other issues—the degree to which access to housing market is financialised and so on—but at the end of the day the most fundamental driver of the demand for a roof over people's heads is the number of people. We have seen the number of people go up: in 2004 it was 60.0 million; and now it is 65.3 million. It has gone up over 5 million since 2004. Other things being equal, we would expect the aggregate long-run demand for roofs over people's head to be commensurately higher, and that is before we get into single-person household formation, divorce and all the rest of it. So even if there were an economic downturn, would not the long-run aggregate demand for people to have a roof over their head stay the same?

Melanie Dawes: It would, yes.

Q109 **Mr Bacon:** Why then is it clear—to use your word, because you said “clearly”—that you just have to sit back and let the economic downturn happen and not be able to do anything about it?

Melanie Dawes: I do not think that we would sit back, but we cannot get away from the fact that the private sector house builders operate off a model that is very responsive to the economic cycle. They need—

Q110 **Mr Bacon:** Yes, but the model is broken—that is Government policy, that the model is broken, which is why we are talking about potential new models, isn't it?

Melanie Dawes: Yes, and our challenge over the longer term is to bring other business models into play so that we are not as dependent on that



HOUSE OF COMMONS

very cyclical model of the big house builders. They are the only ones left in the market.

Q111 **Mr Bacon:** You mean like larger numbers of service plots, for example.

Melanie Dawes: Precisely. What I am saying when I use “clearly”, what I was meaning, is that in the short term if we have a period of a few years when some of that house building stalls, there will be things we can do. We can use our balance sheet—we are already loaning to private developers to reduce the overall cost to them, to reduce the risk, and that is already helping and making the market more resilient—but there will be a limit to what we can do to stop every site from slowing down. But we will not be sitting back and putting our feet up. We have a very wide range of tools now to be intervening with, working out what is going on and seeing whether it is financing, our housing infrastructure fund or housing associations that can be brought into play. We have a wide range of tools to be able to be quite active, but we will always have to accept that if the market moves we are likely to see some short-term impacts. Our challenge is to change that market over the longer term.

Q112 **Mr Bacon:** I have one more question on your tools, then Mr Kwarteng wants to come in. The expert group in the Netherlands achieved a doubling of self-build and custom house building inside three years. If we were building pro rata the number of units that are being built in the Netherlands now, do you know how many we would be building?

Melanie Dawes: I do not have that figure—

Q113 **Mr Bacon:** It would be about 60,000 units which, I think you will agree, on 174,000 is quite significant additionality—and it would be almost entirely additional. Obviously you did not know the number yourself, but do you think that that is understood inside Government?

Melanie Dawes: We are very enthusiastic about self-build, custom build and generally introducing as many new players and new methods into the market as we can. I disagree, by the way, with what I think Lord Porter said earlier, that he thought people would always choose a traditional method of construction. I do not think we know. We have not tried it before. I would love to be pleased and to see this market grow very rapidly. That I think is a question: how fast can it grow?

Q114 **Mr Bacon:** I do not think that Lord Porter has actually called himself a dinosaur, but I do not think that he would necessarily object to that description. He has very traditional views. Certainly in the Netherlands they build using system houses frequently, and there is not a lack of demand. In fact, because of the thermal properties, you actually get much better value for money.

Melanie Dawes: It depends where you are building. I was in Bicester last week and saw the broad array of homes that people are planning for their self-build sites, which are, as I am sure you know, getting up and running, including homes made from hemp. The variety and ingenuity of the British public is going to be brought to bear on some of these sites in the near future, and it is going to be very interesting to see how far we can push it.



HOUSE OF COMMONS

Chair: I am aware of the time. We have quite a lot of ground to cover, so I urge colleagues to ask brief questions and the panel to be a little briefer. You do not need to tell us what is in the White Paper or the NAO Report, because we know that bit. If you could answer questions briefly, it would be helpful.

Q115 **Kwasi Kwarteng:** Could you remind the Committee to what extent you do forward modelling in terms of demand?

Melanie Dawes: We have a housing model in the Department. We are able to forecast demand a number of decades ahead. Of course, the further forward you look, the more those are estimates, projections and ranges. We also forecast and project rates of house building in different sectors.

Q116 **Kwasi Kwarteng:** Over decades?

Melanie Dawes: Yes, but that inevitably depends on quite neutral economic assumptions, so as the economy changes, you will see some variation.

Q117 **Kwasi Kwarteng:** Presumably you have flexed models as well, and different scenarios.

Melanie Dawes: Yes, we do.

Q118 **Chair:** I talked earlier about the number of initiatives and programmes you have. You have shared ownership, affordable homes and starter homes just to start with. All these different programmes amount to about £9 billion—well, by just 2012 you were spending about £9 billion of taxpayers' money on those initiatives. That is just boosting demand for home ownership. Isn't it a bit counterproductive? It is potentially putting prices up. Wouldn't it be better to spend that money on boosting supply?

Melanie Dawes: You are talking mainly about Help to Buy.

Q119 **Chair:** Well, support for shared ownership, too. A lot of these are subsidised, or money is going in from the taxpayer to support these schemes for ownership.

Melanie Dawes: On Help to Buy first, we introduced it recognising the problem of affordability of deposits for a number of homeowners, and—

Q120 **Chair:** We know what it was for, but what is interesting is that we suddenly saw in places like my constituency prices come in at just a little bit below the threshold. It actually increased prices in some areas.

Melanie Dawes: We did an evaluation of this, which was published about this time last year, and it showed that 43% of the homes that are sold under Help to Buy are in fact additional housing supply, and there hasn't yet been any evidence of any impact on house prices. But we need to keep this under review, certainly as we think about the future of the programme into the next Parliament.

Q121 **Chair:** Because once you have them, they are there for a long time. You



HOUSE OF COMMONS

do not agree, then, with the premise that boosting home ownership is actually just increasing prices and it would have been better to spend that money supplying more homes and reducing prices through the market.

Melanie Dawes: There is a clear value for money case for Help to Buy. We obviously paid significant attention to that a year ago when we extended Help to Buy to 40% in London. That comes from the impact on house building, but of course the Government are also taking an equity stake in the housing. It is not like a grant, which is a one-off payment; we expect that we are actually going to get a return eventually, when that home is sold. We now have an array of these financial instruments, and they have different value for money cases.

Q122 **Chair:** Have you projected that rate of return and what you are going to do with it?

Melanie Dawes: The rate of return depends on prices, ultimately. We have projected, with the Treasury, what our financial flows are, and that depends on the rate of return. We do not get that return until the home is sold.

Q123 **Chair:** Absolutely, but you must have some projections. There are plenty of people out there projecting house price increases.

Melanie Dawes: We do have projections and assumptions, but we do not have targets, in the sense that we are not necessarily trying to make people sell their home at a certain time.

Q124 **Chair:** No, I'm not suggesting targets. When that money comes back, does it go to DCLG or does it go back to the Exchequer?

Melanie Dawes: It is factored into our budget. Our budget is a resource DEL budget, which factors in the outlays and then, towards the end of the period, starts to factor in some assumptions. We keep that under review with the Treasury.

Q125 **Chair:** Helen MacNamara, what impact do you see of removing this mandatory requirement for larger housing developments to be at least 20% starter homes?

Helen MacNamara: There was a deliberate change in policy on starter homes. As you said, the original policy was a mandatory requirement. It was national. For every site over 10 homes, 20% were to be starter homes, as set out in the legislation. What people were saying to us was that that in itself, applied everywhere, could be counterproductive for supply, so Ministers asked us to reconsider and look at different options. We are still committed to starter homes as a product, and we hope that there will be starter homes, but we have moved away from it being a mandatory national product that is going to be delivered on every site. There is more flexibility. When we republish the national planning policy framework in the summer, there will hopefully be a 10% requirement for affordable home ownership on sites, rather than for starter homes, but that is all in policy rather than in law.



HOUSE OF COMMONS

Q126 **Chair:** Can I just go back to the issue of Help to Buy equity loans? Your own research, which I think you just referred to, shows that most people who received that loan would have bought a home anyway—they would just have struggled more to do that—and that they used the loan to buy a bigger property or to move to a better area or a more expensive area than they might otherwise have done. Do you think that is the best use of taxpayers' money?

Melanie Dawes: In the end, when you factor in the additional supply that we think was generated because people were able to buy homes that they would not otherwise have been able to afford, it does stack up quite clearly as value for money. As you say, the evaluation did point to the fact that some people bought a bigger home, but in some cases they might not have been able to buy that smaller home. In some cases they may have had a baby and needed an extra bedroom, so the fact that they could have bought a studio flat would not necessarily have helped them. That is an important point to bring out in the evaluation result.

Q127 **Chair:** We will look at that again. Earlier, you were talking about the net additions. You said that it had gone up per year, that you were trying to meet the target earlier and that you were going to be producing 189,000 a year to the end of this Parliament—I think I have the figures right there. How big is the gap going to be each year against demand? I think demand is 277,000. Are we right that that is the gap?

Melanie Dawes: Yes, and I was saying to Ms Flint earlier that Ministers want us to get there earlier—by the end of the Parliament—so we are going to have a higher run rate now. That is set out in the NAO Report.

Q128 **Chair:** The gap is between 189,000 and 277,000.

Melanie Dawes: Yes. What the Government are not saying is that they have a target to get those figures significantly above 200,000 in the next few years. What we think we can achieve is a million homes by the end of the Parliament, which is in itself a significantly higher figure.

Q129 **Chair:** But the White Paper is wanting to push things forward. Is the ultimate ambition just to make sure that you are supplying enough homes to meet that demand?

Melanie Dawes: Yes, that is the ultimate aim.

Q130 **Chair:** When by?

Melanie Dawes: The Government have not set out a target for that. They are setting out clearly the imperative to act—

Q131 **Chair:** You have said that. So there is no target. So by the end of this Parliament, it will still be 189,000 and the projected demand is about 277,000, give or take. Mr Kwarteng asked you about the longer term projections. At which point are the lines going to meet?

Melanie Dawes: We can't say exactly at which point they will meet.

Q132 **Chair:** If they don't meet at some point, this problem will never resolve



itself. That is my point.

Melanie Dawes: It will continue as it has done for decades, I agree, and that will show itself primarily in affordability and in some places in homelessness. I am simply being honest with you. For something on this scale and of this magnitude, we do not have some neat line that tells us when those paths will cross.

Q133 **Chair:** I don't think any of us would expect the line necessarily to be neat; there are a lot of variables. There is a raft of initiatives and taxpayers' money is going in—I named some of the initiatives on ownership and we talked about housing benefit earlier. There is a lot of taxpayers' money going into the system, as well as the private market, yet there isn't really a plan to meet demand. That is basically what you are saying.

Melanie Dawes: Where we are putting public sector money in, we are clear what we are achieving for it, but more generally, this is about a large part of the economy. We think we can make a significant difference with the measures in the White Paper, but in some cases we are opening the conversation, for example about how far we can assess need in a way that more accurately reflects what is going on in local housing markets. We are opening that conversation. Depending on how far we end up going, that will drive significantly higher planned numbers.

Q134 **Chair:** But given what Ms MacNamara was saying earlier about some councils being a little reluctant to acknowledge the need in their area, the figure could go up, if you get your new metrics right. Even if the gap shrinks, it is still a gap—there will still be a problem of supply and therefore a problem of affordability and availability. You have a responsibility as permanent secretary at DCLG for the stewardship of the wider housing market, not just of where the taxpayers' money goes. It worries me that there isn't even a long-range plan. Even if it is a 20-year plan, that might not be ideal, but we recognise where you are starting from after various Governments' approaches. Is there no point somewhere in the future where you see those lines joining up?

Melanie Dawes: We haven't set a target or an agreed trajectory beyond the next few years. I think such a trajectory would be dependent on so many assumptions that it would be very notional at this stage. I accept the challenge that, particularly in the shorter term, we need to be clear about exactly what we will be delivering and by when. We will be saying more about that quite soon, I hope, in our single Departmental plan. Over the longer term, it is rather like forecasting the economy. In the end, we can do modelling, we can do estimates—

Kwasi Kwarteng: Of course, the Treasury tried to do that last year.

Melanie Dawes: It is inevitably subject to uncertainty, and it depends on the assumptions that you make. We have not got those trajectories beyond 2020.

Q135 **Chair:** In the middle of all of this are, of course, poor people who are



HOUSE OF COMMONS

living in homelessness accommodation or are trying to get a home and cannot afford it and are living with mum and dad. We know the human cost of this.

Melanie Dawes: We do.

Chair: Given the ambitions in the White Paper, not to have a plan seems a bit of a void. I will ask Richard Bacon to pick that up.

Q136 **Mr Bacon:** I would like to ask specifically about the home building fund—this £3 billion pot that I think amalgamates a series of different funding streams that were previously around, and adds to them. How much of it have you spent so far?

Melanie Dawes: I don't have the precise figure in front of me. Its launch was slightly delayed as we considered our policy through the autumn. We have re-profiled some of that with the Treasury, but it is now active and open for business. In fact, I know that the HCA has allocated quite a lot of funding, particularly to smaller business. That is where there has been particularly high demand over the last few months.

Mr Bacon: Helen MacNamara, you look poised.

Helen MacNamara: I have found the relevant piece of paper. There are two elements of the home building fund: there is the £1 billion of short-term loans for small businesses and there is the £2 billion that is mainly about infrastructure. Against the £1 billion, 8,000 starts have been delivered. As you say, some of this is wrapping-in previous programmes.

Q137 **Mr Bacon:** That is individual housing starts?

Helen MacNamara: That is individual housing starts, yes.

Q138 **Chair:** Could you just repeat the figures?

Helen MacNamara: The home building fund is made up of two elements. One is the £1 billion short-term loan fund, which is to be delivered by the end of this Parliament. The other is a £2 billion fund, which is available for infrastructure over the longer term.

Q139 **Chair:** To be clear, did you say £1 billion and £2 million?

Helen MacNamara: £1 billion and £2 billion. Apologies; I shall slow down. On the £1 billion, the target there is to deliver 25,000 starts by the end of the Parliament; we have delivered 8,000 so far.

Q140 **Mr Bacon:** Does that make you on track?

Helen MacNamara: Yes.

Q141 **Mr Bacon:** Are you measuring that in such way as you hope to be able to see at any point in time whether you are on track, behind or ahead?

Helen MacNamara: Yes and, if I am honest, we have had an overwhelming response to the home building fund since we opened the prospectus. The demand is clearly there from the small and medium



HOUSE OF COMMONS

builders, in particular. We are very encouraged by what we have seen so far.

Q142 Mr Bacon: I was speaking at a conference in Bristol, and somebody from the HCA was speaking on the fund. They said that they had had over 300 expressions of interest. How many of those have you now managed to process and award as a result? They obviously were not all of equal quality, I am sure, and some were probably sent back for revisiting. How many have you actually awarded?

Helen MacNamara: I am afraid I do not have that figure in front of me, but I can give it to you. All I would say on the quality issue is that one of the things that the Homes and Communities Agency is doing is working very hard with applicants who are not used to applying for these kind of grants—that is partly the reason why they don't get access to them anyway—to make sure that, when the application comes in, it is a really good one. There is a bit of a pre-application process, too, which the HCA is doing, especially in the regions, to support builders. It is going out there and trying to find people to apply to.

Q143 Mr Bacon: The Government's new industrial strategy flags up the lack of alignment between planning and housing as a barrier to international competitiveness. Do you know how often planning permission has been refused because of infrastructure issues like that?

Helen MacNamara: I am afraid I don't have the exact figure for how often planning permissions have been refused.

Q144 Mr Bacon: Is it something that you track, or are minded to track? If we are going to get the economy growing, particularly post-Brexit when we will be reaching out more than ever before, we need to make sure that this is a country and an economy that is match-fit in every respect. KPMG said not that long ago that it recognised that housing was a major issue for it because of its employees in London. The same will apply to many big businesses and, indeed, to SMEs. Is that not something you should be measuring?

Helen MacNamara: One of the things that I am quite excited about in the White Paper, but which is probably not very headline, is the amount we are trying to do to increase the amount of data we have and to improve the transparency in the system. We will be able to see more, how planning permissions are working, which places are turning them down and all of the individual bits of data that we think will help us not only to design better policy in Government but to create a bit more transparency in local places.

Q145 Mr Bacon: It is not just about data, is it—it is about intelligence. You can have any amount of data. You are talking about processed data, aren't you?

Helen MacNamara: I am talking about the fact that planning is quite a data-poor environment, in terms of being able to actually see what is happening in our policy making.



HOUSE OF COMMONS

Q146 **Mr Bacon:** That is slightly extraordinary, don't you think? **Helen MacNamara:** I do, yes.

Q147 **Mr Bacon:** Does the Department have a bespoke plan for changing and transforming that once and for all, so that you have a data-rich environment and you can make better decisions?

Helen MacNamara: We have already taken steps in the Neighbourhood Planning Bill to create some transparency. You will see that one of the announcements we made in the White Paper was about transparency in the Land Registry, and the completion of the Land Registry. We think that is enormously powerful.

In the Department, yes, we are working on what kind of open data would really make a difference to drive supply. It is not always easy to demonstrate that as something that will really make a difference, but I am quite passionate about open data and transparency and think it could unlock significant change.

Q148 **Mr Bacon:** Thank you. Melanie Dawes, on the last occasion we took evidence on the land disposals programme, the Department had disposed of only 7% of the targets, leaving land for another roughly 149,000 homes to be sold by April 2020. There has been some improvement, but it has not been very substantial. Can you say why the programme is not moving forward a bit faster, given that we are now nearly at the halfway point?

Melanie Dawes: We are making progress. It was always going to be a back-end loaded programme. Like the last one, we will expect to see most of the land release in the final years of the Parliament. We discussed this earlier, and I confirmed that actually in the past few months we have seen the number of high-risk sites significantly reduced. It is now down to a third of the sites that remain to be sold that are high risk.

It has come down still further since the figures we published on Monday. That is our latest estimate. It is a challenging programme. It is challenging for Departments to find the remaining land and achieving the disposals is going to require an awful lot of hard work. We are really putting our back into this. I described earlier some of the steps we are taking.

Q149 **Chair:** While we are on this subject, there are no figures available for the individual sites and what they were sold for. Why is that? Ms MacNamara just gave a eulogy to open data and transparency, which we would applaud. So why are they not there?

Melanie Dawes: I am happy to come back to you on that. I thought we had released some of the data, but I will check and come back to you.

Chair: If you could, please. Mr Bacon, I'm sorry I interrupted.

Mr Bacon: I'm done for the time being. I think Caroline Flint had a question.

Q150 **Caroline Flint:** On council house sales, we all know how popular right to buy was when it was first introduced, but one of the concerns about why



HOUSE OF COMMONS

the market is broken is that there was not a replenishment of the social housing stock as houses were sold. I understand, Ms Dawes, that to replace the number of council homes that you currently sell under right to buy you need to increase the rate of construction fivefold. We reported the last time on this about a year ago. What progress have you made since then?

Melanie Dawes: The latest figures that we have, which are for the three months to September 2016, show an increase in the rate of replacement. We remain on track to meet our commitment to replace one for one homes sold since the right to buy was reinvigorated in 2012. You are right that we will need to see an acceleration yet further.

Q151 **Caroline Flint:** How far behind the fivefold construction rate are you?

Melanie Dawes: We aren't actually behind yet. There are three years that local authorities have to replace the homes and so far they have been meeting those numbers.

Q152 **Caroline Flint:** So, do you feel you are on track?

Melanie Dawes: We are on track so far, but to remain on track we are going to need to see an acceleration in the rate of council replacements. It is certainly true that, in some areas, councils do not get high enough sales proceeds to meet the cost of new homes. In other areas, they have enough money, but they are caught by the HRA borrowing cap.

Q153 **Caroline Flint:** What are you going to do about that?

Melanie Dawes: We are talking to them. In particular for those caught by the HRA cap and some of the cost issues, our backstop has always been that after three years they have to return the money to the Homes and Communities Agency, which has a good track record of building new affordable homes.

We want these homes to be replaced as far as possible by the councils themselves in the areas that they prioritise, but in the end, the commitment is for an overall national number, so our backstop is to bring the money into the HCA. We are talking to councils about how we can make that something that they do quicker, when they know that they are just not going to be able to build the homes, rather than wait until the end of the period.

Q154 **Caroline Flint:** But you are confident that you are going to meet this target.

Melanie Dawes: It is challenging and is going to require an acceleration. In the end, the HRA borrowing caps are a constraint for some councils but to relax those caps would be a decision for the Treasury and it does have fiscal consequences. It has to be weighed in the round against other policy priorities across Government.

Q155 **Chair:** Have you resolved the knotty issue affecting some areas? Our colleague in Torbay has no council housing because it was all transferred to a housing association. There will be some areas with council housing



HOUSE OF COMMONS

having to sell to subsidise areas where sales are made where there are only housing association properties.

Melanie Dawes: Are you talking about the sale of high-value assets?

Q156 **Chair:** The sale of high-value council housing to pay for housing association right to buy.

Melanie Dawes: Yes, well, that is a separate policy again. We have not been asking for any payments from local government yet, certainly not during 2017-18. Ministers will say more about how we are going to take that forward in due course. It is still under discussion.

Q157 **Chair:** Hopefully, they are listening to these concerns. Ministers are still considering exactly how the policy will be implemented. That is slightly heartening news. The last time we saw you, if you remember, we were quite concerned about how that was going to work.

I want to point to the summary on page 7, paragraph 9, which neatly defines the inequalities—possibly generational, but I won't get you to speculate on that. "For existing homeowners, housing has become more affordable in recent years, but for first-time buyers it has become less affordable."

Unless you already own your home, housing is becoming an unaffordable challenge, especially in London. Have you thought in the round about the impact of all these policies on affordability? You talked about the wider economic issues. A stable home that you can afford to pay for out of the money that you earn gives you a stepping stone to the rest of life.

If you are worrying about where you are going to be living—private rented or you can't afford to buy you own home—that has an effect. So people move out of the city and commute or relocate or they have a double household. All those things have an impact on people. Have you looked at what the impact is on affordability? Supply is part of it but we know from your previous answer that that is not the only thing, and we have no target for matching supply to demand.

Melanie Dawes: On the issues raised in paragraph 9, the Help to Buy equity loans are specifically targeted at that group, where the deposit is particularly the problem, so it is about getting round that particular constraint.

More generally, the answer is to increase supply. In the White Paper, and in the spending commitments we announced in the autumn, we are much broader in the approach to different tenures. This is partly about having more private rented sector accommodation available as well. Good, new, strong tenure, decent home, private rented sector homes are a big part of our strategy as well as homes for affordable rent or buy.

Q158 **Chair:** It is interesting. My area is in London, so I recognise this is not the experience of all Committee members. There is a lot of supply. In fact, the previous Mayor of London proudly boasted of his supply, but a lot of them are sold off-plan over a weekend to people in Hong Kong or Dubai,



HOUSE OF COMMONS

who are cash buyers.

The time you have from buying off-plan to the 28 days, which are often to get a mortgage, causes real problems for local ordinary people, who have to drag through the normal banking system, but if you have cash you can afford them.

Supply and affordability do not necessarily go hand in hand if that developer is targeting a particular audience. That is a big problem, so is that something you have looked at? Maybe I am in my little bubble near the Olympic site and all the rest of it, but it is a huge issue in areas such as mine.

Melanie Dawes: To be honest, I think it is partly a London problem. I live in Lambeth and certainly have some of the same experience locally. In the end, the Government's approach here is to have local authorities in the driving seat about the kind of homes they want to see built in their areas.

Q159 **Chair:** Except that there is a limit to how many affordable homes you can get on a site. My borough, which is building 3,000 new homes over the next few years, has to have half of them for private sale to cross-subsidise the ones they are building for low-cost rent. They are having to milk the high-end market in order to pay for people who are on average and low incomes to have homes.

Melanie Dawes: Also, in the end, developments such as those in Nine Elms are bringing in private capital. Land is expensive in those areas, so inevitably the resulting homes are going to be expensive, but that is bringing private capital to unlock affordable housing that would not otherwise have been built and unlock developments such as Battersea power station, the building of a new tube station and so on. Sometimes, it is hard for people to see those homes and sometimes see them not occupied, to be honest, but also to see that they are beyond the reach of local people, but the wider economic benefit is also a factor to weigh in.

Q160 **Mr Bacon:** You make it sound as if you're saying, "Thank goodness there is all this extra private capital coming in from overseas, otherwise, because they are so expensive, people wouldn't be able to afford them." Whereas in fact, surely, it is this wall of money from overseas that has precisely driven up the prices. Immediately after the Brexit referendum, there was an item on the radio saying, "Singapore banks have decided not to lend money to Singaporeans to buy flats off-plan in London." I don't know anybody in the UK who was particularly worried about that, but there has been a wall of money, which has been part of the problem, hasn't there?

Chair: It is fuelling house prices.

Melanie Dawes: This is an issue that we have sometimes debated quite hotly in the Department, to be honest. It is about a trade-off. I am not sure that Nine Elms and Battersea power station would have been developed, because for many years that area had gone undeveloped, but now it is seeing housing growth, a number of benefits for local people and quite a lot of affordable housing being built on the back of that



HOUSE OF COMMONS

development. The transport investment in London is also bringing areas outside London, or on its margins, into genuinely reasonable commuting distance.

Q161 **Chair:** So the poor live and commute, and the wealthy foreigners buy in central London.

Melanie Dawes: Very central London is certainly beyond the reach of people, but that has always been the case. On the edges of London, and because of Crossrail in particular, there will be really good opportunities for housing in new neighbourhoods that are not an hour or an hour and a half away from central London, but 20 minutes or so. That is part of the wider picture.

Q162 **Kwasi Kwarteng:** You are talking about my constituency, and already the market is anticipating what you are saying, because there is huge demand. If you look at house prices since 2010, I would pretty much bet that house price appreciation outside London in the south-east has been more than in London in many instances. It is pretty even, and certainly in places like Staines you are seeing this already. What you are saying is exactly right. There is a new development, and half the flats are bought by what my colleagues have described as a wall of money from outside Britain.

Melanie Dawes: I am certainly not saying that there is enough house building going on to meet the demand, particularly in London and the south-east, but the transport investment in London is unlocking housing opportunities and helping to facilitate the building of new homes that we need, given the number of people living in the capital and around it.

Q163 **Caroline Flint:** But don't you see that the problem with this is that the amount of money that is going on transport in London is absolutely dwarfing the transport investment elsewhere in the country, and therefore we cannot build up the communities, the jobs with them and the homes elsewhere that could help to rebalance our economy? I am not against London being successful, but there is a point at which it is just a pressure cooker that is feeding this tiger. Do you not have any worries that all you are doing is replicating the problem that we have got, and that this is not going to fix the broken housing market?

Melanie Dawes: We are now getting into quite big policy questions about the country as a whole, although that does tend to happen when you talk about housing.

Caroline Flint: You raised transport.

Melanie Dawes: I did, and I am always happy to open the question up rather than close it down, but that is what the industrial strategy is setting out as the problem: the need to develop and grow other parts of the economy more successfully than we have achieved in the past, while also recognising that London has been growing at a very great rate and has got particular pressures in terms of population growth and the lack of affordability that we cannot and should not ignore in the short term.



HOUSE OF COMMONS

Q164 Chair: You are right to say that we are on the line of policy, but you are responsible overall for the functioning of the housing market, and the dysfunction of that market has a net negative effect. I visited an excellent central foundation school in Old Street, just outside my constituency. Of 110 staff, 10 are able to live locally, of whom three are teachers. Most of the teachers at another school, Bridge Academy, commute in from Essex to Liverpool Street, and then go up on a bus because teachers can no longer afford housing. That is just one group, and we could take nurses and so on. Some people need to live near to where they are working, so what conversations do you have across government about how you can make the solutions to ensure that the other sectors work?

Melanie Dawes: We have conversations across government and of course with the Mayor and the boroughs in London. Housing is of course devolved and I should be clear that the Homes and Communities Agency does not operate in London. We have had those conversations and we are putting money into affordable housing in London, for example. In the end, I come back to our White Paper, and the fact that we do acknowledge that the country has got to build a lot more homes than we have been building for the last few decades. Most of the overseas is London, but it is not just in London.

Q165 Chair: It is no good if they are sold overseas. I cannot let the bit about affordable housing go. The recommendation of course is that affordable housing is 80% of private sector rents. If you look at some of the awful examples of £1.5 million shared ownership properties, which are okay for four sharers on £70,000 a year—that was a real example in my constituency: starter homes are for families earning less than £80,000 a year. Is that really “affordable”? Who are affordable housing policies being aimed at? If you are working on the living wage, doing a valuable job, working in a shop or as a chef, or in a restaurant—these are important jobs for any city—you could not afford to pay rents, or buy a property, at those sorts of rates.

Helen MacNamara: You are absolutely right that affordability is one of the things that has driven us to ask these questions about housing supply overall. The problem in London is particularly acute, but it is not just a London problem. One of the things if you look at the beginning of the White Paper—we have got a map, and it shows you all the different places in the country where affordability ratios are really high. What I would say is that this is partly why we need to focus on those areas that have not been building enough. Some of that is about pent-up demand, and some of it is about demand being there and the supply just not meeting it and matching it early enough, which is why I come back to our proposals about having the need of the area a bit clearer, so people can plan for enough houses.

Q166 Chair: You have given a good discussion; you have talked about transparency, data and need. Going back to my earlier point, the fact is that there is a demand and a supply—two lines; and you have no idea when those lines will cross, and when people can genuinely afford to rent



HOUSE OF COMMONS

or buy a home, except on these rather false constructed figures. We are straying a bit into policy, but when you measure affordability, as officials giving advice to Ministers, do you actually look at income levels, what you need to live on, and whether you can actually afford bills? I now routinely send out questionnaires to tenants who contact me, asking not just what their rent is but what their other living costs are, and it is shocking to see how people on really quite good jobs, even in social housing, find it very difficult to make ends meet, and are finishing the month on the nail or even slightly under. Do you do that analysis when you are advising Ministers about housing policy and the knock-on effects?

Melanie Dawes: Yes, we do. We do have analysis of household incomes across the country, and which of our affordable housing products are going to help which groups of people. So we know, for example, that starter homes will significantly help people who cannot get on to the housing ladder outside London. I think bringing the figures for those who cannot afford a home down from—I am not sure I have that figure at my fingertips—

Chair: An income of £80,000 a year was one.

Melanie Dawes: The answer is yes, we do that analysis. In London we do believe that affordable rent is still a big part of the answer.

Q167 **Chair:** So 80% of the private rent?

Melanie Dawes: Yes, although 65% is still the average and still the norm in London for social rents; and in fact a lot of the building that is going on is at rates lower than 80%. Housing associations and councils are often delivering a mix, some of which is at 80% and some of which is actually lower than that, and some of which is actually closer to a market rent and slightly higher.

Q168 **Mr Bacon:** I wanted to return briefly to self-build and custom house building. We have covered quite a lot of it already; but the Community Self Build Agency in Bristol, which helps people—sometimes ex-military personnel who have fallen on hard times, unemployed people and so on—has done a lot of very innovative work. The front page of its website says this: “I was encouraged by the local council to apply for the CSBA Scheme, I rang them and said; ‘I am disabled, unemployed, on benefits and I know nothing of building.’ They said; ‘You fit all the criteria!’ I have never looked back.”

Do you think that, assuming that the business case were strong enough, there is scope for innovative bids to come forward for some of them? I am thinking particularly of the £3 billion home building fund. They might include an element—so this is therefore partly a question to Mr Schofield as well—of people whom one might broadly categorise as having been marginalised in some way or another, who have a clear statutory entitlement to housing benefit; and then, for a period, although perhaps not for ever, allowing, and committing to allowing, that revenue stream from housing benefit to contribute towards a project for a small number of years, as part of bringing forward a project that would be a mixed



HOUSE OF COMMONS

scheme?

That might reach a range of objectives, including some social goals that might not otherwise be met, if the scheme had a strong enough business case and was sound looking in other respects. Do you think there is scope within the home building fund to bring forward those sorts of bid?

Helen MacNamara: Our hope is that we can use the home building fund to pick up precisely those kind of innovative and creative ideas. Absolutely, there is scope now.

Mr Bacon: Good. Thank you.

Q169 **Caroline Flint:** I want to touch on some of the concerns about homelessness and dealing with it. Why have local authorities' real-terms expenditure on housing the homeless in temporary accommodation increased by 46% since 2010-11?

Melanie Dawes: We have seen a rise in homelessness, particularly in London and the south-east, over the past few years. The overall number of statutory homelessness acceptances is still lower than its peak, but we have seen an increase in recent years, as well as an increase in rough sleeping. That is reflected in the cost for local authorities, particularly the London boroughs, of temporary accommodation.

Q170 **Caroline Flint:** There has been some concern that the changes to local housing allowance, which we touched on, have contributed to that increase in spending. This question is to Mr Schofield as well. I read somewhere that there is evidence that this is not the case, but could you tell me how you have looked to see if there is a correlation between the changes to local housing allowance and the increase in expenditure for local authorities?

Peter Schofield: Yes. It is referred to in paragraph 2.24 of the Report. It refers to some evaluation we have done of the original set of LHA reforms, but this is something we keep reviewing. As I said in answer to a previous question, we look at local housing markets on a very regular basis. That is partly how we allocate targeted affordability funding, which enables us to flex the local housing allowance in particular areas where this is an extreme problem.

As paragraph 2.24 says, we did not at the time find the link that you are referring to. We found a lot of other changes. We found that benefit recipients are more likely to look for work. But as I say, we keep this under review. Our two main initiatives to help people adjust are partly related to the targeted affordability funding that I described earlier and partly related to the allocation of discretionary housing payments that we talked about earlier, which total, over the next five years, something like £870 million.

Q171 **Caroline Flint:** Paragraph 2.24 also says: "The Department for Communities and Local Government has borne some of this cost by increasing the subsidies it pays councils to manage such temporary tenancies." This goes back to an issue picked up earlier about how



HOUSE OF COMMONS

different Departments are working together to make sure you don't rob Peter to pay Paul and end up having to pick up the pieces elsewhere. Ms Dawes, in what ways do you think some of these difficulties in co-ordinating across Departments could be improved? Do you have any ideas for how you would do it differently, if you had a magic wand? Are there enough checks and balances to stop either Treasury or DWP going off helter-skelter and creating policies that cause problems for you?

Melanie Dawes: We seek to work very closely together. As I said, the common analytical framework of the Green Book and the way the fiscal forecasts are done binds us all into the same way of looking at analysis and costing policies. We have very good working relationships with DWP, and we have a number of ministerial groups that also allow those discussions to be aired. When it comes to decisions made, for example, in the Budget, the Treasury or DWP—usually both—will make sure that other Departments that are affected are consulted. That does happen. We have the opportunity to air any debates and other views that need to get on the table.

Q172 **Caroline Flint:** Before the Chancellor announced the 1% annual reduction in rents that housing associations and local authorities could charge, did your Department advise the Treasury that that was likely to reduce the number of new homes they could build?

Melanie Dawes: We certainly fed into the discussions. We fed in a full analysis of potential impacts on—

Q173 **Caroline Flint:** Did you give advice that it could impact on the number of new homes that could be built?

Melanie Dawes: You would not expect me to share our specific advice, but I can confirm that we were involved and that we did feed into the analysis.

Peter Schofield: We issued an impact assessment on that change in September 2015.

Q174 **Caroline Flint:** Ms MacNamara, do you agree with the Chartered Institute of Public Finance and Accountancy analysis, which suggests that as a result of the rent reductions, councils will not have the cash to build any new homes between 2017-18 and 2028-29?

Helen MacNamara: No, we do not agree with that analysis, although we can understand why they have come to that point of view. There is still headroom in the housing revenue accounts that councils could borrow against. There are places. I was up in Newcastle last week and they are doing some fantastic development in a joint venture with a housing developer where they have put their land in, so it is not quite as simple as the rent reduction therefore leading to councils not being able to build. There are many things that they can do.

Q175 **Caroline Flint:** The White Paper does not lift the borrowing cap on local authorities. Do you think that could be reconsidered in the light of the consultation on the White Paper?



HOUSE OF COMMONS

Helen MacNamara: I would be surprised if we came to the conclusion that we would lift the cap across the piece. There is an interesting conversation to be had with places in particular areas of high demand, where we as Government have to think about how we can use the products that we have to support local councils to build. The White Paper is very clear that we are supportive of supply wherever it comes from and we are supportive of local councils doing their own development.

Q176 **Caroline Flint:** Finally, as of March 2016, there were 71,500 homeless families in temporary accommodation. What is the figure today? We have the new Homelessness Reduction Bill making its way through Parliament. What effect do you think that Bill will have on those numbers?

Helen MacNamara: I don't know if I have the exact figure on how many people are in temporary accommodation right now. Obviously, it is a large number, which is problematic for a number of reasons. It is expensive, as you say, and it is not ideal at all for those people. I'm sorry, I've lost the thread of your question.

Q177 **Caroline Flint:** The Department obviously supports the Homelessness Reduction Bill. I am trying to understand what the Bill's measures will do to impact on the figure I quoted earlier, which may be higher now.

Helen MacNamara: Well, we hope that Mr Blackman's Bill helps to focus intervention further up the chain so that families do not actually become statutorily homeless and have to be put into temporary accommodation. Temporary accommodation is an important safety net, but it is not the outcome that we are aiming for. We hope that as a result of Mr Blackman's Bill and the other things that the Department is doing to try to work with local authorities, either through the funding that we give them in the settlement or through the pathfinder and trailblazer projects that we have got going on, we will be able to give local authorities the freedom and flexibility to intervene before somebody is at risk of becoming homeless. One of the main things in Mr Blackman's Bill is to expand the timeline that people have to be concerned about when someone is going to become homeless, and that is all about trying to intervene further up the chain.

There are really interesting things that we are learning from the pathfinder work where councils are choosing to go out into the community, find people in the private rented sector who are becoming vulnerable, and getting in earlier to address their problems. They are not always housing problems. Sometimes people have mental health problems or problems with their employment. Councils will be able to be more flexible about how they use their various interventions to stop people getting to that extreme crisis point and becoming statutorily homeless.

Chair: There are a lot of people at that extreme crisis point. Although I do not doubt that what you say is true in some places, some of it is simply because rents are too high and housing benefit, especially with the local housing allowance, will not cover them. I do not usually allow anecdotes here, but at my surgery on Monday two women came to see me. They had



HOUSE OF COMMONS

been living in hostels. One had an eight-year-old and had been living in one room in a hostel for three years, and one had a five-year-old epileptic daughter and had been living in a hostel for two years. This is the reality. I do not doubt that you want to do something for those people, but that is the reality when things fail.

Q178 **Philip Boswell:** I have a question for Ms Dawes, which follows on from colleagues' questions. It is about the 1 million homes and being on target. I understand you were in the room earlier, so you probably heard this question. In 2015, the Government vowed to sell off enough public land to build 160,000 homes by 2020. Yesterday the Government released a report that shows land sold off for just 13,800 homes. That is less than 9% of the promised amount. How is that on target?

Melanie Dawes: We discussed this earlier. It was always a back-end loaded target, as in the last Parliament where we did, in the end, meet our numbers—although I know that we have had a lot of conversations about that programme in the past. We expect the majority of the sites to be sold towards the end of the Parliament. It is a challenging target but I was outlining earlier some of the steps that we are taking to put our backs into it and to make sure that we meet it.

Q179 **Philip Boswell:** Yes, but the report I mentioned also stated that for 55,000 of the 160,000 targeted homes on public land, the land is very unlikely to be sold. Do you agree that if a third of this land is not going to be sold for this use, the Government are not going to meet the target?

Melanie Dawes: The figures published on Monday were, as you say, that 42% of the sites are what we call high risk. That means that there is a significant factor that we need to address, whether that is because the Government Department that owns that land is still using it for operations, for example in defence—

Chair: We covered some of that territory earlier on.

Melanie Dawes: All I can say is that we have been looking site-by-site at the biggest 100 sites to try to bring those risks down, and we have been having some success on that. However, it is a challenging target.

Q180 **Chair:** I think Mr Boswell has a point though. What if you do not manage to bring down those risks? That was Mr Boswell's point.

Melanie Dawes: In some cases it is a question of timing—in some cases it a question of whether they will be ready for sale just before or just after the end of the Parliament. We are absolutely aiming to meet that deadline, but it is not as though the sites will just disappear and never get sold. They are all in the programme because the aim is for them to be sold, and it is a question of how quickly we can take the actions we need to in order to get them over the line.

Q181 **Philip Boswell:** I have just a few more questions. Is this not all about definition? The Scottish Government's definition of affordable housing is set out in the Scottish planning policy, which starts, "Housing of a reasonable quality that is affordable to people on modest incomes," and it



HOUSE OF COMMONS

goes on. We in a civilised country tie affordable housing to what people can afford. How has that never occurred to you before?

In England, the Government definition is set out in annex 2 of the national planning policy framework, and it is a very non-committal definition. The third sentence says, "Affordable housing should include provisions to remain at an affordable price for future eligible households". It says "should" and not "must". It goes on, "Affordable rented housing is let by local authorities or private registered providers of social housing... Affordable Rent is subject to rent controls that require a rent of no more than 80% of the local market rent".

In England you tie it to the market price, which is completely skewed and out of control here in London, rather than to income levels. No wonder there are so many problems. Would following Scotland's lead and tying affordable rents to local income levels be a better way to allow low-income families access to reasonable housing they can actually afford?

Melanie Dawes: I think we are getting into questions of policy now, and obviously there is a different approach in Scotland—

Q182 **Chair:** There are financial measures. In the end, it comes back to housing benefit and to rent levels. While some of it is a policy decision, we are asking you about how you manage the economic impact of these things. There are other ways of doing it.

Melanie Dawes: There are other ways of doing it. Indeed, in some other countries housing benefit is very low and there are much more highly regulated rent structures. There are lots of different policy approaches here and, as you know, the Government's approach is to have rent set at an affordable level. In most parts of the country, 80% of the market rent is actually a very affordable rent. It is in London, the south-east and the south-west where you typically find that that is not a low enough discount for some households. The typical average discounted affordable rent in London—

Q183 **Chair:** You say "discount", but a discount is when you have got something at top price and then you reduce it. The word "discount" sounds like it is a giveaway to people.

Melanie Dawes: I was not intending in any way that there was cash being handed over. I am just saying that the amount by which social rents are lower than the average private rent in London is around 35%.

Q184 **Philip Boswell:** So would you therefore agree that while in Scotland the Government are taking control of controlling rents, in England you are allowing the market to dictate to you what the rents are going to be?

Melanie Dawes: It is a somewhat different approach.

Q185 **Chair:** That is the policy position of the Government, which is beyond Ms Dawes' pay grade.

Melanie Dawes: That is the policy position. As we were saying earlier, the advantage of a higher rent is that it helps to gear more money into the

system by way of capital to invest in new housing. That is what we were discussing at the very beginning.

Peter Schofield: Just to build on Melanie's point, the system we had before 2011 involved very significant amounts of Government capital grant going to fund affordable housing with a lower ongoing rent, so you end up with the Government subsidy baked into the capital grant, which then gets baked into the bricks and mortar. There is an advantage to subsidising through housing benefit, which is that it enables you to respond by changing the subsidy in response to people's changing circumstances, particularly with the focus on getting people into work. Where you have working-age people who can move into work, there is some advantage.

Q186 **Chair:** Most housing benefit claimants are in work, of course. That is a statement of fact, is it not?

Peter Schofield: That is why when you have the subsidy regime baked into their personal circumstances, it can adjust, rather than baking it into the bricks and mortar. I can see Ms Flint shaking her head, but baking it into the bricks and mortar means that it then stays there, enabling the money to go less far.

Q187 **Mr Bacon:** If you baked enough of it into the bricks and mortar, you could have more bricks and mortar, more supply and the price would be lower both for rents and for purchase.

Peter Schofield: My argument back would be the answer I gave to your question at the very beginning of the hearing, Mr Bacon: when you think about the scale of private sector investment that the current regime is bringing in, it is accessing cheap capital that is outside public spending.

Mr Bacon: Yes, but that still leaves unanswered the clear question of how much of the housing benefit actually turns into extra bricks and mortar—

Peter Schofield: So we are going back to—

Mr Bacon: Which you do not yet have clear metrics on.

Q188 **Philip Boswell:** My final point is about Brexit. I refer you all to pages 45 and 46 of the NAO Report, including Figure 17. Do you agree with the Report's paragraphs 3.22 to 3.25? Please comment specifically relative to the 1 million target. Is it on target and what is the impact of Brexit? The actual and long-term Brexit impact is still to be felt—what ramifications will it have? There is the loss of the £1 billion European Investment Bank loans to housing associations for long-term social housing. Given the £2.6 billion EIB commitments, what will losing future funding do to the housing market? Finally, what are the big half-dozen or so risks to building homes in England, or the UK, posed by Brexit?

Melanie Dawes: You would not expect me to comment in detail on Brexit—

Q189 **Chair:** We ask all permanent secretaries what their plan is for Brexit and, as highlighted by the NAO in its Report, this is a significant point. So do



HOUSE OF COMMONS

you have a plan?

Melanie Dawes: It is certainly the case that, as in paragraph 3.25, we do not yet know what access the UK will have to the European Investment Bank after we leave the European Union, but loans that are already there will certainly remain—there is not the risk that they will be withdrawn. More generally, for DCLG the direct impact of leaving the European Union is not as high as it is for many other Departments, mainly because our law does not draw from the EU, except for a small amount of our secondary legislation. There will of course be some questions on the future of European investment, such as regional development funding which we administer on behalf of Government—there are some opportunities there—and we need, with other Departments, to think about the labour market, how it might change and how that might affect the house building industry.

Q190 **Chair:** On this specific of the EIB, at the moment there is a reasonably big stream of money coming to social housing support. In your planning—I recognise that none of us knows at this point whether we will have access to that—are you looking at that? Are you factoring into your long-term planning a replacement for that, within DCLG? That is the key part of Mr Boswell's question.

Melanie Dawes: We are playing our part with other Departments in putting those questions on the table. The Treasury in the end has overall charge of questions relating to the EIB—

Q191 **Chair:** So you are adding it to the tally list of possible risks.

Melanie Dawes: Yes, absolutely. We are feeding in that, among other issues. But it is too early to say what our plans should be, because we do not know exactly what the outcome will be.

Q192 **Chair:** We recognise that, but we want to be sure that it is on your radar, because—

Melanie Dawes: It is on our radar.

Q193 **Chair:** Let me tell you that some permanent secretaries—we recognise that you have some input from Europe, but relatively little compared with others—have come before us and said very little about what their plans are for tackling some of the risks of Brexit. As a Committee, we are keen that any financial risks to the Exchequer are bottomed out. We are heartened that you have got that on your list.

Melanie Dawes: We certainly have this issue on the table. I hope that has helped to set out broadly what the scope for DCLG is.

Chair: I am going to finish now, I am afraid—okay, Mr Evans, a really relevant point, please.

Q194 **Chris Evans:** A quick question. I was interested in the Help to Buy ISA. I was wondering what work you were doing with financial institutions. I have the *Cambridge News* in front of me at the moment and am reading that only 11 people took up the Help to Buy ISA, but it is nearly 500 in



HOUSE OF COMMONS

Birmingham and 800 in Leeds. Why do you think that is the case in the south-east, with the bigger take-up in the north? Perhaps that is not your area, but I was interested when I read that story.

Melanie Dawes: I am very sorry, I do not have any data on that in front of me, but we can certainly follow it up.

Q195 **Chair:** If you could follow it up, that would be great.

Thank you very much for your time. We just want to emphasise the point about the human beings at the end of this problem. Okay, I represent London, which is a particular issue, but it is not just London that has some of these challenges. Just to go back to that example I gave earlier, the woman with a five-year-old who is a nurse: she was in private rented sector accommodation, the rent went up and suddenly, through no fault of her own, she found herself in a hostel. She cannot work, because of her housing circumstances, so she is not being economically productive. The effect on her and her daughters' long-term life chances increases every month and week she is there. They are the real people. I just hope, Melanie Dawes, that when you, Peter Schofield and Helen MacNamara are advising Ministers on housing policy, you have in your mind's eye the people we see week in, week out at surgery, who are suffering through problems with a broken housing market that your own Government acknowledges. I hope you will redouble your efforts to make sure that the measures you are proposing are put into place as swiftly as possible to deliver real results for real people.

Melanie Dawes: Thank you for bringing that issue into such clear, sharp relief. Yes, absolutely, we will take those concerns into our work.

Chair: Thank you very much for your time. As ever, our transcript will be available in the next couple of days and the report as soon as we can. Thank you.