

# Public Accounts Committee

## Oral evidence: the Affordable Homes Programme since 2015, HC 684

Thursday 22 September 2022

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Members present: Dame Meg Hillier (Chair); Olivia Blake; Sir Geoffrey Clifton-Brown; Kate Green; Sarah Olney.

Questions 1-97

### Witnesses

I: Jeremy Pocklington, Permanent Secretary, Department for Levelling Up, Housing and Communities; Peter Denton, Chief Executive, Homes England; and Emran Mian, Director General, Regeneration, Department for Levelling Up, Housing and Communities.



## Examination of witnesses

Witnesses: Jeremy Pocklington, Peter Denton and Emran Mian.

**Chair:** Welcome to the Public Accounts Committee. Today, we have officials from the Department for Levelling Up, Housing and Communities and from Homes England, to discuss the Government's affordable homes programme. We all know in our constituencies about the desperate need for affordable homes, whichever part of the country we represent, but so far the Department is not on track to meet its own 2021 delivery target, and we are in 2022.

We also want to know about the data and performance reporting and what needs to be done to make sure that we are actually delivering, as a country, and that the Government is delivering, the affordable homes that people need—homes with actual doors with keys that people can put in and go and live in, not just the theoretical. We are going to try to winkle out from the Department how it is going to improve its performance on this issue.

I would like to welcome, first of all, our witnesses from the Department for Levelling Up, Housing and Communities. We have Jeremy Pocklington, the permanent secretary, and Emran Mian, the director general for regeneration. From Homes England we have Peter Denton, who is the chief executive there. Welcome to you all.

Before we go into the main session, we have some questions on other issues related to your Department, Mr Pocklington, but before that I would just like to ask whether any Members have any declarations of interest.

**Sir Geoffrey Clifton-Brown:** I ought to declare that I am a fellow of the Royal Institution of Chartered Surveyors, although I do not expect to have any pecuniary gain from this hearing.

Q1 **Chair:** Other than our general interest as constituency MPs, that is it for today.

Before we go into the main session, Mr Pocklington, I just wanted to check in with you about local government audit delays. As you know, this Committee has been very concerned that we have many councils making decisions, sometimes without two years' worth of audit opinion. Can you give us any hope, or any crumbs of comfort, that the situation is improving?

**Jeremy Pocklington:** The situation does remain challenging; I cannot pretend otherwise. We have discussed with the Committee on several occasions that this is going to take a number of years and a number of audit cycles to continue.

Progress has been made since the last Committee. I do not have the precise number of audits that have been completed in front of me, but the



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key point is that we are optimistic now that we are going to have new entrants coming into the market following the recent procurement round. Although inevitably prices are going to increase—we have discussed that—and the cost will need to increase in order to get the quality and timeliness of audit that we will see, that does give us a stronger foundation on which to build. But it is not going to be fixed quickly. It is going to take a number of cycles.

**Q2 Chair:** You mentioned new entrants into the market; one of the challenges is that you cannot just create public sector auditors with experience overnight. Can you give us any information about who these new entrants might be?

**Jeremy Pocklington:** Sorry—can I give you a full update in writing?

**Chair:** Certainly, yes, but just while you are here, are they the bigger companies that are now trying to take on some public sector audit as part of their work, or are they smaller, niche companies?

**Jeremy Pocklington:** Bigger companies who have experience, knowledge and expertise. I am not absolutely sure what I can say publicly and what I cannot at the moment, so let me—

**Q3 Chair:** We appreciate that it is going through the procurement. Could you let us know in that letter when the procurement is completed?

**Jeremy Pocklington:** We will do that.

**Q4 Chair:** Because it will be pretty critical for our local authority colleagues out there who are trying to do a similar job to us.

We have obviously had an announcement about energy bills, which is some welcome comfort for local authorities, but there will be an impact on local authority budgets. The public sector now have some comfort up till March, with schools and other public bodies getting some support through the Treasury, but after March they will not know what is going to happen. They will be making their planning assumptions for their budgets towards the end of this year, so what support is the Department providing and what concerns do you have about that timeframe?

**Jeremy Pocklington:** It is obviously a very major intervention that was confirmed yesterday for all non-domestic businesses. We will provide help for local authorities and the sectors that they oversee, including social care, and we will also provide help for housing, as well as for housing associations.

On the question of what happens next financially, it partly depends on what happens to the energy interventions, but it is also a decision that Ministers will need to consider as part of the local government finance settlement. Obviously, that is an issue that we are now talking to Ministers about.

**Q5 Chair:** Okay. So in respect of that local government finance settlement, you are discussing some sort of settlement for post-March 2023?



**Jeremy Pocklington:** That is correct.

**Chair:** Which could include the issue around energy.

**Jeremy Pocklington:** We are obviously very conscious of and alive to the pressures facing local government around energy, but we also need to be realistic. I am not sitting here with new resources to offer the local government sector, but these will be issues for the settlement in the usual way. The settlement will be for the period following March 2023.

Q6 **Chair:** Okay. So there are a lot of challenges there. There are lots of things that we will continue to look at there, because this issue obviously has a huge impact. We do not need to go into the challenges and the trade-offs that will have to be made at local authority level.

Finally from me before I hand over to the deputy Chair, Sir Geoffrey Clifton-Brown, does the Office for Local Government still exist and, if so, will it continue to exist under your new leadership?

**Jeremy Pocklington:** We are continuing the work that we announced in June to establish the Office for Local Government. It is a transparency and data body overseeing local government performance. Its objectives are to support local leaders in their decision making and to provide greater transparency for citizens. That work is very much continuing and there is more work to be done. It is not yet established; it never was intended that it would be fully operational now. The intention was announced earlier this year—

Q7 **Chair:** But it is still in your plans?

**Jeremy Pocklington:** We are still very much working to—

**Chair:** There's no hint from your new Secretary of State.

**Jeremy Pocklington:** We are still absolutely working to deliver that.

**Chair:** Okay. Thank you very much.

Q8 **Sir Geoffrey Clifton-Brown:** Good morning, Mr Pocklington. Can I return to my old chestnut of the Public Works Loan Board? We heard during the summer of the financial problems of Thurrock taking out huge PWLB loans on solar farms. Indeed, my own local authority are about to do this—they are about to take out a loan of £49 million on an annual budget of £10 million.

Largely due to my chasing, your Department and the Treasury have now put in place that you cannot take out a PWLB loan purely to make profit. I have to say that that is something my local councillors do not seem to understand.

Could I ask you to look at this again? There is no reason at all why a local authority should be applying for a PWLB loan for a solar farm. There is tonnes of commercial money out there to build these farms; not a single one will not be built if a local authority doesn't do it. They do not have the expertise, it is not their job and it is not their function to be doing this, so I ask you to look at it again, please.



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**Jeremy Pocklington:** Sir Geoffrey, I agree about local authorities investing in solar farms. The situation in Thurrock was that there was a broader issue as well as the solar farm issue. It is very, very concerning for the Department. That is why we went straight to the best-value decision to introduce commissioners and asked Essex County Council to take on that role. Other councils have invested in other energy projects as well.

Since November 2020, it has not been possible to access the PWLB if councils intend to invest for yield, and they are required to introduce three-year plans to do that. The rules are very clear and are in place now. I am very happy to look at that specific example in more detail if you would like me to.

In the Levelling-up and Regeneration Bill, we are introducing powers to deal with the final element of the jigsaw that we have talked about for many years, which is councils that borrow a potentially disproportionate amount of debt, even if that is for “good things” such as services, housing and regeneration. We still see some councils borrowing disproportionately, so there is a new regime being developed through the Levelling-up and Regeneration Bill.

Q9 **Sir Geoffrey Clifton-Brown:** Every one of the loans taken out through the PWLB is adding to the Government’s debt. If local authorities are doing that for purposes other than those that they should be doing it for, it is simply increasing the nation’s debt, so this is a serious issue that really needs to be looked at.

**Jeremy Pocklington:** It is a serious issue and we have taken action. My Department regularly reviews the capital investment plans of local authorities applying for PWLB loans. We work very closely with the Treasury and the PWLB on that. I completely agree with you, Sir Geoffrey.

Q10 **Olivia Blake:** I would like to ask Mr Pocklington a couple of questions about levelling up. Now that we have a shiny new Government, will the Department’s focus on this remain the same and are its priorities the same?

**Jeremy Pocklington:** As a Department, we are very much continuing our mission on levelling up. The Prime Minister has been very clear that she wants to see jobs and growth in every town and city in the country. That is entirely consistent with levelling up. We are also continuing with our work delivering our funds, which we have talked about with this Committee, and making further devolution deals, so there is a lot of action that has recently been announced and is also in the pipeline.

I am sure every new Government—every new Administration—will want to put their own emphasis on things and do them slightly differently, and I am sure that will happen in due course, but as a Department we remain focused on growth in all parts of the country.

Q11 **Olivia Blake:** Will there be any hold-ups in any of the money that has previously been announced? I should say that I am a Sheffield MP, so I



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want to know about the money that has been announced.

**Jeremy Pocklington:** We are continuing with all our funds. Nothing has changed on the delivery of our funds today.

- Q12 **Olivia Blake:** May I ask about the accountability of the 12 missions? You have previously said that four of those missions are yours; where do they sit now? Who is accountable for all 12 missions?

**Jeremy Pocklington:** It's a good question. There hasn't been change to the accountability arrangements for those missions. My Department is responsible for housing, local leadership, pride in place and the wellbeing economic growth missions.

- Q13 **Olivia Blake:** What about the other eight missions? Where are they sitting and how are they interlocking with each other?

**Jeremy Pocklington:** They were allocated to the relevant Department. In almost all cases, it is absolutely crystal clear—for example, the transport mission is with the Department for Transport.

- Q14 **Olivia Blake:** Do you think there is enough joint working on those missions?

**Jeremy Pocklington:** There is a lot of joint working that happens in Whitehall on those missions and that is continuing.

- Q15 **Olivia Blake:** I noticed that the Department has rejected the idea of blind bids for some of the levelling-up funding. Why have you decided against that? The Committee is interested in that, given that we have looked at the towns fund in quite a lot of detail. What is your reason for that decision?

**Jeremy Pocklington:** We do not think it is practical to have completely blind bidding for the levelling-up fund. That is because our wider considerations, which we have clearly and transparently set out as part of the bidding process, allow a degree of judgment to be made about the geographical spread within and between regions, and also allow the Government to take into account investment in past projects as well, so it is not the case that it is always the same places receiving the benefit of those bids.

We have looked at what we could do. Could we just put dots on a map, for example, for Ministers? But we do not think that in practice that works; it will still be obvious where those bids are from. So we think we have got the balance right on this, with criteria but a degree of discretion and judgment for Ministers.

- Q16 **Olivia Blake:** Over the last 12 years there has been quite a move to bids for funding across the Department. Have you done any assessment to check that you aren't backing winners and losers in the bidding systems that you have in place across the Department, and of how that will fit with levelling up?



**Jeremy Pocklington:** There are extensive evaluation arrangements in place for all our funds. The one reflection I would note is that for the funds we have talked about most recently—the towns fund and the levelling-up fund—where we have the extensive evaluations in place, those are still in construction, as it were. They are still in the delivery phase, so it will still be a period—a number of years—before we can properly evaluate the outcomes that are being achieved as a result of those funds.

The local growth fund is the more historical fund. There, as we discussed at the last hearing, there wasn't sufficient evaluation in place. We are looking at what we can do. That is getting a little bit historical now, but we want a proper evaluation in place for the funds that we are running as a Department.

- Q17 **Olivia Blake:** Is there any imaginative way to have blind bids at regional level, so that you know the spread is still regional—across the regions—but you cannot preferentially treat a bid by knowing who it's coming from?

**Jeremy Pocklington:** I think we have got the balance about right at the moment. It may be, unfortunately, one of those areas where we disagree with the Committee; I recognise that. We want to be transparent about our approach. We set that out very clearly in notes that we published—technical notes—and in the explanatory note alongside decisions. That's the approach that we take.

- Q18 **Olivia Blake:** Does that mean we will see more robust frameworks in the future for how decisions are taken and for scoring?

**Jeremy Pocklington:** It is an area of continuous improvement in the Department. I personally think that our approach to the levelling-up fund showed evidence on our further thinking about how to allocate these funds when a competition is chosen. We will continue to see what further improvements we can make in further bidding rounds.

There is also, if I may say so, a prize here if we can simplify. Again, we have talked at length about this. I think that also has to be a real priority: to simplify the funding process.

- Q19 **Chair:** It is a marvel of Whitehall understatement, if I may say so, Mr Pocklington, that you talk about continuous improvement. On the towns fund, it was quite a challenge for us as a Committee to see why some of those decisions had been made. If it really is true that we are moving to a more transparent and clear response and explanation about why decisions were made, that will certainly help losing bidders as well as winning bidders. We look forward to seeing that and will be keeping a close eye on it.

**Jeremy Pocklington:** Ultimately, there are only a small number of ways you can allocate the funding. You can make a selection decision, which was the towns fund approach; you can run a competition, which is the approach we have had for the levelling-up fund; or you can allocate more by formula or provisional formula, either directly through a local





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government finance settlement or, as we have done through the UK shared prosperity fund, with indicative formulae for areas—

**Chair:** You are tempting me to get into the issue of the towns fund, because that was a little bit more than a selection decision. We won't revisit our previous Report, but we look forward to seeing more transparency, certainly, and we will, as I say, keep a close eye on that as a Committee.

Q20 **Kate Green:** I would like to ask you about the situation now in relation to both Ukrainian and Afghan refugees and the pressures that local government is coping with. Obviously, we are seeing the end of the first six-month period of Homes for Ukraine—the placements with host families. We still, over a year on, have substantial numbers of Afghan refugees in hotels. What pressures is this creating for local authorities and how are you supporting them?

**Jeremy Pocklington:** I am very conscious that it is a very important issue, and there is still a lot of work under way in the Department. I am going to focus on Ukraine, as the Homes for Ukraine scheme is formally my Department's responsibility, but we are very conscious of the wider picture and the wider pressures on local government.

We have a lot of work to manage the end of the six-month period. Currently, I think, just over 90,000 have arrived through the Homes for Ukraine scheme, and 35,000 or so through the Ukraine family scheme; they are all very welcome in the country. Our strategy, wherever possible, is to see the six-month sponsorship arrangement continue. It is an innovative approach; obviously it will not work in every case, but there has been remarkable generosity from the British people, and it has been successful overall. We will continue the thank you payments to recognise that.

Secondly, we are introducing rematching and providing a rematching service. Where either side does not want to continue with the sponsorship arrangement, we are making rematching easier. We are working with councils and a number of charities—details are available on the internet at gov.uk—and we are going to facilitate self-matching. We have carried out a lot of surveys, and we still have a large number of people who are willing to be sponsors. Each local authority will have information on who is willing to be a sponsor in their area.

Q21 **Kate Green:** What is your assessment of the likely number that will not be able to find a sponsor, and will have to enter the open housing market, as it were?

**Jeremy Pocklington:** It is very hard to quantify precisely what the numbers will be. We want to further provide as much support as possible. Some of those arriving through these schemes want to establish their own place in the housing market. Support from the Department for Work and Pensions in job search can help, as well as ESOL English language support, and we are looking to see what more we can do. There will be pressures on local government because there will be resulting homelessness





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pressures. We have slightly over 1,500 homelessness duties connected to the Ukrainian schemes.

**Q22 Kate Green:** And that could rise as more people arrive, and as more six-month sponsorship periods conclude.

**Jeremy Pocklington:** It is hard to quantify, but we recognise that there could be pressures.

**Q23 Kate Green:** Are you continuing to work with each other?

**Jeremy Pocklington:** We are working very closely with local government on that. We have provided funding for local government—the £10,500 in support.

**Q24 Kate Green:** Sure, but housing is the big issue in a number of authorities, including my own, and across Greater Manchester. As I said, we also have a substantial number of Afghan families still in hotels, which is a desperately awful situation for them. Some of those families may either want or need to access the private rented sector. Has the Department given any thought to introducing, for example, a rent deposit scheme for those families?

**Jeremy Pocklington:** To an extent, that can be funded from our homelessness prevention grant, which already exists, and we provide support to local government on that. We are looking at these issues carefully, and at whether further action is needed. I do not want to be too specific today, but it is something we are looking at very closely.

**Q25 Olivia Blake:** I want to ask about school places. I am aware that some Ukrainian children have moved school once already, because they got a quick place and then one that was more appropriate. If they are then moved to, say, the other side of the city, have you done any assessment of the increased pressure on local authorities to find a third alternative place for children? What work have you been doing with the DFE to ensure those children do not miss out as a result?

If a Ukrainian family have to return to Ukraine briefly, for a family illness or some other issue, will the payments to the hosting family continue, to keep that room available for the Ukrainian family when they return? There are two quite separate issues there.

**Jeremy Pocklington:** We are working very closely with DFE. The aim must be to minimise disruption to schooling—we know that, and there is a lot of evidence that that is the right thing to do. There are certain parts of the country where there is some pressure, but overall that is being managed as effectively as it can be. It is not going to be perfect when we are dealing with such large numbers in a situation like this.

Your question on what happens to thank you payments for temporary returns to Ukraine is a good one. I'm afraid I don't know the answer to that, Ms Blake. I completely understand the issue, but I don't know the technical rule that we have on that. Obviously, it is associated with the



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Ukrainian living in the UK, but I don't know how that is defined in our immigration rules.

- Q26 **Sir Geoffrey Clifton-Brown:** Mr Pocklington, forgive me: earlier in the summer I had a meeting with 30 hosts of Ukrainians, so some of this information may be out of date—you will tell me if it is. First, there was frustration at the length of time it was taking to pay the £350. It is not a lot of money, compared with what they are actually giving the Ukrainians, but they just felt that if they were doing this out of the goodness of their hearts, they should be paid relatively promptly. I don't know whether that has happened in the interim or not.

**Jeremy Pocklington:** The Department is not aware that there are significant issues with those payments. Local authorities have access to the money. There was an issue at the start with checks relating to the suitability of the housing and safeguarding checks, which needed to be completed before the payments began. That may have led to some delays, but we are not aware of that being a widespread issue.

- Q27 **Sir Geoffrey Clifton-Brown:** To go back to my colleague Kate's point about rehousing, it was quite clear that some of these arrangements were going to come to an end at the end of the six months, so I am surprised that either the Department or the local authority has not simply asked the hosts or the families what their intentions are at the end of the six months to get a handle on how big a problem there is out there for each local authority.

**Jeremy Pocklington:** A lot of local authorities will be doing that. It is quite a devolved scheme; it is being managed locally. We have wider survey evidence to get a sense of numbers, but the Department cannot manage each individual relationship, given the scale and the speed with which this has been established.

- Q28 **Sir Geoffrey Clifton-Brown:** There is a huge difference between the families. Some from, say, Mariupol, which has been flattened, are not going to be able to go back to Ukraine for a long time. For others, who may have come from Kyiv, it might be safe to go back quite soon. How will this be managed? Is it up to the individual families when they feel they can go back? What assistance will the Government give them to go back?

**Jeremy Pocklington:** It is up to the individual to make a judgment. Through the scheme, individuals essentially have three years' leave to remain in the country and access services, as we talked about at a previous hearing, and then it is an individual choice. Some people who have arrived through the schemes have decided to go back; there is now quite a significant outflow through our borders.

- Q29 **Sir Geoffrey Clifton-Brown:** My final question is about qualifications. There was a qualified vet—DEFRA desperately needs vets—who, because his English wasn't good enough, had to become a veterinary assistant, which is somewhat frustrating. Have you had a look at these professional qualifications to see whether people could be helped into employment?



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**Jeremy Pocklington:** There have been conversations about it. I'm afraid I don't know specifically where we have got to on that. I am happy to take that away and look into it.

Q30 **Chair:** I have a final question—I will try not to prolong it. We looked at the Syrian resettlement scheme and we were reasonably positive. There were a lot of good points, and learning was done very quickly. What puzzles us a bit is that those lessons were not really applied in the same way to the Ukrainian scheme. I know some of it was very fast, but so was Syria. Do you think, looking back, that some lessons could have been learned quicker?

**Jeremy Pocklington:** First, quite a lot of the individuals involved in the Syrian scheme are working on the Ukrainian scheme, so we have learning in the Department.

**Chair:** That is a good obvious point.

**Jeremy Pocklington:** So we have thought about it. The circumstances and the scale are different. The Syrian scheme is in the low tens of thousands. We have issued 154,000-plus visas, and 90,000 have arrived. It is fundamentally a very different model that we have adopted, reflecting the circumstances that we have at the time. The Syrian scheme is a resettlement scheme, whereas this is a sponsorship scheme, which is a different approach to take. But that was a very conscious decision that we thought about and took at the time, taking into account the circumstances that we have and the pressures that we have—for example, through the very difficult position of some Afghans—

Q31 **Chair:** I appreciate that the resettlement point is important, but you just said, in answer to Ms Green, that there are 1,500 homelessness duties as a result of Ukraine placements ending. Cutting out the jargon, that means that 1,500 people—or it could be families—are without a home because their placement—

**Jeremy Pocklington:** At risk of.

Q32 **Chair:** Okay, but that is something where surely the lessons from the Syrian resettlement programme could kick in and there could be support. Is there a plan to provide a better package of support for those people? Homelessness duties means being rehoused in the private sector, quite often a long way from the borough or in a hostel room for many years.

**Jeremy Pocklington:** We are working very closely with local authorities to minimise the impact. Obviously, we want to keep the number of those homeless as low as possible. The rematching is key here, and that will help. It will not help in every case—some of the circumstances are obviously very challenging and very difficult for individuals—but rematching will make a difference if it is the case that the sponsor no longer feels able to continue. The local authority will know who else is willing to be a sponsor in their area.

Q33 **Sir Geoffrey Clifton-Brown:** I am sorry to come back to you, Mr Pocklington, but the one subject that was mentioned more than anything



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else during the meeting was the high cost of renting in the Cotswolds. If these Afghans are going to be made homeless, they will be lucky to get even a bed and breakfast, so the one subject mentioned more than anything else was the low wages that they are getting. To be able to rent in the private sector, they needed some form of tenancy deposit—whether that was from a charity or wherever. If the Government could think about that, it would make life a lot easier.

**Jeremy Pocklington:** I am very conscious of the position of Ukrainians in high-cost areas of the country. It is part of the wider challenges that we are going to come on to today. In some cases, continuing the sponsorship arrangement may actually be the best outcome, given the housing pressures in the Cotswolds.

Q34 **Kate Green:** This affects the Afghan families too, and they are often very large families.

**Jeremy Pocklington:** There are particular housing pressures.

**Sir Geoffrey Clifton-Brown:** And some of them are not earning much.

Q35 **Chair:** The local group in my area, De Beauvoir Welcomes Refugees, which has done amazing work, has housed Syrian and Afghan families. It is working on a Ukrainian family, but it is raising money to house these families for two years. A local private landlord has dropped the rent so that housing benefit can help, but those families will never be able to rent a private family home in Hackney or, indeed, in London—certainly not anywhere near—so we are setting them up to fail if we are not careful. They can live somewhere with the support and help of a charity, but when that runs dry—because it cannot go on forever—there is going to be a real problem, so I hope your Department is looking longer term at these issues.

**Jeremy Pocklington:** We absolutely are. Ultimately, some of this depends on the course of the Ukrainian war.

Q36 **Chair:** But the Syrians and Afghans are not going to go back easily.

**Jeremy Pocklington:** That is a wider issue about how these schemes can operate and how we continue to provide support. We have significantly increased our resources in the Department to look at these issues over the last 18 months or so.

**Chair:** But as Ms Green said, I have Afghan families in a hotel who are still stuck there now, and it is coming up to October soon. The human rights issues here are immense—the impact on children and families, and their mental health.

We could go on about this forever, but we are here to discuss affordable housing more generally. I would like to welcome Abdool Kara from the National Audit Office, who is here representing the Comptroller and Auditor General. Welcome back, Mr Kara. We are looking at the challenges of providing affordable housing. That little exchange rather underlined some of the challenges, and not just for those who have come to our



country seeking refuge. We will now move into the main session, and I ask Olivia Blake MP to kick off.

- Q37 **Olivia Blake:** Mr Pocklington, what is your current forecast for delivery of the programme, and when will that forecast be delivered?

**Jeremy Pocklington:** I think we are talking about the 2021 programme. The ambition that we set out is to deliver up to 180,000 homes, should economic conditions allow. Our current forecast is to deliver 157,000 homes—as is set out in the NAO Report—but obviously there is economic uncertainty that we are all dealing with, which we will come on to talk about in this hearing. The programme is the 2021 to 2026 programme. There will be a tail, and we will come on to how you assess the appropriate length of the tail. In the case of homes in London, I think a number will continue into 2028, is it?

**Peter Denton:** It is '26.

**Jeremy Pocklington:** Yes, 2026 is the end.

- Q38 **Olivia Blake:** Can I ask about the initial target, and why that target was set if it was quite clear that it wasn't going to be achievable? How quickly was that clear?

**Jeremy Pocklington:** What to say about setting up the target? First of all, the target, which was written by civil servants, is up to 180,000, should economic conditions allow. It is very clear that that is an ambition and an upper end. That links to targets that we have agreed with Homes England—a range of 122,000 to 130,000—and a target of 35,000 with the GLA. But we did decide with the Treasury to have an additional stretch to take us up to 180,000. Why did we do that? We are conscious that targets have market impact. Housing associations are obviously social enterprises with a very important mission, but they are also sophisticated commercial organisations. Mr Denton, who was a banker, ran a housing association. When they see their target, what they are doing is back-solving what they think are the grant rates that we are assuming. We are trying to create the conditions that encourage housing associations to bid for as little grant as possible, in order to deliver the homes that we need. It was a very stretching target, but there was an opportunity to meet it if the housing associations really delivered against those benchmarks. Obviously, economic conditions are a factor as well, and that makes a difference.

- Q39 **Olivia Blake:** I think the words “up to” are a lesson learned from previous targets, perhaps. We will move on to inflationary costs later, but even without those inflationary costs we are seeing, is there a chance that the target could reduce along the period of the programme, and could the tail extend? Are you doing anything to curtail the tail and make sure that there is delivery on this project?

**Jeremy Pocklington:** We are doing a lot on that. As I say, I think our forecast now is 157,000 homes. Perhaps I can talk about where we are generally and I will hand over to Mr Denton to talk about how Homes England actually monitors delivery; obviously, there is the GLA element as



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well. Strategic partnerships have been agreed, with the majority—31—being through Homes England. They are long-term arrangements with 31 providers, in order to provide both certainty and a degree of flexibility to deliver homes. There are contracts signed; the challenge now is delivery. The GLA has also signed its strategic partnerships. There is further money to be allocated through continuous market engagement, but the Department, the GLA and Homes England have regular monitoring and performance reviews in place to track progress. Would you like Mr Denton to give more detail?

**Olivia Blake:** Yes.

**Peter Denton:** There are two programmes, and I will take each in turn. In the 2016-21 programme, the agency was set a target of 130,000 homes. We are about 90% started on site on that—I think it is 91%. In July, we had 118,000 homes started on site, so we are a long way through the 2016-21 programme. About 97% or 98% of the money is committed now. As Mr Pocklington said, we are targeting a range of end delivery between 128,000 and 132,000 today. That takes account, as best we can, of the headwinds that I am sure we will talk about in due course. That is the range we are targeting for the 2016-21 programme. I should add that from a Homes England perspective, we expect to complete all the homes by 2026. If you look at the two numbers I have given, you can see that we are pretty much done on the vast majority. There will be a tail, but we expect to be complete by '26, which is in full reflection of both covid and other headwinds that we have experienced.

With regards to the 2021-26 programme, we are much earlier on in the process. We have allocated £5.2 billion through the strategic partnerships—Mr Pocklington referred to the 31 partnerships we have—and we are continuing with what we call continuous market engagement, which is an allocation of capital through a process of assessment of best engagement and best process. At this stage, we continue to commit to a target of 122,000 homes. The range that was set for us for 2021-26 is 122,000 to 130,000. We have an awfully long way to go in this programme, and therefore that is a conservative and prudent estimate of where we believe we will end up on that programme.

Q40 **Olivia Blake:** Mr Denton, I just want to probe a little on the sub-types. I am very interested in the supported housing and rural housing elements, which are key areas where those targets need to be met. Do you have more to say about your confidence that you will deliver on those sub-targets?

**Peter Denton:** I will start with supported. There was no explicit target for the 2016-21 programme. We are forecasting that we will achieve about 11,500 homes, which is about 9% of the overall delivery. With regard to 2021-26, the explicit target is 10% of supported housing, which is obviously to be achieved through both strategic partnerships and the CME—continuous market engagement—work. We have already made about 8,500 allocations through the strategic partnerships, which means that we have roughly 3,700 more to achieve.





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We have a pipeline that I feel is quite substantial. “Pipeline” does not mean end result: we have to go through a filtering process of testing, delivery likelihood, value for money, etc. On supported, they have faced, as you know, quite substantial headwinds, which are exacerbated by the nature of the housing. It is typically higher cost and more complex. The sites are often larger, which is an interesting aspect of supported, and there are planning issues and revenue funding that come with that. However, I think the way that the programme is constructed—both strategic partnerships and CME—allows a flexibility within the programme. Given how early we are in the programme, it allows us, at this stage, to focus and adapt—an ability to address. There is a decent chance that we will get close to, if not achieve, that target, but there is still a lot of wood to chop in the supported area.

With regards to rural, again, there were no explicit targets in the 2016-21 programme. We achieved 10.7% for 2016-21. I should add that rural is defined as settlements with a population of less than 3,000 homes. Again, that is an area of house building that is just harder to achieve, for obvious reasons. The issues that we are seeing in the wider housing market have a disproportionate impact on rural areas: sourcing contractors, tender prices, site accessibility and site preparation. Planning is more restrictive. Also, you have a higher proportion of small and medium enterprises engaged in rural house building, and they need more stable revenue funding to be confident going forward, so there are exacerbated headwinds.

We targeted a 10% delivery. Through the strategic partners, we have got about 6,250—roughly half—allocated. But given where we are and the visibility we have on the pipeline, I think there will be a shortfall. I think we will be in the range of between 5% and 7.5% being finally completed. The commitment I want to give is that, through the CME process in particular, we will very much focus on this and try to push this ambition as hard as possible. But being realistic, given the disproportionate impact the headwinds have had, I think we are probably aiming for a target of between 5% and 7.5% on output.

- Q41 **Olivia Blake:** Finally, Mr Pocklington, lots of councils are going off and building their own homes, have their own programmes and have their own set-ups in various different forms. Is that not better value for money, as far as the Department is concerned? What is your assessment of that grassroots kind of growth in building homes?

**Jeremy Pocklington:** We very much want to see all possible sources to build affordable homes. We all know that the demand and the need is very high in this country. We very much welcome councils building homes. Obviously, a number of years ago now, the Government lifted the cap on the housing revenue account to enable councils to do that. The number through councils is still 5,000-plus a year, so it is not as large as the numbers provided through other mechanisms, but we need a combination of delivery through the affordable homes programme, through councils and, of course, through section 106 land value capture as well. Rather





than focusing on a single source, we need multiple sources to deliver the homes that we need.

**Peter Denton:** The way that we target affordable homes is not mutually exclusive. Bristol City Council, along with BoKlok, received a grant from the AHP to fund 27 predominantly socially rented homes for a scheme of 173 homes, but that was in combination with section 106 and other land aspects, which meant that we got 43% affordable delivery on that scheme—not only that, but low carbon, meeting the national design guide principles, full modular construction. Often, it is the way that different schemes and things get combined together that gets the best outcome, as well.

Q42 **Olivia Blake:** Have you done any assessment of the difference in value?

**Jeremy Pocklington:** The affordable homes programme is very good value for money; there are very positive benefit-cost ratios set out in the Report. Ultimately, the larger housing associations have scale that may actually make it lower cost, in some ways, to deliver homes than it is for many councils. I am not worried about the value of homes delivered through housing associations, but we want to see as many delivered through as many different sources.

Q43 **Sarah Olney:** I want to ask about the structure of the original proposal and how it was balanced between homes for rent and homes for sale. It seems that in the way it was set up in the original proposal, there was a very strong emphasis on homes for sale, but that has now changed, and it is much more proportionally balanced between homes for rent and homes for sale. The Report indicates that that is because the social housing providers—the housing associations—were not interested in providing homes for sale. To what extent does the Department still believe that homes for sale are better than homes for rent? Have you changed your mind about that? Is that what led to the rebalancing?

**Jeremy Pocklington:** Good question. The broad picture set out in the Report is as you have outlined. In 2015, it was predominantly shared ownership products—that is what we are talking about under homes for sale. That was quickly pivoted to being majority rental products in 2016, including for some of the reasons that you mentioned. That was the approach taken for the 2016 programme.

For the programme introduced in 2021, the policy decision for Ministers was essentially to have a 50:50 split between shared ownership and rental products, with a target for social rent within that. Partly, that is a policy decision for Ministers, rather than something that can be technocratically decided.

Q44 **Sarah Olney:** So there was a policy change.

**Jeremy Pocklington:** Yes, there was a series of policy changes. The Government at the time wanted to prioritise shared ownership for the 2021 programme. You may remember that it had recently reformed



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shared ownership to make it more attractive and, as part of a wider agenda on home ownership, was placing a greater priority on that.

Partly, housing associations have their own policy view on what is the right thing to do and on the mission that they want to promote, but if they are only delivering shared ownership products and their portfolio ultimately becomes more weighted towards ownership, the issue for housing associations is the stability of their rental income. Ultimately, that is why we need to have a balance between shared ownership and rental products: to ensure that housing associations' balance sheets and income flows are de-risked. Mr Denton knows all the detail on that.

**Peter Denton:** I just want to add more of a textual observation. I ran a housing association of reasonable scale, and what Mr Pocklington outlined are the factors that go through your head, but there is also place making. One of the things that I would encourage a thought process on is that when you are looking at a new scheme, you want to avoid monotenure. Places that have a mixed community of affordable rent, social rent, shared ownership, market rent and market sale are the best communities. Those are the richest and most vibrant communities. When you are in a housing association and you are looking at this, the decision to go for shared ownership is not just monetary. There is a degree of cross-subsidy and grant differential, but it is actually because you want to create that mixed community, and I don't think that should be overlooked.

Q45 **Sarah Olney:** In my constituency there is a bit of a mismatch between demand and supply—not so much financial but in terms of type of property. We are getting an awful lot of two-bed flats being proposed, but all the demand is for three-bed houses. Everywhere in the Report and in everything you have said, you have just talked about units, as if one unit is the same as another. To what extent are you looking at local demand? I am talking about demand both on the socially rented side and in the private sector. To what extent are you looking at that?

**Jeremy Pocklington:** We are very conscious of that issue. Mr Mian, do you want to take that question?

**Emran Mian:** I suppose there are two things to say on that. First, some of that local need will be expressed in local planning policies. Local planning authorities will be taking a view themselves as part of their local plan making as to what mix of housing they would like to see, and then people who are providing housing in that area and looking to develop land then follow those local planning policies. We are seeing that come through.

Q46 **Sarah Olney:** A quick challenge on that point: to what extent is that going to be overridden by housing targets? If you have to deliver, say, 1,000 units, will that not have an impact on the extent to which local planning policy can specify houses rather than flats? This is just for my understanding.

**Emran Mian:** That is a balance that local planning authorities work out through their plan-making process. I can absolutely understand that there is a trade-off there that they have to consider with local housing need,



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which is expressed as a matter of units; they add a lot more texture on that by thinking about what kind of houses they need within that overall local housing need. The local plan making process and the consultation processes around that typically—at least in my experience—allow for quite a full discussion of that, so we are seeing more and more local planning policies that comment on the type of housing they would like to have, as well as the sheer quantity of land being brought into the system.

The other point in the programme at which we are looking at this is, of course, when we are assessing the bids that come in and looking at BCR. That is also revealing to us the pattern of what people are looking to deliver, and we do then have opportunities to look at that overall in the round. We are looking at that in terms of the pattern of delivery across the country—what we are seeing region by region. We can look at that across the different tenures so that we achieve the policy mix, if you like, that we have decided at the outset of the programme.

**Peter Denton:** If you take the 2021-26 programme, one of the explicit requirements is that we want to see a land-led programme, so that the counterparties—mainly housing associations—are buying land and building themselves. I think the strength of the programme is that the strategic partners are building at scale. You have to build at least 1,500 more homes to be a strategic partner. There are four of them building more than 4,000 extra homes, so these are housing associations of significant scale and experience in land-led development.

That means that not only do they get to control the design, thinking about net zero and other things for those homes, but they know what they are talking about. When they are engaging in a local place and making their bids to us, they are aware of what that local area needs and have the strength and position—I speak from experience on this—to negotiate with the local planning authorities to get what they feel is needed for that area. Often, my experience was with houses: is it four-bedroom houses? Is it three-bedroom houses? Is it two-bedroom houses? And so on. I think there is a real strength to the programme's engagement, and regular engagement, with these partners who themselves have a position of influence to be able to achieve the ambitions I think you are talking about.

Q47 **Sarah Olney:** I want to ask about homes for social rent. Obviously, that is the most affordable for residents, but it is also, I think, the most expensive for housing associations to develop. I wonder if you could talk me through whether the Department is prepared to provide more grants for, or weight its grants towards, providing homes for social rent, because that is the bit that most needs the subsidy, if that makes sense.

**Jeremy Pocklington:** We absolutely do that. Social rent does need a higher grant rate—social rent in central London is well north of £150,000 per unit—and one thing that we have done in the 2021-26 programme is introduce a clear social rent target of, I think, 33,550 homes, which we are currently forecasting that we will continue to meet. We do adjust the grant rate for the tenure, and that is the same when we are evaluating bids, either through strategic partnerships or continuous market



engagement. It is an assessment of the grant rate that is proposed against the region and the tenure.

- Q48 **Sarah Olney:** The evidence we had from Shelter was that a shift away from affordable home ownership and affordable rent would result in a 37% reduction in units overall, but a 12-fold increase in social rent supply, from just under 3,000 to nearly 38,000. Rebalancing the grant allocation in that way would massively increase the number of social rent homes available. Is that a policy change that you would consider?

**Emran Mian:** I do not know the details of that analysis. I am happy to go through it. Ultimately, though, the point is the one that Mr Pocklington has just made, which is that the subsidy on social rent is significantly higher than on the other tenures. Just going on the figures you have quoted, I would personally be surprised if you could achieve that level of change without also significantly increasing the total amount that is spent.

Ultimately, what we are trying to do through the management of the programme is to maximise delivery while also taking a view on the relative proportion of the different tenures. That is something that ultimately is a decision for Ministers to make, but the important thing for us is that they make that decision in the context of understanding what the trade-offs are. Once the decision on the policy mix is made, the task for us, working with the agency and the Greater London Authority, is to maximise delivery within the overall envelope that we have and the policy mix that Ministers have decided on.

**Peter Denton:** We are forecast to exceed the target for 2016-21. The target was 12,500 and we are forecasting 14,300. But one of the interesting things—

**Chair:** That is social homes.

**Peter Denton:** Yes, socially rented homes. The interesting thing is that more of the homes that have been started may well be defined as socially rented homes at the end. In fact, we are expected to get more socially rented homes through the 2016-21—

**Chair:** So they are developed without a grant.

**Peter Denton:** They will be using the affordable rent grant, typically. There was one thing that I did when I was running a housing association. There are certain circumstances where you will take the grant for affordable rent, but because of the way you bought or acquired the land or other aspects, you can effectively create the discount necessary to be able to achieve the socially rented home.

**Jeremy Pocklington:** That would be highly unlikely to happen in London. I can see the confused look on faces. It will only happen in some parts of the country, where the economics of that will work.

- Q49 **Chair:** To put this in context, there are people on the waiting list in all our constituencies who could only live in affordable social rented housing.



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There are many more thousands in each constituency than in the uplift that you just described, Mr Denton. This is people whose lives are on hold. They are living in hostels or being shipped around private accommodation, moving every few years and constantly coming to see us because their children are having to move school again or travelling a long distance to school. There is a real human impact to this.

Mr Pocklington, Ms Olney has gone through some of the numbers and the subsidy. Where is the policy actually going to deliver for the people currently living in limbo, some of whose children are growing up in a room in a hostel?

**Jeremy Pocklington:** I am acutely aware of the housing pressures in this country and all the people that you have described. It is particularly acute in London, but it is present also in other parts of the country. Both the programmes that we are talking about are very, very large capital investments from the Government, but the scale of the challenge is such that, unfortunately, they are not going to completely eliminate the housing pressures that we face. It is just not affordable for us, but we need to absolutely maximise the delivery for the resources that we have and also use the other sources of delivery that I have talked about.

Q50 **Chair:** Basically, you are acknowledging that there are people whose needs will not be met by this programme.

**Jeremy Pocklington:** I am acknowledging the scale of the pressures that we have.

Q51 **Chair:** For these people there is absolutely no alternative. Even if someone moved from Hackney, bits of Sheffield might be cheap enough, but, realistically, they are not going to do that because of all the reasons that we know: family connections and so on. Even if they did, Sheffield would have the same challenge, because there would be a demand that would outstrip the supply. We have seen the ripple effect in London in Barking and Dagenham. Waltham Forest used to be cheap, but not anymore. Barking and Dagenham used to be cheap. There is nowhere for people to go. You are being honest, but it is really depressing for our constituents who have nowhere to live.

On the solution that Ms Olney just highlighted as an example for Mr Mian, I do not expect you to comment on the figures, but we have had similar evidence from the G15 that the right level of subsidy going into social rented housing could increase that, even if it is a decrease in other areas.

**Jeremy Pocklington:** Ultimately that is a choice for the Government to make, based on finite resources. Yes, you could offer more social rented houses and fewer affordable rent—

**Chair:** Social renting is a good investment because people pay their rent and live there for a long time.

**Jeremy Pocklington:** I completely understand the merits of social rent. It is good that the tenure was reintroduced in the programme—initially in the 2016 programme. It has been further expanded in the 2021-26



programme. Ultimately there are choices and trade-offs that need to be made.

Q52 **Sarah Olney:** Basically what you are saying is that the way the programme is set up, it is not specifically designed to respond to demand, either in type of property or type of tenure.

We are speaking with experience as constituency MPs. The type of housing we are getting in my constituency is not the type of housing people want. The type of tenure that you are underwriting is not where the greatest need is. We all know that social rent is what is really needed—more than anything else. The structure of the programme does not respond to demand in that way. It is not delivering what is actually most required, or not structured in a way that delivers most of what is most required.

**Emran Mian:** You probably will not be surprised that I would not characterise it in the same way. Ultimately, we are trying to maximise the delivery of affordable housing within a fixed fiscal envelope. The process of setting the fiscal envelope is separate from how we manage the programme. As you would expect, we are regularly knocking on the Treasury's door to talk about the size of the fiscal envelope, but once the fiscal envelope is set, we are trying to maximise for delivery within it. If we did focus the programme entirely on social rent within a fixed fiscal envelope, you would be seeing much lower overall delivery of homes.

**Sarah Olney:** Much more for the people who really need them.

**Emran Mian:** The advantage of balancing across the different tenure types is that we succeed in achieving a higher number of units within the same sum of money.

Your other point is about how responsive we are to local need. Again, I think the programme is trying to strike a balance. We are not trying to say, top-down, "This is the number of social homes to be achieved in this particular place versus this number of shared ownership homes." We are setting targets at the programme level, but we are then being led by what providers are telling us they can deliver in a particular place. Their judgment is determined by their interaction with the local planning authority, local planning policies and what is being said locally about the need, land that is available, and local demand, which providers are often in a much better place to judge than we are.

We are then looking at the bids that they make, both at the strategic partner stage and also through the continuous market assessment. We are not trying to second-guess their view on demand, but are trying to solve for value for money and deliverability and, in that way, trying to maximise value for money within a fixed fiscal envelope.

My characterisation on both points would be different from yours—I am just trying to describe the mechanics by which we are trying to maximise value for money within the parameters of the programme.





**Jeremy Pocklington:** Once the parameters have been set, ultimately it will be the benefit-cost ratio that is the key thing in determining the final decision. There are other criteria as well, but it is not just where demand is greatest—we are looking at the cost as well. Obviously, the benefits will be great in high-cost areas, but it may also be very sensible to build where the benefits are lower but the costs are a lot lower, to maximise value for money.

Q53 **Chair:** Have you done a cost-benefit analysis of providing more temporary housing and more hostels—the health cost impact, and the knock-on costs to schools of children moving in and out because of their situation?

**Jeremy Pocklington:** Those are all incredibly important wider benefits of investing in affordable housing. Ultimately, in the benefit-cost ratio that we use, the benefits that accrue from distributional benefits and land value uplifts are the great majority. Where there are other benefits, we have often identified those. It has not always been possible to quantify them so far.

You raise temporary accommodation, and obviously there is a link. We have been very clear that, in the 2021-26 programme, our estimate is that 8,500 households would move out of temporary accommodation by 2026-27, due to the additional supply. We have struggled to monetise that precisely, which is why we haven't quantified it, but we are looking to do that.

**Chair:** We will happily help you with that, Mr Pocklington.

**Jeremy Pocklington:** Adult social care is another very important example of the links and benefits that come from investing in affordable housing and supported housing. We now have research under way in the Department to help us quantify those savings. So yes, we are identifying those secondary benefits. They are very important; whether in terms of poverty, health, or life outcomes, we all know the benefits of housing and need to quantify them so we can continue to improve how we calculate the benefit-cost ratios in the future.

Q54 **Sarah Olney:** I want to know a little bit more. When you are making grants for building new homes, what kind of standards are you setting for insulation and building quality? We know we have huge issues with our poorly insulated homes; it is going to be a massive problem this winter with the cost of energy going up. What is the Department doing to set standards for where they are contributing funding?

**Emran Mian:** As part of the programme, we set the minimum standard that you would expect. Everything built has to be a C rating on the energy performance certificate. We said we wanted providers to look at the national model design code, which has quite a lot in it about the quality of the fabric of the building. Compliance with the national design code will improve the energy efficiency of buildings.

Q55 **Sarah Olney:** Is it mandatory that they have to follow the code?





**Emran Mian:** Mr Denton will want to confirm this, but I think all the strategic partners that we have signed have indicated that they will be following the national design code. That gives us comfort that in practice we will see better than the minimum regulatory standard in what is being built. The other factor in the design of the programme that contributes to that is the fact that we are looking for providers to use modern and modular forms of construction. Again, we are finding that the providers who are deploying that—they are deploying it more than the minimum standard that we expected—are achieving higher energy efficiency than our minimum requirement on the programme.

Ultimately, we could have set a higher regulatory requirement from the outset; our judgment was that doing so would reduce the number of units we were able to deliver within the fixed envelope. We were looking for some softer measures in the programme to help achieve the same ends—those were looking to the national model design code, and to the use of modern and modular forms of construction. It is too early to say for certain, but it seems like that is having an impact. We should expect to go beyond the minimum requirement in terms of the energy efficiency of what gets built.

**Peter Denton:** Mr Mian is entirely right. I think there is a cultural aspect to this, which is that for those housing associations, sustainability can also mean fuel poverty. There is an open-door dialogue to many of those issues, and they are very focused on the regulatory and policy environment they exist in. The national design guide's HAPPI principles for older people's homes, and "Building for a Healthy Life", are toolkits we have developed to help on design and implementation. We are seeing in the 2016-21 programme the overwhelming majority of homes are going to be C, B or better. We wanted to see 25% of the homes built through modern methods of construction.

There is a grading in MMC from 1 to 8: grade 1 is that you build everything in a factory and grade 8 is that not so much is built in a factory. We wanted 25% to be built through that process. We are probably going to get 50%. Actually, 25% of it will be built in categories 1 to 2, which are either built entirely in a factory, or the walls, floors, or roof are built in a factory. It is a demonstration of the way you should set the ground rules for engagement. If you are a strategic partner, we want you to adhere to the national design code when you put your bid in. Equally, there is a cultural side of what the HAs themselves want to do. Touch wood, I think it has been a success in terms of net zero ambitions, sustainability and MMC.

Q56 **Olivia Blake:** You mentioned that meeting the higher net zero agenda would decrease the number of units. Why, as the Report highlights, was the extent to which it would have reduced not modelled? From what you have said, it sounds as if the market is making decisions that are more radical than the basics that you are setting out. I want to understand whether that is a truism, or just a feeling felt by the Department when set out on this programme.



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**Emran Mian:** The truth of it is that the improvements that we are now able to make to the evaluation of our programme means that we will be in a much better position to judge this going forwards. It is something that we absolutely need to take account of fully in the evaluation of the programme, and we have plans to do that. The way in which the market has responded to the current programme ought to give us more confidence, both for the next stage of this programme—which will be the continuous market assessment stage, where we still have money to commit and lots of homes to deliver—and for future programmes.

To make sure that we are in the best possible position to make that judgment, we need to continue to improve our evaluation approach. We probably were not exactly where we wanted to be at the end of the last programme, in terms of being able to judge that, as the NAO Report observes, but we are really trying to respond to that and to capture it much more effectively in our evaluation of the current programme.

- Q57 **Olivia Blake:** On the potential cost of retrofitting, it is not just about insulation, but about legacy heating systems, so it would be useful to understand why, Mr Pocklington, the Department felt that it should not be asking more not only about kickstarting the industry in heat pumps, solar panels or whatever through this programme, but about a stock full of gas that needs to be changed in the future, and what the costs for local authorities, housing associations and other housing providers will be of not making that decision. Have you done any assessment of that?

**Jeremy Pocklington:** I understand the question. I would note that it is of the overall housing market: we are taking steps to improve further the insulation of all homes, including—

**Olivia Blake:** Not insulation—heating.

**Jeremy Pocklington:** But heating is connected to insulation, because the future homes standard, when that is introduced from 2025, will require different approaches to be taken to ensure that, essentially, we are now creating new housing stock that does not need further retrofitting and further changes as we decarbonise the electricity grid. As my colleagues have said, on what housing associations are doing now, they are absolutely at the cutting edge of this.

**Peter Denton:** I am not entirely sure of the number—I think it is £4 billion—that BEIS has in the social decarbonisation fund as well. That is being deployed through BEIS.

- Q58 **Olivia Blake:** I am aware that Ofgem will have consulted on decoupling the price of electricity from that of gas, which could see gas prices stay relatively similar but electricity get cheaper. Do you think that, in a world where we know renewables will get cheaper and cheaper, the Department should have been more aware of ensuring that the cheapest possible electricity and heating were available through the affordability programmes that you have?



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**Jeremy Pocklington:** Unfortunately, that is getting a bit beyond the remit of my Department. It is a really important topic, but—

**Chair:** We have covered this in other reports, and we will continue to look at it.

Q59 **Sir Geoffrey Clifton-Brown:** Mr Mian, it seems to me that your standard method encourages local authorities—in fact, they are obliged to, because otherwise they are penalised—to consider how many houses they are building, but not the type of houses. How can we be sure that this affordable homes programme is building houses, and tenures of housing, in the areas of greatest need? A lot of factors are considered—prices, where land is available, how many houses we can build here—on a regional basis, instead of absolutely identifying those areas where the greatest housing need is and saying that that is where the greatest housing need is, that that is where we need to build houses. We have to find the land—Mr Denton’s organisation should go out and find the land in those areas. It just seems that that there is not a very good match here.

**Emran Mian:** It is a great question, because I think it gets at a really difficult choice about the extent to which you take a centrally driven approach to identifying need, and how precise you get on need and then go out and just procure for that, versus an approach that is responding, instead. Our programme is about trying to strike a balance, but the other way of doing it is through responding much more to the availability of land, what can be built within the land supply identified by local planning authorities, and what local judgments are being made about demand and in terms of local planning policies.

Ultimately, we are trying to strike a bit of a balance. We are not quite going to the end of the spectrum, where we are saying “We are calculating, for every area, exactly how many homes they need, and of which tenure and type,” and then just commissioning Homes England to go and buy the land. That would be exceptionally difficult to deliver, and I think that would put us in—as you know, there is a very animated debate about even the local housing need number, which doesn’t try to get into that level of detail, so I think that would increase the level of challenge and controversy around that even more.

Nevertheless, there is something really important captured by making that judgment. We make a judgment about, “Where in the country do we most need affordable housing?” We do ultimately try to take a judgment on that. For example, we make a judgment between London and the rest of the country, in terms of how much money we are allocating to the GLA versus Homes England. Then, on the rest of England, if you like, we are asking Homes England to go out and run a process in two parts—the strategic partnerships and the continuous part of the process—to identify what can actually be built at acceptable value for money, but then letting us be led by what the bids are, and guided by local land supply and local planning policies, as to what can actually be built within the timeframe of the programme.



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Ultimately, we are trying to strike a balance between the two approaches. It might be different to the balance that you would counsel us to strike, but I hope that is helpful in trying to show how we are trying to do something that is centrally led, and take a centrally led view on some elements of the programme, but, when it comes to delivery, really trying to be led by what is possible to be delivered at a local level.

- Q60 Sir Geoffrey Clifton-Brown:** But there are figures out there; each local authority does quite a considerable amount of work on the precise housing need in their area. I am just still concerned that all of that information is not being directed at Homes England. It seems to me that it is done on a regional basis; there is London, then you do the allocation to Homes England on a regional basis, instead of saying, "Well, actually, it is this local authority that we really need to allocate a little bit more, because its housing need is so much greater than the one next door."

**Emran Mian:** Yeah. Did you want to say a bit about the bidding process, Peter?

**Peter Denton:** There are probably two or three points. The first is that there is a synchronicity between both strategic partnerships and CME, so I would say that my observation on CME is that it is very laser-focused, with bids coming in from housing associations—often smaller ones—or local authorities themselves, applying for funds to meet a specific requirement. We have many examples of that. Equally, on the strategic partners, who are sometimes geographically based but sometimes nationally based, we are buying into their judgment, not just of the local area need and the specificity of local authorities. My own experience is that I was not just looking at the south-east—I was not even just looking at Kent—I was looking at specific areas in Kent and trying to fulfil a need there, so we rely on that.

The other thing is that the Department does not just ask us to do the programme in isolation. We are a place-based agency; we deploy other capital—other things—to support wider ambitions. We deploy on infrastructure, with a very clear mandate for affordable housing being a metric there. On the land side, we only intervene in land when there is a market failure. We let the market work itself through otherwise. Again, there is a strong design-led, affordable-led component to that. It is all of those combinations coming together that, we believe, gets the best outcome for Government and society.

- Q61 Sir Geoffrey Clifton-Brown:** Can I draw your attention to figure 5 on page 24 on the cost-benefit ratios of the various types of tenures and the point about social rent and specialist housing that Sarah Olney was making? How does this figure compare with other programmes that your Department runs, Mr Pocklington? This is surely critical to the whole business of providing housing. What is the best method of using public money to provide housing? The cost-benefit ratios are critical to that, surely. Are you able to give us a guide on that?



**Jeremy Pocklington:** Benefit-cost ratios are important. Obviously, the Green Book has been revised to emphasise that they are not the only thing we should take into account, but they are still a very important part of the technology. Only our programmes that involve public money will actually have benefit-cost ratios. The affordable homes programme can produce some very positive figures in terms of benefit-cost ratio. Getting into the high 2s, 3s, 4s and 5s indicates a very strong benefit-cost ratio and an excellent use of public money.

Q62 **Sir Geoffrey Clifton-Brown:** Hence the 3.4 figure for social rented housing.

**Jeremy Pocklington:** It is not the only consideration that should be taken into account, but these are very strong benefit-cost ratios. We have other programmes that also produce good benefit-cost ratios. Housing infrastructure that releases new land can be very positive as well. Building safety unfortunately does not have strong benefit-cost ratios by how it is calculated, but it is still very important that we do that. Ultimately, programmes that release land for new supply will score well.

Q63 **Kate Green:** I would like to ask a bit about some of the pressures that will potentially bear on the achievement of the targets, of which perhaps the most immediately obvious is the very significant inflation rate in relation to cost of materials and labour. The G15 has suggested that it could be between 15% and 30%. How are you addressing that risk and inflationary pressure in managing the programme? What is your assessment of its impact on the achievement of the targets?

**Emran Mian:** You are absolutely right, as are the G15 and others. This is a big pressure on the programme. It is a significant risk to our expected delivery. I will just go over the few stages of how we see it playing out. First, especially in the strategic partnership element of the programme, actually we are typically working with larger providers. They are very experienced in delivering at scale. They have had a pipeline of delivery. We would expect them to be better than most at being able to manage these costs in their supply chain. That is not to diminish in any way the pressures they are facing, but they are at the more capable end of managing them. In terms of the bids that they provide us, they of course allow for some contingency in terms of cost overruns. We do that on all our capital programmes. It is quite important to us that that is built in from the beginning and that there isn't massive optimism bias in what we are looking at. That is part of the initial assessment, which looks at their deliverability, asking, for example, whether they have looked at where they might see cost overruns.

But some of the cost overruns we are looking at now are beyond those forecasts. That is clearly the next stage of the challenge. I think the balance for us here is that we want to be quite careful to continue to maximise value for money here, in terms of the public money that is in the mix on these developments. That is quite crucial, because the developments are not only being financed by public money. The grant that is going in from the affordable housing programme is a significant part of



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the mix, but the housing association will often also be deploying their own financing. There may be other sources of funding as well. Where possible, we want those other sources of funding to pick up some of the cost overruns, rather than have that coming from the affordable housing programme grant.

Obviously, that is something that we want to be able to work through with partners. As you would expect, we are talking to partners regularly, both Homes England and the GLA. Once you have worked through all those stages, you get to the real crunch of the conversation: "Right, are we going to see a lower number of units delivered?". It is fair to say that we have not yet quite got to that point, where people are concretely saying "It is going to be x lower than we thought", but that point in the programme could come in the months or years ahead.

- Q64 **Kate Green:** We have already got—I think we are agreed—a pretty extreme situation in relation to inflationary pressures. You have talked about the limits on the ability of providers to manage, in the way that they normally would, these cost risks. You have pointed to other sources of funding—it does not all have to be provided by Government grants—but these cost pressures apply right across the piece, do they not? They apply to other private developers—other places where private finance might be raised. Interest rates are rising sharply, too. Do you really think, looking at this accumulation of cost and financial pressures, that the programme has enough give in it to meet the ambitions that we talked about earlier to rehouse people who are in very desperate housing need in all our constituencies?

**Emran Mian:** I do not think any of us want to be complacent about that at all; the cost pressures are really significant. To look at some of the places where some of the pressure could come off, there is a very large proportion of social housing on some of these developments, but there is also housing that has been built for sale. A developer may be able to recoup some of their higher costs through the sale prices on homes within the same development.

Equally, it is difficult to judge how long inflation will remain at the current rate. This is a long programme and lots of the delivery will be in future years, hopefully by which point the inflation rate will be lower and so you would expect some of the cost pressure to come out in that way as well. Again, we would expect capable providers to make good decisions about what to procure now versus what to procure at, perhaps, a later stage in the programme when inflation might be running low. None of that is to say that we are complacent about that fact that there could be real pressures here—pressures that, as you have observed, could ultimately play out as lower delivery than we are currently expecting.

- Q65 **Kate Green:** Potentially quite substantially lower delivery than the programme's initial assumptions, given the sharp rise in inflationary cost pressures over the last few months. In relation to more immediate pressures, social rents are going to be capped next year to accommodate families' inflationary pressures. The housing associations I have talked to





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in my constituency absolutely understand why that has to happen, but they have also observed to me that puts pressure on their finances and reserves. What immediate or medium-term impact do you think the rent caps could have on the ability of social developers to continue to meet the ambitions of the programme?

**Emran Mian:** As you know, we are consulting on what to do in terms of the cap on social rents for the next financial year. If we were to take no action, social rents could go up at the rate of inflation plus 1%, which for many tenants would be a very significant and—in many cases—unaffordable increase. Housing associations and local authorities recognise that, so in practice I do not think they would push rents up to that level. Nevertheless, we are consulting on what the right regulatory approach is. As part of that consultation, we want to understand more about what the other impacts of having such a low rent cap would be. Our impact assessment, which went out alongside the consultation document, absolutely recognises that there will be an impact—

Q66 **Kate Green:** Including on the affordable homes programme?

**Emran Mian:** Because there will be a lower than forecast rent intake to the providers, we recognise in the impact assessment that that will have an impact on the amount of supply they are able to fund, which could have knock-on impacts on the programme. We have not attempted to quantify that yet because it ultimately depends on the judgment that we reach at the end of the consultation period on what the social rent cap should be, but we also want that judgment to be informed by what the sector tells us, in response to the consultation, about how this plays out for them.

Q67 **Kate Green:** When is the consultation due to close?

**Emran Mian:** I think the consultation closes at the end of October.

Q68 **Kate Green:** When the Government responds to the consultation responses, will it address the broader context that you have talked about, including the impact of setting a social rent cap on things like the affordable homes programme and the achievement of the targets?

**Emran Mian:** As I said, we did in the impact assessment that went out with the consultation. The Government already recognise that; it is absolutely in our thinking.

Q69 **Kate Green:** There are other pressures in addition to cost pressures, particularly in relation to labour force supply, skills shortages and shortages of worker power—we haven't got the numbers in the construction sector that we need. What impact do you assess that as having on the ambitions in the programme, and how are you addressing the threats it may create to the achievement of the targets?

**Emran Mian:** Providers are coming back to us and saying that they will use MMC a great deal. That is one way in which they are looking to a different labour model, as well as a different construction model, to deliver the housing. That said, you are absolutely right that construction of homes





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is very dependent on the labour market. I don't know to what extent people are flagging this issue specifically. Peter, you may want to say more about that.

**Peter Denton:** To add to Mr Mian's point, there are a couple of starting points. One is a cultural thing. From the perspective of a housing association, this is your charitable mission, so you are very focused on balancing repairs and maintenance, the rent that you charge to your customers and how many new homes you can deliver. It is in your DNA to focus on that, notwithstanding the headwinds you face.

One of the criteria for choosing the strategic partners is their financial strength, their competence and their ability to deliver, even taking account of headwinds. We recognise that, as you have identified, there are a lot of headwinds. We are talking to all the strategic partners monthly. We have formal meetings every quarter, but frankly it is monthly, and for the CME partners it is pretty much the same. The non-inflationary headwinds led to about a 20-week delay in completions last year. That is before the inflationary side—just the items you were talking about.

The Department responded incredibly well to support us and those partners by giving them flexibility, timing and support so that we did not lose the output and opportunities. The ability to engage with the partners in real time has been incredibly helpful in maintaining that.

For the 2016-21 programme, given where we stand, we are not likely to lose the delivery in that context; it has been baked in. Mr Pocklington and Mr Mian highlighted that there are ways that we can support the 2021-26 programme. We can spread the timing, as we are now; we can adjust the payment structures; we can provide confidence. The key point to remember is that an HA is going to go into this if it is confident of being able to build out. The cross-subsidy model is also helpful.

My last point is that, on CME, right now—it can change—we are seeing greater pipeline interest than we have money. That allows us to adapt to circumstances. If one partner who is engaging with us finds that their project gets counted out because of viability, at the moment we have other opportunities to fill that gap, and I would expect that to continue.

Q70 **Kate Green:** On the skills and workforce point, the NAO published a very helpful Report the other day on the future skills needed to meet workforce demands. It highlighted construction as a sector where there is real workforce pressures and a need for a skills and investment strategy. Mr Pocklington, to what degree is the Department collaborating with the Department for Education and others on its housing ambitions, to ensure a longer-term strategic approach to meeting workforce needs?

**Jeremy Pocklington:** We work closely with the Department for Education, and with the Department for Business, Energy and Industrial Strategy, on construction skills.

Q71 **Kate Green:** And the Home Office, on migrant labour?



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**Jeremy Pocklington:** We do. Obviously, there is a different type of issue there. I am afraid I have not read the NAO Report.

**Kate Green:** It is very good.

**Jeremy Pocklington:** That is a useful pointer for me. I will make sure that I read that Report and its suggestions.

Q72 **Kate Green:** I have a couple of other questions on pressures that are not inflationary. Are you picking up on any pressures in local government, for example, in terms of processing planning applications?

**Emran Mian:** Developers talk to us regularly about the pressures that they see, from their end, in terms of planning departments. We have been doing quite a lot of work, principally through the chief planner in the Department, in talking to local authorities about the pressures on their planning departments. In the spending review, we secured some funding to contribute to capacity and capability in planning departments. We said a little bit about that in the context of our planning reforms a few months ago, and hope to continue that work.

Q73 **Kate Green:** When we looked at your 2021 business case, I guess we were a bit surprised that some of the broader pressures were not referred to. The NAO has highlighted that best practice was not therefore followed. Why did you construct your business case in the way that you did, and fail to draw in the broader risks to the programme and your assessment of how they have been managed?

**Emran Mian:** Forgive me; from memory, I am trying to scan through which of these pressures we talked about in the management section of the business case, which should be the relevant part. There may well have been inadequate—or we could have had a fuller discussion of some of these issues in the management section of our business case. I am very happy to take that away and see if we can continue to improve it. That is the key question for us now: how do we continue to improve the management of the programme? Through Homes England, we have a really tight management approach to working with strategic partners, continuous market assessment, really regular monitoring of what partners are saying to us, and action in response to that.

I am confident that the Greater London Authority is displaying the same management practices. It also meets with its strategic partners quarterly; actually, sometimes it has much more regular meetings with its strategic partners, where a project is proving particularly complex. It also brings in the boroughs to talk about planning and local infrastructure issues, so there is really quite tight management going on in both parts of the affordable housing programme. Your questions underline the fact that, especially over the period ahead, we will need that, because the pressures in the construction market overall, including this part of it, are quite significant.

Q74 **Kate Green:** On the pressures we have talked about and the 2021 grant programme, in the early part of the session, I think Mr Denton began to



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talk about the tail in the 2021-26 programme. What does that tail look like now, in the light of all these pressures? What is the timescale for dealing with that tail?

**Peter Denton:** On the 2021-26 programme—I was just going to dig out the dates, so I do not get this wrong—there is recognition that we have had to extend the dates for the programme to ensure that we have enough time.

Q75 **Kate Green:** How long have you had to extend it out?

**Peter Denton:** There was always a differential between the CME partners and the strategic partners. One of the reasons for strategic partnership is to give long-term certainty. We have three sets of dates, and we believe that those will all continue to be met. I will give you only the completions, because those are probably more relevant. You may remember that we have four long-term strategic partners, who have committed to an additional 4,000 homes each, as a minimum. They have until 2029. Then we have strategic partners, for whom the date is one year earlier—2028. We then have the CME. As those are much more bespoke engagements—they are shovel-ready, ideally—for them the date is 2026. That is the envelope for the 2021-26 programme.

When I referred to the tail, that was more to do with the 2016-21 programme, where we are 91% or 92% done, effectively. A relatively modest number of those homes will tail through into 2026, and will have that as their end date.

**Emran Mian:** Is it useful to give an example of a project that delivers at the back end of that period? I raised a similar question: “Some of the delivery seem very back-loaded; why is that?” When you look at the projects, the answer becomes clearer—at least, it did to me. For example, in London, one of the projects from the 2016-21 programme that will deliver towards the very back end of the period is the project at Holloway. Greater London Authority was able to commission Peabody to deliver affordable housing there, but it is a very complex project: complex build, complex heritage issues and complex planning.

If the commitment had not been made to Peabody up front, there would not be as much affordable housing in that project—I think it is 60% affordable housing. The commitment needed to be made from the previous programme, but because of the nature of the project, the delivery of the affordable housing will not happen for quite a long time. When I look at the detail of an example like that, it seems an acceptable judgment to say, “We need to lock in the delivery of that affordable housing by making the commitment in the 2016 to 2021 programme, while recognising that the delivery will be quite a bit later.”

Q76 **Sir Geoffrey Clifton-Brown:** I take a much more bearish view on high inflation than you do, apparently; I think it will last longer than you think it will. As we have discussed, that will inevitably put pressure on the numbers that Mr Denton gave us. I have a question about the freeze on social affordable rents, because nobody knows about those numbers or



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the pressures. There will be a temptation to drop the percentage of affordable rents, and to up the amount of full rents and sales, in order to keep the numbers up. Can we be assured that that will not happen?

**Emran Mian:** I think that you are right on both those speculations. If inflation remains high for much longer, clearly the risk to our programme, and to delivering at the levels that we forecast, is greater. In future hearings, we may need to face into that; I absolutely recognise that. There will then be a question, exactly as you observe, about how we maximise delivery within what is likely to remain a fixed fiscal envelope. Ministers have made clear decisions about the tenure mix that we are aiming for. That is what we have said to the market; those are the bids that we have had back. The costs of adjustment are very significant.

**Peter Denton:** There is strong evidence, over a very long period, that the affordable grants programme is counter-cyclical: in moments of distress, recession and downturn, it has been supportive to people needing affordable homes, including economically.

Q77 **Chair:** Just to be clear, by “affordable homes”, you mean all forms of affordable tenure.

**Peter Denton:** Yes, all forms. Actually, the tenure switch point in the GFC—the great financial crisis—was incredibly helpful at the time. The second point is that, to be really clear, grant is awarded only for affordable homes. If someone decided, for whatever reason, to switch out of affordable homes and into market-rate homes, they would get zero. In our contractual arrangements with our strategic partners, we are extremely clear on what we expect them to deliver, both as regards tenure type and quantity.

Q78 **Sir Geoffrey Clifton-Brown:** Having read the Report, I am concerned that your Department, Mr Pocklington, doesn’t apply very strict value-for-money criteria in the delivery of these houses. There is a plethora of information out there on how much it costs to build houses. There are two elements here: how many houses, of all tenures, you build; and how much subsidy you need to give them. You start with a house and how much it costs to build, and then look at how much subsidy you need to get to the various tenures. I am not convinced that your Department actually relates the grants that Homes England gives for the building of these houses to value for money where they are being built. I am sorry if my question is a little opaque.

**Jeremy Pocklington:** Sir Geoffrey, may I have a go? I think you are raising two issues. We have touched on this, but on the first issue, you are raising a new point about the geographical and tenure decisions—if you like, the policy decisions—that we are taking. The second question is: how do we deliver the programme given the decisions that have been taken?

I will take the second question first, which is: how can we be confident that value for money is achieved within the constraints that we have set? Ultimately, this is a competitive process. The Department, with Homes England, is setting benchmark grant rates, but it is not setting the grant



rate; that is set through a competitive process. A number of bidders for the strategic partnership programme, which is a significant improvement on how the money was previously allocated, were unsuccessful because those bids presented less good value for money.

Ultimately, there is a process that we can continue to refine. There is an example of how it can be refined in the NAO Report: we have regional benchmarks for grant rates, but perhaps we could look within regions. I think you alluded to that, and we are thinking about it. That is the process that we run, and why it gives us confidence that it is value for money.

Stop me if I am barking up the wrong tree, Sir Geoffrey, but I think your other question is whether we should do more to direct support towards choices of location and tenure that have higher BCRs. You could do that; that is a choice for the Government—

**Chair:** Sorry to interrupt, but BCR means benefit-to-cost ratio.

**Jeremy Pocklington:** Apologies.

**Sir Geoffrey Clifton-Brown:** Figure 5, which I cited earlier, goes to the heart of that.

**Jeremy Pocklington:** If I am on the right track in terms of the question you have asked, Sir Geoffrey—

**Sir Geoffrey Clifton-Brown:** You are.

**Jeremy Pocklington:** There is an option to allocate more of the money to London. You are almost always going to get the highest benefit-to-cost ratios in London—not absolutely always, but generally—because the land value uplift is so much greater in London. Within that, there are tenure choices that you can make that will maximise BCRs.

The point is that there are other considerations for the Government. The Committee may not agree with those other considerations, but they are policy considerations that the Government are taking. The first is that this is a national programme, and there is a need for affordable housing in all parts of the country. You could argue that more money should be allocated to London—I think about a third of the money was allocated to the GLA.

**Chair:** Down from a half.

**Jeremy Pocklington:** That's a policy decision for Ministers. In the current programme, yes, the focus is on prioritising London, but also on it being a national programme.

Q79 **Sir Geoffrey Clifton-Brown:** Can I stop you there, Mr Pocklington, and refer you to figure 15 on page 45, which absolutely proves what you are saying?

**Jeremy Pocklington:** That's not actually benefit-cost ratio; it is savings in housing benefit, which is a slightly different measure. One of the



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complications here is there are multiple measures that you could use, such as temporary accommodation or savings in welfare payments, which are real but are very long term, as noted in the return. The payback period is measured in decades, rather than a small number of years.

To conclude my answer, there are choices that Ministers are making about whether this should be a national or just a London programme. They are also making choices about the number of people we can help, and the number of units that we can build within the constraints, as well as choices about tenure, and the tenure type that the Government wants to promote. Within those constraints, we are optimising the choices that the Government makes; I am sure that we can continue to improve, but we think that the choices have been managed successfully. But there are alternative programmes that you could of course introduce.

- Q80 Sir Geoffrey Clifton-Brown:** Sorry, Chair, if I am cutting across anybody else. My final question is this: in designing the programme, what are you doing to make sure that you are looking across Government? We have just had a discussion on housing benefit; there are other measures that you need take into account, apart from strictly need.

**Jeremy Pocklington:** We did take into account welfare savings, and I think we did quantify that in the business case for the 2021 to '26 programme. There are other benefits that we were not able to fully monetise consistent with the Green Book, such as savings on temporary accommodation and savings in adult social care budgets. We identified those, but we did not quantify them. We are putting in place a proper evaluation of the new programme to ensure that we have the best possible understanding of the outcomes that we are achieving and some of the wider benefits. Economists often refer to them as secondary benefits. I don't particularly like that term, because it implies that they are not important. They are very, very important, and are ultimately what we are trying to achieve.

- Q81 Olivia Blake:** I recognise what you say about the design taking into consideration those cross-Government benefits, but why aren't those wider savings taken into consideration in how the funding is allocated? Would it not make sense to try to maximise the savings from those secondary savings?

**Jeremy Pocklington:** Even if we had perfect information—in some cases, we do not yet have it, and we are trying to improve our research base so that we can quantify the benefits more strongly—the great majority of the benefits in the benefit-cost ratio that we are talking about would still accrue from the land value uplift associated with the new supply and the distributional benefits. Yes, at the margin, these are very important outcomes that we are trying to achieve, but they are only going to be at the margin in affecting the calculations that we produce.

**Emran Mian:** I think they are driving the design of the programme, to an extent. That is why, in the programme, we have the sub-target on supported housing. If you were purely focusing on land value uplift, you



would not necessarily have a sub-target on supported housing or aim for a lot of supported housing, and the same is true for the sub-target on rural housing in the programme. While there is more for us to do on calculating or monetising the full suite of benefits associated with the programme, I think we are trying to account for some of those benefits in its design.

Q82 **Olivia Blake:** Do you think this is joined up enough with, for example, trying to get savings in social care, or do you think that that could be improved in future iterations of this programme?

**Emran Mian:** I hope that focusing on supported housing in the way that we have done in this programme is a positive step in that direction. We are kind of following that through in terms of the management approach, as well. The Department for Health and Social Care is now much more involved in our programme management of the affordable housing programme, too. Equally, the DWP, as you would expect, has a very significant interest in how the programme is delivered; it is part of our conversations, too.

Q83 **Chair:** We have talked about different types of tenure, but supported housing has not been mentioned a great deal. Page 25 of the NAO Report highlights the point quite neatly; the GLA is cited by the NAO as highlighting some of the barriers to developing supported housing. We know that this is not a new problem—you can build the housing, but it is the running costs of supported housing that is a challenge. Mr Pocklington, how are you trying to join that circle up? It falls right in your Department, and DHSC.

**Jeremy Pocklington:** My Department and DHSC. Of course, the Report is correct that new supported housing is challenging to deliver. It requires a higher grant rate for the capital costs, but, as you rightly say, it also requires additional revenue for support services. Ultimately, that is funded mainly through the local government social care budget and it is part of the wider issues that we have talked about many times—the pressures on social care and support for local government. The deputy Prime Minister is making a statement today, so I will not comment on that today.

However, we are also looking at where there are smaller sums of money and considering how we can work most effectively with the DHSC on, for example, their care and support specialised housing fund, to make sure that we are maximising delivery, as well. But none of this takes away from the importance of that revenue support.

There are particular challenges as well around delivery of this in London that I think we need to understand better as a Department. It is particularly complex to deliver new social housing in central London—

**Chair:** New supported housing, or do you mean—?

**Jeremy Pocklington:** Sorry—new supported housing, within the GLA area.

Q84 **Chair:** Absolutely. And I think the worry when you look at the disparity in figures for both Homes England and the GLA—it is more stark in London,





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as you say—is that you will never catch up. There will be pent-up demand, just as with social housing where people have no option. They are living in a hostel room waiting for a home, because there is no other option for them; they have got no funds or ability to pay for anything else. Similarly, someone who needs supported housing needs it now and options are sub-optimal; they may be delivered by someone else, or something, but there are very sub-optimal options for them.

**Jeremy Pocklington:** I completely understand the picture that you are outlining. Outside London, I think that I am more optimistic that—

**Chair:** The figures are better for you in Homes England—

**Jeremy Pocklington:** I think I am more optimistic that Home England's engagement can engage and make more progress through the continuous market engagement, or CME, process. Within London, I think we have more work to do to understand what the best way is to address that challenge; it's a real one.

Q85 **Chair:** Overall, the figures speak for themselves. I am interested that you are still publishing this target of "up to 180,000 should economic conditions allow". It is a very cleverly worded phrase, when realistically you know—from what we have all been discussing, and Mr Mian was very honest about the challenges and pressures of inflation and so on, as Ms Green and Sir Geoffrey highlighted—that even the 157,000 target will be very hard to meet.

**Jeremy Pocklington:** I think we have talked about the uncertainty around that. There are—

Q86 **Chair:** Are you going to revise these figures?

**Jeremy Pocklington:** There are actions that we will do. It is the best forecast that we have—

**Chair:** The 157,000 or the 180,000?

**Jeremy Pocklington:** The 157,000.

Q87 **Chair:** So why are we still talking about the 180,000? Isn't that a bit of a fraud on the public, really?

**Jeremy Pocklington:** No. That was the ambition set out at the start of the—

**Chair:** That was the ambition and we know it was never going to be met; you know that. It's in a manifesto, is it, or something?

**Jeremy Pocklington:** We have our central forecast.

I think that a useful suggestion in the NAO Report is that we need to move to a system where we are annually updating that forecast alongside business planning rounds. That is the sensible thing for us to do, rather than making small changes or incremental changes to a forecast in the light of monthly information, which is not a sensible way to manage a programme of this scale.



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Q88 **Chair:** Will you be reporting to Parliament regularly on that forecast?

**Jeremy Pocklington:** I am content to update the Committee when we next produce a forecast.

Q89 **Chair:** Is it something that you would expect a ministerial statement on every year, because other projects are reported annually or six-monthly? I appreciate the annual point; I think that is a fair point and we would accept that. We have worked with other Departments to help shape what would be a good report to Parliament. We would be very happy to work with you behind the scenes on that.

**Jeremy Pocklington:** I can sense a recommendation coming on this.

**Chair:** Or you could just say yes, and then we might not need to recommend it.

**Jeremy Pocklington:** The notion of annual reporting to Parliament is absolutely something we are signed up to. The precise form of it, let us take away.

Q90 **Chair:** You can report to the Committee, and I am sure that everyone is avidly looking at it, if they can find our bit of the website, but there is a point about having it very openly available. All the strategic partners and others—Mr Denton talked about this—have many partners, and there are a lot of people poring over the detail of those numbers, but I think we need some honesty here. We all know that 180,000 homes is a target, but a target that is not going to be met, and it is going to be under increased pressure because of inflation and so on.

**Jeremy Pocklington:** The importance of transparency is something I entirely agree with. We have been very open about the ambition, we are being very open about the forecast, and I think moving to regular reporting to Parliament is a very sensible thing for us to do.

Q91 **Chair:** It would be good if that were broken down by tenure, area and size of property, as Ms Olney highlighted, although interestingly in social housing a two-bedroom property is a prize because you do not get hit by the bedroom tax. You can just about squeeze in and out, up and down.

I just wanted to go back to the home ownership programme for 2021. Mr Denton, we talked about inflationary costs on building, but obviously inflationary costs on mortgages have a big impact, and shared owners are caught with this still-to-be-negotiated rent rise in a mortgage market that, for them, is narrower than for other borrowers because of the nature of shared ownership.

Have you factored those into the delivery of shared ownership properties, and whether it is going to make them viable? Certainly in my own area, it has been very difficult over the years, and we have been seeing a huge development of more private housing—some of which is shared ownership—for people who have just not been able to get a mortgage at all. Often, those shared ownership properties have gone to the wrong people—not the wrong people; they have gone to people who still need a



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home, but they have perhaps not gone to the people who they were originally intended for. The mortgage situation is just going to get worse, isn't it?

**Peter Denton:** You are right that the shared ownership market, particularly for borrowing, is more complex than is typically seen. While we have been here, we may well have had an interest rate rise, so we will see that impact. When I have seen customers make the decision to go into shared ownership, as a rule of thumb, what they were paying on a monthly basis—although these are always important facts—was secondary to the deposit levels. Shared ownership gave a certain cohort of people the ability to access ownership on a percentage basis—either 10%, 25% or 40%—so their key consideration was the rental deposit, which was often materially lower.

With regards to the impact over the coming period, they will face the same challenges as anyone will in terms of the vagaries or impacts of mortgage rate rises. The only thing I would say is that when I have looked at these numbers explicitly on projects—this is not at Homes England—I have seen that typically, the rental number has been higher, and the normal mortgage rate has been higher as well.

That is probably an imperfect answer to your question, but what I am saying is that I do not think there is anything specific to shared owners on an affordability basis, because they are only buying into 25% or 40% of a home. By definition, it is more affordable on a monthly payment basis, but they are as impacted by interest rate rises as others.

Q92 **Chair:** But if the housing market generally is difficult, particularly for first-time buyers and people on lower incomes, will you be able to flex away from building those affordable shared ownership homes for purchase and towards, say, social rented housing, which—as we have highlighted repeatedly—is a big part of the issue?

**Peter Denton:** That has occurred in the past, but the point that is probably more relevant today is that ultimately there is a surplus of demand for shared ownership. It is a way of accessing ownership for a cohort of people who would not otherwise do it.

Q93 **Chair:** So you are not worried that the demand is going to drop.

**Peter Denton:** Not from the evidence we have seen over other periods. You do find areas and particular housing associations that will build a certain amount of shared ownership.

Often, if you are building flats or if you are building in London, you do not get the chance to build in phases; you have to build everything in one go, and therefore you will have absorption periods for shared ownership. I have experienced that myself. Putting that to one side, at the moment there remains a surplus of demand for shared ownership compared with supply. You can go to areas—again, I have seen it in the past, in Brighton—and you can look by region and can say, “I have thousands of

interests in shared ownership, relative to the hundreds or the tens I am actually delivering.”

Q94 **Chair:** So it is probably too soon to see if that will impact.

**Peter Denton:** Correct.

Q95 **Chair:** The other point on shared ownership is the staircasing up. Does anybody keep a proper record of how many properties eventually come out of shared ownership because they are bought out fully, because that has an impact on the rental income for the landlord and therefore the affordability of the programme overall?

**Peter Denton:** Someone on my team may say we do this—I am not aware of whether we track staircasing. Actually, because of grant re-submissions to us, we probably do track staircasing indirectly.

As a rule of thumb, for 100% staircasing, most HAs will assume about a seven-to-10-year period. That is their typical assumption. Inevitably, in periods of downturn, that extends out, and equally the other way round. As a rule of thumb, when you are making these assumptions—

Q96 **Chair:** So you as finance director and chief exec, when you were in that role, would be counting down the rental income over that period of time?

**Peter Denton:** You would, but you would also be looking to your belief in recycling. When I was at Hyde, I assumed that the grant I received from Homes England and the GLA would be recycled into new grant and I would have one of two choices: I would either give the grant back, and as an HA, you tend to try to avoid that, and the best way of doing that is by building more homes.

The new partners that we have brought into the 2021-26 programme will make this more sophisticated. We have new institutional investors, not just housing associations, with a very high focus on environmental, social and governmental targets, who are actually more interested in the shared ownership than perhaps in the rental side. It is about how we balance that.

Q97 **Chair:** Is this things like pension funds, or hedge funds? What are they?

**Peter Denton:** No, these are not hedge funds. They are predominantly very large UK pension funds, with a long-term focus.

**Chair:** It has been an interesting session. There has been candour about the tail, and we will be interested to watch that. Despite the constant repeating of the “up to 180,000 should economic conditions allow” there has been some honesty about the reality of the figures. We will seek to hold you to account on that, and through Parliament more generally, about exactly the numbers that are delivered.

It is worth re-emphasising that we have talked a lot about numbers today and about process, but in the middle of this, there are people whose lives are on hold because they haven’t got a roof over their heads. We all know that a good stable home is the foundation for the economic growth that



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the Prime Minister so much wants to see, for those individuals, the communities they live in and the country as a whole.

I thank you very much indeed for your time. We will be producing a report in the next few weeks, so we will be in touch. Thank you.