



HOUSE OF COMMONS

# Public Accounts Committee

## Oral evidence: Starter Homes, HC 88

Thursday 22 October 2020

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Members present: Meg Hillier (Chair); Olivia Blake; Barry Gardiner; Sir Bernard Jenkin.

Gareth Davies, Comptroller and Auditor General, Aileen Murphie, Director, National Audit Office, and Marius Gallaher, Alternate Treasury Officer of Accounts, HM Treasury, were in attendance.

Questions 1-114

### Witnesses

I: Jeremy Pocklington, Permanent Secretary, MHCLG, Tracey Waltho, Director General, Housing and Planning, MHCLG, and Nick Walkley, CEO, Homes England.

## Report by the Comptroller and Auditor General Investigation into Starter Homes (HC 275)

### Examination of witnesses

Witnesses: Jeremy Pocklington, Tracey Waltho and Nick Walkley.

**Chair:** Welcome to the Public Accounts Committee on Thursday 22 October 2020. We are here today to consider a National Audit Office investigation into starter homes. We all know that house building declined sharply after the financial crash in 2008. As part of the response to that, the coalition Government made a commitment in 2015 to build 200,000 starter homes at a 20% discount for first-time buyers under the age of 40. The spending review of that year promised £2.3 billion for the first 60,000 of those homes. The NAO's investigation, however, found that while £192 million had been spent by July 2019, no starter homes had actually been built.

We are bringing witnesses together today to tell us what has happened to starter homes, where the funding has gone and, crucially, looking forward, what the future is for affordable homes. I welcome our witnesses. We have Jeremy Pocklington, the permanent secretary at the Ministry of Housing, Communities and Local Government, who is a regular visitor to the Committee. Tracey Waltho is the director general for housing and planning at the same Department and is also dealing with the cladding issues around Grenfell, so that is a big job for you—thank you for coming today, Ms Waltho. Nick Walkley is the chief executive of Homes England, which has a crucial part to play in the delivery of housing policy by the Government.

Without further ado, I am going to turn to Sir Bernard Jenkin. Before we go to the main Report, we will cover some issues around Covid spending. Sir Bernard will be asking you some questions, Mr Pocklington, about rough sleepers' housing support.

Q1 **Sir Bernard Jenkin:** Good morning. Briefly, we want to understand better how the plan to rehouse the 10,500 rough sleepers currently staying in hotels and short-term accommodation is being implemented as part of the Department's Everyone In campaign. What progress is being made?

**Jeremy Pocklington:** It is a high priority for the Department. Over half a billion pounds of funding is being spent this financial year on our support for homelessness and rough sleeping. About 29,000 people have been supported through that programme to date, including through emergency accommodation and other forms of supported accommodation.



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We are continuing to work at pace at moving those we are helping into suitable accommodation, including through the Next Steps accommodation programme. Some £161 million has been allocated for move-on accommodation, and more information on how that will be allocated will be available shortly. Of the money available for immediate support—the interim accommodation—about £92 million has been allocated to 274 local authorities. This remains a high priority for the Department.

I noted that the latest ONS data on the impact of Covid showed that of those that regrettably died in the first wave, in the period to June, only 16 were classified as being homeless. We are spending a large amount of money, with some impact. Obviously, every death is regrettable, and it is not possible to take every rough sleeper off the street.

**Q2 Sir Bernard Jenkin:** You mentioned the £161 million for the move-on accommodation. Will you describe what is meant by move-on accommodation?

**Jeremy Pocklington:** I may bring Tracey in to talk in a bit more detail, because she leads on this area. This is often supported accommodation that enables us to move rough sleepers from—

**Q3 Sir Bernard Jenkin:** It is not new housing?

**Jeremy Pocklington:** Yes, there will be a high amount of additional housing—new units—through the £161 million that we are allocating.

**Q4 Sir Bernard Jenkin:** How many new houses would you get for £161 million?

**Jeremy Pocklington:** May I bring in Tracey to give you more details on the numbers?

**Tracey Waltho:** We are in the process of making final decisions on how the funding will be allocated, based on local authority bids. Local authorities will have submitted bids that cover conversions of existing stock and bringing new stock in. I will not have the final numbers until we have made those final allocation decisions.

**Q5 Sir Bernard Jenkin:** If 10,500 rough sleepers are currently staying in hotels and 18,000 rough sleepers were taken into hotels at the start of this, how many new houses do you need to build to house all those rough sleepers?

**Tracey Waltho:** We have decided to make the investment of about 3,300 additional accommodation units. As you can see from the data, we have supported 29,000 people through the scheme overall, and 10,000 remain in emergency accommodation. Local authorities have good, well-established routes whereby they are already finding sustainable pathways for people out of rough sleeping, so it is not all about finding new houses.

**Q6 Sir Bernard Jenkin:** What is the overall budget for those 3,300 new homes?

**Tracey Waltho:** It's £161 million.



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Q7 **Sir Bernard Jenkin:** You can get 3,300 homes out of £161 million?

**Tracey Waltho:** We are in the final knockings of allocations, but I am comfortable that the budget is going to hold, yes.

Q8 **Sir Bernard Jenkin:** How many people are still sleeping rough at the moment, do you reckon? I guess it's an estimate.

**Tracey Waltho:** It is an estimate. We think that probably 2,000 were never reached and remained on the streets, and there are some indications, now, that the numbers are rising.

Q9 **Sir Bernard Jenkin:** How are you proposing to protect those rough sleepers this winter?

**Tracey Waltho:** There is a range of provisions in place. We are working with local authorities on their winter plans as usual. We have also provided, working with Public Health England, guidance on how night shelters should be used for those who won't accept any other forms of help.

**Sir Bernard Jenkin:** Thank you very much. Meg?

Q10 **Chair:** I wanted to check about the long-term support, because building the homes is not enough to keep people off the streets. So, Ms Waltho, what plans are there, and what money have you currently got that you know you will be able to allocate to councils to keep people, sustain them, in their new tenancies?

**Tracey Waltho:** I should have brought up, as part of the rough sleeping accommodation programme, the Next Steps piece. We actually have £31 million of revenue to provide support to people. These units are for the rough sleepers who are going to need the most support in order to transition into sustainable pathways. We have continued with our rough sleeping initiative funding, around £112 million, and then, as part of the spending round, we will confirm funding that was allocated at the Budget.

A lot of the response to Covid has actually brought forward and accelerated the provision of things such as the move-on housing, and we have also made significant investments in relation to, for example, substance misuse. One of the most powerful things about Everyone In has been the way in which, at local level, all agencies have pulled together to try to wrap support around rough sleepers. We really have had support on drugs and alcohol, substance misuse, and so on.

Q11 **Chair:** I think everyone recognises that there has been a lot of really good work on the ground, but there needs to be that long-term commitment to funding. These are long-term situations; someone cannot be turned round in a permanent tenancy, necessarily, in a few months, or even a few years in some cases. You have the spending review coming very soon. Are you having to bid for any more funding in that, or have you got what you think you need for the next—well, can you give us the period of time that you think you have got covered?



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**Tracey Waltho:** We are in discussions over the normal SR period. The Budget did give us a significant step up in resourcing here, which we have flexed; we have pulled some resources forward and therefore we are just working through what we think is going to be necessary in the light of the potential rise in unemployment and so on that might be coming.

Q12 **Chair:** So from your point of view, this is a long-term programme now; it's not just a stopgap.

**Tracey Waltho:** Absolutely. The accommodation units will be part of a national asset. We are very, very keen that they don't dissolve back into the ether and that they are there to continue to support people through pathways. We are operating within the context of the Government's manifesto commitment on rough sleeping and already have very significant increases in funding.

**Chair:** Thank you for that. We will obviously be coming back to you at different points to check up on progress. I will go now to Barry Gardiner MP.

Q13 **Barry Gardiner:** Permanent secretary, I would like to entice you to dip your toe into the murky waters of tier 2 and tier 3 support. Obviously, I am not asking you to get embroiled in the current dispute, but there is one issue that seems to be murky at the moment. There is a lack of clarity on the basis on which funds are allocated, depending on which tier you are in, and hence there is this argument going on. Are you comfortable with that lack of clarity? Wouldn't it be a lot easier if there were simply the transparency that if you are in tier 2, you get this for this element of your budget and that for those economic losses in the region? If it were laid out, would that not be more comfortable for you and more transparent for the local authorities?

**Jeremy Pocklington:** Let me explain where we are, and that may provide you with some of the clarity that you are seeking.

There have been important announcements this morning about the fourth tranche of funding for councils to support them in their response to Covid—£1 billion has been allocated.

**Chair:** We have seen the press release, Mr Pocklington, so we have that detail, thank you.

**Jeremy Pocklington:** Importantly, that has been allocated through the relative needs formula relating to Covid that we established for the third tranche. That prioritises areas with high population and higher deprivation, while taking into account area cost adjustments on wages and rents. That will ensure that the authorities most affected will get more of the funding through that approach, and that they are ready for this winter. That is the element which has been announced today. There are two other elements that relate to my Department, although some of the discussions at the moment relate to issues beyond my Department's remit.

The second element is the support for test, trace and contain. We have very clearly set out the approach for local authorities in the high and very



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high tiers. Local authorities in the high tier will receive £3 per capita; in the very high tier, authorities will receive an additional £5, so a total of £8 per capita. Those payments, in addition to the support that the Chancellor had already set out in relation to business grants and the job support scheme, were the basis on which we began discussions with local authorities moving into the very high tier. In those early discussions with Lancashire and the Liverpool city region, the issue was raised with us about providing further resources for business support. The Government listened and responded in those discussions with those authorities. It is important though for the Government that our support is provided on a consistent basis, and that is what we are seeking to do in relation Greater Manchester, and what we have done in relation to Sheffield city region. But this is a very live issue, and we continue to look at it closely, but the important point is that we want to be consistent between places with this element of our support.

- Q14 **Barry Gardiner:** There seems to be a tension between what you say about entering into discussions and applying consistency, because either you say, "Well, we have to be consistent and this is what you get," or you are actually open to discussion about that. If there is an element for discussion and negotiation, surely there is a lack of transparency that other councils would seek to game.

**Jeremy Pocklington:** We are responding in realtime, at considerable pace, to the pandemic. We are listening to what councils are telling us and responding. That explains why we did respond to the asks that were made of us from Lancashire and then Liverpool city region. But this is happening in realtime, and we have been very clear to all areas with which we have had conversations that it is important to us that we want to be consistent and fair across different areas. Obviously, there are other aspects of our support that will differ between areas and will not all be on the same basis, but as these are live policy issues for Ministers at the moment, I think that is all I can say.

**Chair:** Thank you. And now to Olivia Blake, who of course represents what is now a tier 3 area in South Yorkshire.

- Q15 **Olivia Blake:** Mr Pocklington, just to push back a bit on some of the questions from my colleague, Mr Gardiner, it is clear that £21 per head was calculated as the economic impact in South Yorkshire. Would it not be much easier to be more transparent about how that number was come to, so that other cities and city regions which may be facing similar negotiations do not have to waste time by waiting to try to push that number up?

**Jeremy Pocklington:** As I say, we have made our approach very clear in discussions. You are right. The support that has been offered in Lancashire, Liverpool city region and Sheffield is approximately £20 a head. We want to adopt a proportionate approach that is consistent in areas that are entering the very high tier. There is the test, trace and contain support in addition to that. But this is happening in realtime and these are policy decisions ultimately for Ministers.



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**Q16 Olivia Blake:** I should declare an interest: my mother is the leader of Leeds City Council. The deals have been done in those authority areas, but do you think there is a sense in which local authorities feel that they are able to negotiate? The truth is that there is no negotiation and it is roughly £20 a head.

**Jeremy Pocklington:** There is always the need for consistency while taking into account the need for local circumstances and support. It is not always about money. That is what attracts attention in Parliament and the media.

**Olivia Blake:** And this Committee.

**Jeremy Pocklington:** We have also provided advice through our conversations, and we are working on facilitating even closer working between councils and NHS Test and Trace, so it is not all about money. There is real value and benefit in having conversations to understand the local picture, but, as I say, it is a very fast-moving situation that we are dealing with.

**Q17 Olivia Blake:** How long a period is the funding meant to cover?

**Jeremy Pocklington:** We have not set a timeframe on the funding.

**Q18 Olivia Blake:** So there will not be any opportunities to have a refresh.

**Jeremy Pocklington:** As I say, it is a very fast-moving situation. I do not have any further information to share with the Committee. Obviously, the additional £1 billion of support that we have allocated this morning is a very significant addition for local authorities. We are actually funding them for more than the pressures show in our monthly monitoring returns, which we have talked about at previous hearings. That is because we want to ensure that they have the resources available.

**Q19 Olivia Blake:** Going back a bit, what happened to the £1.3 billion of the £5 billion that you reported to us earlier in the year? Where is that £1.3 billion at the moment?

**Jeremy Pocklington:** I am not precisely sure which number you are referring to.

**Q20 Olivia Blake:** To clarify, in September you told us that an extra £5 billion of support was given to local authorities. So far, we have only seen £3.7 billion of non-ring-fenced funding being announced, so I am wondering—

**Jeremy Pocklington:** I understand the question now—please forgive me. Before this morning, £3.7 billion had been allocated in an unring-fenced way to local authorities to support them in a wide range of activities in response to Covid. I have written to the Committee twice to set out what those activities are. This morning we have allocated a further £0.9 billion, which takes us to £4.6 billion. In addition, we have also talked in this Committee about the £1.1 billion that has been allocated through the infection control fund. That makes a total of £5.7 billion of direct funding. Available on top of that are very significant amounts of funding, including a further £100 million of support for leisure centres, which has been



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announced today and I know is of interest to this Committee. Other Departments have announced funding for a wide variety of areas, including on transport and other issues.

**Q21 Olivia Blake:** To be clear, the Prime Minister's announcement last week of £1 billion was not extra to the £5 billion that you told us about in September.

**Jeremy Pocklington:** No, it was additional, new spending. It is additional; it was not related to the numbers that I talked about in September. The numbers in September included the infection control fund, so this is now in addition to that, which gives us the total of £5.7 billion.

**Q22 Olivia Blake:** If we take into account all the funding that you have just explained, how big is the shortfall that local authorities are now forecasting for this financial year?

**Jeremy Pocklington:** On expenditure, technically we are overfunding against the expenditure pressures that councils have told us about through the monitoring returns—again, we have touched on these in previous hearings. But the latest monitoring return shows expenditure pressures of £5.2 billion on Covid-related expenditure. The next monthly monitoring return will be published soon. So, we have £5.7 billion against that £5.2 billion, but obviously I also recognise the issues on income loss—again, we have touched on these in previous hearings. The income shortfall is estimated to be £6 billion, and our sales, fees and charges scheme deals with the majority of that. We will take 75% of the pressure in central Government. Obviously, we also have the local tax scheme, where we have said that we will allow local authorities to spread the shortfall in tax revenues over three years. We will allocate at the spending round what we allocate in central Government—

**Q23 Olivia Blake:** I will come to those schemes in a moment. Do you mind my asking a little more about the ICF and the offsets? How far do you think the offsets are already assumed in the local authority returns?

**Jeremy Pocklington:** Again, could I possibly ask you to clarify the question? Are you talking about the netting-off that we have announced this morning or something else?

**Q24 Olivia Blake:** Okay, let me rephrase it. To what extent do you think some local authorities are reporting costs for Government programmes, such as infection control and Test and Trace, and others are not? How clear is the actual data and picture of what has been offset in some of the reporting?

**Jeremy Pocklington:** Good, I understand the question. I think we are getting good engagement from local authorities through our monthly returns. They show, unsurprisingly, particularly for upper-tier authorities and unitaries, that adult social care is the biggest pressure. We know, from data that we and the Department of Health and Social Care have collected, that the vast majority of the first round of the infection control fund—all bar a tiny fraction—has been spent. That was the £600 million. And we have now started to allocate—we have allocated, I think, half of the next tranche of the infection control fund. I think we have better data



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than we have had historically on what local authorities are spending their money on, and we will continue to publish that, on a monthly basis, in the interests of transparency.

- Q25 **Olivia Blake:** Earlier, you said that you are covering 75% of costs from lack of income. Do you mind my asking whether you think that is a responsible policy for a central Department?

**Jeremy Pocklington:** I do think this is a fair and appropriate scheme. Under the sales, fees and charges schemes, we have asked local authorities to take the first 5% of income lost, and then of the remainder we will take 75% and local authorities will manage the remaining 25%. I think that is fair and appropriate. Local authorities are used to managing variations in their income year by year. We have obviously also provided significant additional funding for local authorities, as we have just talked about, which is greater than their forecast spending pressures at the moment.

- Q26 **Olivia Blake:** Is it the case that some authorities have received less money than their reported costs and some have received more?

**Jeremy Pocklington:** The relative needs formula, which we have used for the fourth and third tranches—we are also netting off in relation to money as a year over the pandemic, so it really is prioritised for those with relative needs—is very useful and matches very well with the pressures that councils are reporting to us. There is a very high correlation between the expenditure pressures that councils are telling us about through the monthly return, and where the money is being allocated through this relative needs formula. I can't talk about every single local authority. The position remains as it has done throughout this crisis. I would ask any local authority with unmanageable pressures to come and talk to the Department. We understand that it will be very difficult for local authorities.

- Q27 **Olivia Blake:** Now we are further down the road, the Committee has asked a number of times for very clear guidance on the new burdens, but we have not received a satisfactory answer on that. Would you be able to provide a further update in writing on that for us of what is being funded?

**Chair:** A yes or no on that one would be good, Mr Pocklington.

**Jeremy Pocklington:** I am very happy to write with an update on that.

**Chair:** Can I stress that Clive Betts MP and I have written to you a couple of times? We have been working closely together on this, and the general headlines are less helpful than the detail. If we could have more detail in the next letter, that would be great.

- Q28 **Olivia Blake:** You mentioned tax losses earlier. I just want to dig a bit deeper into the commercial income, because obviously some authorities rely heavily on things that other authorities do not have access to, such as airports, which support their day-to-day spending. Obviously, that has been excluded from the funding so far. Have you reflected any more on that as the crisis has continued?



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**Jeremy Pocklington:** Losses from income from commercial investments aren't included in the sales, fees and charges scheme. I don't think that would be appropriate. However, we have said to local authorities—I would rather not talk about specific local authorities—

**Chair:** We understand that.

**Jeremy Pocklington:** Those with unmanageable pressures from situations like those that you have described should come and talk to the Department. We are in dialogue with a great many local authorities on a range of issues, as you would expect.

Q29 **Olivia Blake:** Are you helping and supporting local authorities to budget from next year? Are you taking into account tax losses for next year as well as this year?

**Jeremy Pocklington:** The settlement for next year is obviously a matter for the forthcoming spending round. We recognise the need to provide clarity and certainty to councils as soon as we possibly can following the conclusion of the spending round. The tax loss scheme relates to losses this year. As I say, we are going to enable councils to spread losses that aren't recoverable over three years, rather than one year, and we will apportion that between central and local government in the spending round process.

Q30 **Olivia Blake:** It would be useful for the Committee to have a bit more clarity on what you are offering behind the scenes at the moment. Have you got any further update on people who have approached you, in terms of potential section 114 notices? Who are you helping, and what are the different things that you are doing for different types of authority?

**Jeremy Pocklington:** It comes up every time. Just to be clear, no section 114 notice has been issued to date. That would not be a desirable outcome for anyone. We are talking to a small number of local authorities that are facing potentially unmanageable pressures about what support we could provide. That could include a number of things, but capitalisation is an obvious thing that that could include. But it will depend on the specific circumstances, and it is hard to generalise on these matters.

Q31 **Olivia Blake:** Could you give us a sense of whether you think there is a difference between badly managed council finances and those that have been absolutely hammered by Covid, in terms of having these long periods of local restrictions, and how you are navigating that difficult process of understanding local government that is coming to you?

**Jeremy Pocklington:** It is a very good question. There isn't a simple pattern as to which authorities are coming to talk to us. That reflects a variety of different situations, whether related to their starting point in relation to reserves, their sources of income, how much they rely on sales, fees and charges, or investments—the investments you have described. What we are doing in those discussions, though, is, as you would expect, understanding the root cause of why the pressures are what they are. Obviously, if there is evidence that a cause is connected to financial



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management, we will want to take steps to protect the taxpayer. That is what you would expect with our responsibility for the local government finance system.

- Q32 **Olivia Blake:** I think I probably speak for the Committee when I say that it is obviously very clear to you as a Department what the issues are, and where certain authority types are at. It would be very useful, even if it is in private, for us to get a better understanding of where they are, because it is not transparent. We don't know how many of these authorities are creeping to the edge of the cliff, so if you could provide that in any form, I am sure the Committee would welcome that.

**Jeremy Pocklington:** Understood. I would be very happy to talk to you and, perhaps, the Chair on how best to do that. There is a limit, obviously, on what can be said in public, given the commercially confidential nature of some of the discussions. Of course, when any agreements are reached, they would be transparent and I would inform the Committee.

- Q33 **Chair:** I stress that this Committee has got a very good record of seeing private papers and making sure we handle them responsibly. In other words, we don't just tell the world about things that are sensitive. In addition to that commitment, Mr Pilkington, will you commit to making sure that the National Audit Office can see anything that it needs to in this area, in order to help inform us and Parliament about what is going on?

**Jeremy Pocklington:** Of course.

- Q34 **Olivia Blake:** Do you think the Department is effectively running some of the services of councils, now, more directly, and how long is that going to be viable? Do you think you are taking on too much responsibility for local services?

**Jeremy Pocklington:** A very good question: no, I don't. I think it is very important that councils continue to be responsible for the delivery of services on the ground, and, of course, to be democratically accountable to the local electorates. We are obviously more engaged than I think we ever have been historically in the local government finance system. It has always been a priority, but given the unique nature of the pandemic and the impact on councils, we are having to pay particularly close interest and have even more regular dialogue than we have had historically.

- Q35 **Olivia Blake:** This is my final question, Chair, if that is okay. Clearly, we have seen the spending review. Can I ask about your submission to the spending review and make a plea that perhaps an earlier announcement around the funding available to local authorities would be most useful this year?

**Jeremy Pocklington:** Completely understood. We will want to proceed with the local government finance settlement as soon as we can following the spending review. I have had the same conversations with local authorities that I am sure you have had about the importance of providing certainty. Councils are preparing budgets for next year, and need to have



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sufficient clarity. That is important, and it is something we recognise and are working hard on as a Department.

- Q36 **Chair:** Can I just ask, timeframe wise, if the spending review is announced after you have put in your submissions, how quickly can you give local authorities certainty? It is difficult enough already, but if it goes beyond the end of the year, or even beyond November—and we are already nearly in November—it is really challenging for councils that will be making cuts on the ground. You know that; we know that.

**Jeremy Pocklington:** I know that. I completely understand the need for certainty, and we will seek to issue the provisional settlement, of course, formally as soon as we can after the spending review. I cannot give you a date.

- Q37 **Chair:** No, I recognise that you are not in control of the actual spending review announcement date, but do you think that within a week or two you can give some certainty to councils? I am just trying to get a timeframe for those anxious council leaders out there.

**Jeremy Pocklington:** It is a number of weeks, and obviously it will depend on when the spending review is and how it relates to Christmas. It would be more than two weeks: four weeks or so. I cannot give you a firm commitment today, but that gives you a broad indication.

**Chair:** Christmas may get cancelled for lots of reasons, and if it gets money to local authorities quicker, then much as I am sympathetic to your teams needing holidays, I think that would be important.

However, that is a side issue. I am now going to move on to the main agenda today, which is to look at whatever happened to Starter Homes—sounds like some sort of pop record, doesn't it? On this issue, I am going to ask Mr Barry Gardiner to kick off.

- Q38 **Barry Gardiner:** Mr Pocklington, as the permanent secretary, let me start with some rapid-fire questions and answers; I will leave the big guns to the Chair and Sir Bernard when they want to take them on. This is about establishing the ground. I know you have read the Report, as have I, so it is really for the public's benefit, to put it into context. In 2015, the objective of the Department was to build 1 million new homes by the end of 2020. With two months to go, how many have you built?

**Jeremy Pocklington:** I am sorry to fall at the first hurdle, Mr Gardiner. I don't—

- Q39 **Barry Gardiner:** Okay, so you will write to us on that. Your target by the end of 2022 was a further half million homes, so that is aiming at 250,000 new homes a year. How is that going? What is your projection for next year?

**Jeremy Pocklington:** On the first question, I think we have built more than a million homes over that period. The numbers have been increasing significantly. More data will be published in November, but the leading indicators on net additions suggest that for 2019-20, the number will be

approximately 250,000. That is an increase of 241,000 on the previous year, so—

**Barry Gardiner:** Prior to that, it was about 150,000.

**Jeremy Pocklington:** The numbers before the pandemic have been very much in line with those commitments that you are talking about.

Q40 **Barry Gardiner:** Thank you. This Report is not about homes in general; it is about starter homes that were to be sold at the discount, as the Chair indicated right at the beginning of the session, to first-time buyers. In 2015, the original target was 200,000 by 2020, and I think the Chair gave the game away when she said that none had actually been built—no homes—so perhaps you will remind us how much money the Department was originally allocated for the Starter Homes programme.

**Jeremy Pocklington:** Two tranches of money were allocated in 2015 for Starter Homes: £36 million was allocated initially for the Starter Homes pilot, but then crucially, in the spending review budget of that year, £2.3 billion was allocated. Importantly, that included an allowance for recycling of receipts, so it was actually £1.4 billion of net new money.

Q41 **Barry Gardiner:** How much of that did the Department actually spend?

**Jeremy Pocklington:** Approximately £173 million. Some more money has been spent on this, so £173 million.

**Barry Gardiner:** The Minister told the House of Commons in July 2018 that it was £250 million I think, so now we can start on the explanation, because around—

Q42 **Chair:** Can I just chip in there, Mr Gardiner? The National Audit Office highlighted a figure of £192 million by July of last year. Can you explain the discrepancy there, Mr Pocklington?

**Jeremy Pocklington:** There has also been additional funding spent on these sites from other sources, which will get you a higher number. I think that number is now a little bit higher, but my colleague might be able to give you a precise number.

Q43 **Chair:** So that was just the Department's bit? Mr Walkley wants to clarify that point, I think.

**Nick Walkley:** If I could clarify Mr Pocklington's figures, they include receipts that are now beginning to come in from transactions that have been completed, so it is the net figure at this moment, which will narrow over time as the sites are built out.

Q44 **Barry Gardiner:** Ms Murphie's preparation has been absolutely clear on that. Thanks for clarifying that. While some money was spent on the starter homes land fund, other parts of that money were spent on the land assembly fund and some was spent by local authorities. Perhaps you can explain to me why the starter homes programme was abandoned or morphed into other policy programmes.



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**Jeremy Pocklington:** You are absolutely right that that no starter homes were built under this scheme and, to be very clear, starter homes are no longer Government policy; that is not a policy that we are pursuing, and that was confirmed to Parliament at the start of this year. But obviously there have been a number of years getting up to this point. Starter homes were really a priority of Prime Minister David Cameron's Administration. That is where the manifesto commitment, I think, for the 200,000 homes comes from. That Government were very actively pursuing that policy. They passed the framework primary legislation that was required in the Housing and Planning Act 2016—

Q45 **Barry Gardiner:** Well, yes, but they did not pass the secondary legislation that was necessary.

**Jeremy Pocklington:** Indeed. I am coming on to that point.

Q46 **Barry Gardiner:** Well, they were not pursuing it that actively, were they?

**Jeremy Pocklington:** They consulted on secondary legislation.

Q47 **Barry Gardiner:** When we get to consultations, Mr Pocklington, we have one, two, three, four, five, six, seven, eight, nine consultations in a period of five years, each of which cost the taxpayer about £40,000. It looks as if you have not known what you are doing. There have been so many different consultations, at huge cost to the public purse, without any clear direction here, haven't there?

**Jeremy Pocklington:** I do not agree with that characterisation. May I continue with my explanation?

Q48 **Chair:** Continue, please, Mr Pocklington.

**Jeremy Pocklington:** As I have talked about, it is crucial to understand the different priorities of the different Administrations that we have been working under in recent years. It was a priority of the David Cameron-led Administration. Under that Government, the policy was pursued at considerable pace and with significant resources put behind it. Under Prime Minister Theresa May's Government, though, a different approach was adopted and it is clear that starter homes were less of a priority. That shift was clearly signalled in the February 2017 White Paper, as set out in the Report, and the money was also reprioritised to other areas, including significant sums that are invested in that Government—

Q49 **Barry Gardiner:** You have told me what happened, which is in the Report, but what I asked you was why. Why was it abandoned? What was the rationale that the Department gave?

**Jeremy Pocklington:** Ministers in that Government took a policy decision that they wanted to prioritise a wider range of home ownership products, including shared ownership, Help to Buy and right to buy. Starter Homes remained as a policy issue, but it was not as much of a priority for that that Government. That was a very legitimate decision for that Government, and it—

Q50 **Barry Gardiner:** It is up to Government to decide on its policy—I accept



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that. I am grateful for your clarification that it was a shift to shared ownership and so on.

When the policy was abandoned, what happened to all the people who had registered for the programme and were expecting a 20% discount on their first home, or a 40% discount if that home was in London? Do you recall how many people had registered?

**Jeremy Pocklington:** I do not know the answer to—

Q51 **Barry Gardiner:** The answer is 85,000. So there were a lot of disappointed people. Mr Walkley, perhaps this more appropriately for you. Did anyone in your Department write to them and say, "Sorry we have changed our mind. This is how we propose to help you to get on the housing ladder now"?

**Chair:** Ms Waltho, did you hear the question?

**Tracey Waltho:** Sorry, was that to me?

**Chair:** Yes. Did you hear the question?

**Tracey Waltho:** Yes. Sorry, I misheard who it was directed to.

**Barry Gardiner:** I was asking Nick Walkley, actually.

**Chair:** I am sorry—I could not hear, either. Mr Gardiner, your sound is quite unclear at times. Perhaps you could speak a bit slower.

**Nick Walkley:** Just to add to the confusion—apologies—that was not something that the agency was asked to do. It was a departmental responsibility, so it may be better directed to Ms Waltho.

**Chair:** Okay. Tracey Waltho, back to you.

**Tracey Waltho:** The register of interest was hosted by the Homebuilders Federation and there were letters sent to all the people who registered explaining their alternative options.

Q52 **Barry Gardiner:** Let us look at what happened to all the money. According to the Report, from 2015 to 2018, the Department spent £174 million on land, preparing sites originally intended for starter homes. How many homes do you now expect to be built on those sites?

**Nick Walkley:** Shall I pick this up? Our current forecast is that we expect approximately 6,600 starts on site, which is up from—

Q53 **Barry Gardiner:** That is 602 more than the Report suggested.

**Nick Walkley:** Yes. That is simply a result of how we are dealing with difficult brownfield sites that did not have housing allocations going through the planning system. That number is going up at the moment. Of course, we are not completely through the cycle, so it may be adjusted going forward, but it is now well in excess of 6,500 homes.

Q54 **Barry Gardiner:** Thank you. I am still working on the Report's figure of



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5,998. How many of those will be affordable?

**Nick Walkley:** In August last year, we expected approximately 29% to be affordable—about 1,700. One of the features of the later period is a greater focus on delivering affordable homes. We expect, of the 6,600, about 2,370 to be affordable homes, which is an increase to about 36% of the programme.

Q55 **Barry Gardiner:** Very good. I want to break that down into Starter Homes 2015 money spent by Homes England, the Starter Homes local authority fund and the Starter Homes land fund. You claim that all the money was spent preparing land for housing development. The reasoning that comes through in the Report seemed to be that, given it all went for housing, it does not really matter whether they were starter homes or not. But it was supposed to go to subsidised and affordable housing. What was the amount spent to generate each new home in each of the three funds net of expected receipts? What was the amount spent to generate each subsidised home—affordable home—in each of the three funds?

**Nick Walkley:** I am afraid I do not have that—

Q56 **Barry Gardiner:** Okay. Mr Pocklington? No. I thought you might offer to write to us on this, so I figured out the figures from the Report. From the Starter Homes fund, Homes England spent £21,600 per home, but for each affordable home, it equated to £83,700 per affordable home. From the Starter Homes land fund, Homes England spent £9,236 per home, but for each affordable home, that equates to £37,700 per affordable home.

Local authorities seem to have been much better value for money. They just spent £14,500 per home and for each affordable home they spent £17,200. What lessons do you draw from those figures, Mr Pocklington?

**Jeremy Pocklington:** Thank you for that question. While I think I can see the arithmetic, identifying the value for money of this spend is a more complicated question than you've set out.

The value for money from these investments does not just depend on the delivery of affordable homes. The value for money of the land programmes depended on the delivery of additional housing, including market housing, as well as affordable housing—

**Barry Gardiner:** This was money that was originally—

**Chair:** If we could try to have just one person speaking at a time, because the sound quality is a bit of problem, Mr Gardiner. Let Mr Pocklington finish and then come in—otherwise we are just getting a lot of interference. There is a bit of a time lag as well. Mr Pocklington, do continue.

**Jeremy Pocklington:** Thank you. The value for money rested on bringing forward additional homes, whether that was affordable or market homes, through the release of land that would otherwise have had limited viability



and been underused; it would not have been possible to have just brought forward, in the world where the money had been invested through the Starter Homes programme—not all of those homes on those sites would have been starter homes. If you are building market homes, it is possible to build more homes, so every pound of support and subsidy will of course go further. Finally, I would say, obviously the cost of building homes varies enormously depending on the site and the risk that Homes England is taking.

**Nick Walkley:** This is an important point about the structure of the programme. The local authority sites were grant funding, which effectively ended up funding a viability gap on a site that the local authority very often already controlled, which meant planning matters and land values were very different to those on the sites that we were acquiring in the market and then delivering development on. So there is a lesson to be drawn, which is that land value is a key determinant of the subsidy required to deliver any form of housing, including affordable housing.

A second lesson that we would draw in Homes England is that close partnership working with the local authority is critical, even if it is a site currently outside of the local plan, in order to ensure effective delivery and local support. I think variance in number is partly explained by the different stripes of money, but also by those issues.

Q57 **Barry Gardiner:** Thank you, Mr Walkley. So if you want value for money and more affordable homes, then local authorities seem to be the way to go—I take that from what you said. Tracey Waltho, you wanted to come in.

**Tracey Waltho:** I would just like to add that the local authority funding was for sites owned by local authorities and therefore it is not a direct comparison with other programmes.

Q58 **Barry Gardiner:** Why did the Department not recover all the money it spent on acquiring and remediating sites? After all, you have done all the work of remediation for the developers.

**Nick Walkley:** The programme was always predicated on a recovery rate of 75%. Brownfield land of the kind we were acquiring was always going to require some form of subsidy. The programme has not yet quite hit the 75%, but is already trending in the mid-60% and we are not all the way through the delivery yet. This was always a programme that did not expect full recovery, given the sorts of sites that were being acquired.

Q59 **Barry Gardiner:** In other words, you were trying to build housing for the land values, but you simply could not support it as a commercial venture. Is that correct?

**Nick Walkley:** It is correct that either land values or the work needed to deliver infrastructure and remediate the land meant that there was a huge amount of work to do post-purchase, which added up to a viability problem.

Q60 **Barry Gardiner:** You have still not spent up to the original budget to



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support housing. Why is that, Mr Pocklington?

**Jeremy Pocklington:** The funding for Starter Homes was, in large part, returned to the Treasury in 2017, as part of the Budget and the supplementary estimates process that year. However, at the same event and over the same period, the Department received substantial additional funding, which more than outweighed the Starter Homes funding, for other very important housing programmes, including the housing infrastructure fund, land programmes and additional support for local authorities to borrow more to build housing. While not all the money was spent through this programme, it was returned to the Treasury and, at the same time, we received additional investment to spend on important housing priorities.

Q61 **Barry Gardiner:** What does affordable now mean, in terms of the Department's view on building houses?

**Jeremy Pocklington:** I fully recognise the challenges that anyone has if they want to buy or rent a house. The situation on housing markets in this country is such that it is a very challenging time for individuals trying to get on the housing ladder. That goes without saying; I understand that.

On the definition and the use of the term "affordable", it has different meanings in different contexts. Often, it is talked about in terms of the affordable housing programme.

Q62 **Barry Gardiner:** It was defined, wasn't it?

**Chair:** There was a definition. Mr Gardiner, do you want to remind us of it?

**Barry Gardiner:** The definition was changed in 2018 to include homes of £450,000. That was the value that was put on them then, wasn't it?

**Jeremy Pocklington:** There was a maximum price on homes that were to be available through the Starter Homes programme. That was £250,000 outside London and £450,000 in London.

Q63 **Barry Gardiner:** No, that is different. I think there was a change in policy around 2018. Let me put it this way, Mr Pocklington. If I were one of those 85,000 young people who registered for a starter home, I would say it looks as if you spent a lot of money trying to do the developer's job for them, then sold them the land, nicely remediated, at less than you paid for it. Instead of getting a 20% or 40% discount for first-time buyers, you simply lined the pockets of the developers. Why would that be an unfair accusation to level against you?

**Jeremy Pocklington:** I do not agree with that characterisation, Mr Gardiner. Obviously, the background here is a policy decision that was taken by Ministers to put less emphasis and less priority on this programme, but the money being invested by taxpayers was not wasted and was not poor value for money.



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Mr Walkley has very clearly set out how challenging some of these sites were to deliver. They were sites outside the local plan, which meant that they had a high degree of additionality—they were not displacing market housing—and that meant that the programme was value for money. Homes England, with a high degree of commercial expertise, would rigorously manage each site to ensure that arrangements were appropriate and to protect the taxpayer. The Department monitors that closely.

I do not accept your characterisation. For the many people who want to get on the housing ladder, this Government and the previous Government have provided a great deal of support in recent years and significantly expanded the affordable homes programme—a further continuation of that was announced this year. Help to Buy has been continued from 2021 to 2023 through a new scheme that we have talked about in this Committee.

So this Government is providing very significant support. Over time, we have helped hundreds of thousands of people with products to get the benefits of home ownership.

**Q64 Barry Gardiner:** How long do you think you will take to recover the £145 million in receipts that you were expecting, and what are you doing to generate the maximum return to Government? It may be more appropriate for Mr Walkley to answer that question.

**Nick Walkley:** I am happy to respond. Pre-Covid, we had expected the majority of these receipts to return over the next 18 months as their schemes built out. As there is across the industry, there is a bit of a starts lag at the moment, and we are just recalibrating, but progress is actually very positive.

In terms of maximising value, I have spoken to this Committee before about that. We do two things, above and beyond employing—poacher to gamekeeper—former house builders to help us with negotiations. First of all, we have moved to using building leases with strong clauses about clawback where value moves above what we had expected. So rather than simply freehold disposal, we are thinking very carefully about how we use a building lease to control quality and the expected return.

Secondly, I think this is not just about recovery to the taxpayer; it is also about the balance between that and delivering more affordable homes. As we have seen in the last 12 months, as we have increased the number of homes, we have also managed to increase the proportion of affordable homes. Many of the contractual negotiations going on at the moment are exactly in that space—around how we can get more on these sites, and more affordable homes and affordable products.

**Q65 Barry Gardiner:** That is extremely helpful. You have outlined that you hope to recover the 75%—that was the original criteria that you had—which would mean that, in effect, the developers get a 25% bonus on the site, but you have indicated that there is a clawback there.

When you talk about increasing the number of affordable homes in



relation to these sites, what is the definition of affordability that you are using? Would that be something that I, as somebody who was setting out five years ago on a Starter Homes programme wanting to be one of those lucky ones with a 20% or 40% discount, would recognise as having benefited me?

**Nick Walkley:** The bureaucratic answer, first of all, is that when the agency talks about affordable homes, we talk about them in terms of the confirmed definitions in national planning policy, which are also used to guide the affordable homes programme. So that is affordable rent—sub-market rent products, social rent—and shared ownership, as well as the smaller number of discount market sale products that are included in that definition. For many of the people who were expecting to take part in the Starter Homes programme, that would primarily be a focus around the shared ownership product, but—

Q66 **Barry Gardiner:** The product has certain features that are less than attractive, as you will appreciate: the ability to sell on, the capacity to control what you are doing in the property and, of course, the rental element that you are paying along with your mortgage payments. It is a very different kettle of fish indeed for young people setting out, who want to know that they are in control of their investment.

**Nick Walkley:** That is absolutely right, Mr Gardiner. What I would say as well is that the negotiation is not just between Homes England and the developer; it also involves the local planning authority. As an agency, we have moved to ensuring that, wherever possible, we deliver schemes at local planning policy requirements, unless there are exceptional circumstances, and then having a negotiation with the local planning authority, if the scheme is going well, about what types of tenure are most attractive in the local area to deliver more homes.

We have done some very good work in that space on some of our schemes here and elsewhere in the country, and our thinking is that, actually, that begins to raise the bar for developers more generally about what is achievable on a scheme in a local area, where we need to show some leadership.

**Barry Gardiner:** Thank you very much. That is a very positive note on which to end.

Q67 **Chair:** Before we go to Sir Bernard Jenkin, it would be helpful if you could agree to write to us and regularly report—we have made recommendations on this in the past—on the breakdown of different types of affordable home. I recognise what you are saying, Mr Walkley—that there might be different needs in different areas. We have struggled in the past as a Committee to get figures even on basic social housing, and in terms of things such as student accommodation being included as a housing unit, that is a very different type of home from the sorts of starter homes that are the subject of this investigation. Is that something you can commit to, Mr Walkley?

**Nick Walkley:** Of course.



**Q68 Sir Bernard Jenkin:** The Committee concluded last year that the Department “does not have an integrated and coherent plan for achieving its commitment to deliver 300,000 new homes per year from the mid-2020s.” We recommended that the Department should set out how it will achieve that ambition. Somewhat to our surprise, the Government declined to agree with that recommendation. Can you explain why there should not have been greater transparency about how you are going to achieve the 300,000 target?

**Jeremy Pocklington:** Sir Bernard, thank you for the question. We have discussed this issue in this Committee on previous occasions. You are right to refer to the ambition to create a market that can deliver 300,000 homes a year. The Department, as I have said before, recognises that this is an incredibly challenging ambition. Although we look at scenarios and forecasts, we have decided not to publish a single trajectory. That is because of the huge uncertainty in the housing market—the fact that the levers for delivery are not entirely within Government’s control. They depend on private markets, depending on what happens in the wider economy. Although we were making considerable progress towards the target before the pandemic struck, the economic uncertainty that we are seeing at the moment shows the inherent challenges in having a single trajectory that we set out. It is an ambition rather than a very clear target whereby you can measure progress month by month.

**Q69 Sir Bernard Jenkin:** So in fact the lesson is that, even if the politicians are setting targets, we have to regard these as ambitions rather than as targets that they may or may not achieve.

**Jeremy Pocklington:** There is also a lot of history on targetry, and I would rather not generalise too much from this specific situation. This reflects the unique challenges that we have with the housing market and this ambition. The Government has programmes and levers, but when we are thinking about and assessing that, we obviously have to make lots of assumptions that should be internal to Government. Ultimately, they cannot be published until programmes are ready to be announced and have been agreed. I don’t think it would be possible for us to publish a single trajectory on this.

**Q70 Sir Bernard Jenkin:** Are we expecting another housing White Paper?

**Jeremy Pocklington:** We do not have plans at the moment for another housing White Paper. Obviously, at the moment there is a lot of work under way on planning reform. The Department published over the summer the “Planning For The Future” White Paper. That consultation is ongoing and closes shortly. That has been the most recent document that the Department has published.

**Q71 Sir Bernard Jenkin:** Can I ask a bit about the methodology behind the thinking on that White Paper? It may be more appropriate for Tracey Waltho to take these questions. How can you ensure that the planning system delivers the right kinds of homes in the right places, particularly starter homes? Can you do that through planning reform?



**Tracey Waltho:** The planning framework that is set by national Government makes an assessment of local housing need, but it is ultimately for local authorities to decide what the needs are in their individual areas.

- Q72 **Sir Bernard Jenkin:** But we expect that there will be more sites, more options from big house builders on bits of land, and then more planning permissions for the same very large house builders to build what they like to build. Then we find that the house builders do not actually build the houses, because they are waiting for the prices to go up; they just want land banks to bolster their share prices. How will planning reform actually result in more homes?

**Tracey Waltho:** One of the most interesting parts of the consultation is the focus on increasing speed and certainty within the planning system. That is something that we think will help SME developers, in particular, who can find the current planning system hard to access. We are also very interested in the extent to which design codes around large sites can make provision for much more diversity of housing provision, in the hope that it will encourage build-out. We were very mindful of the findings of Oliver Letwin's review in this regard. The consultation is seeking views on how we can further encourage build-out, as well.

- Q73 **Sir Bernard Jenkin:** But with more planning permissions live than ever before, how do you think the reforms will actually get the house builders to build the housing on the land that they have planning permission for?

**Tracey Waltho:** This is one of the questions that we are exploring. How can we encourage build-out as part of the White Paper? We are seeking views on that. The initial idea that we have put in to the White Paper, building on Sir Oliver Letwin's review, is that by increasing the range of housing types on individual sites, we will be able to encourage greater build-out, because it will have less impact on the local absorption level. If there are more small and medium-sized enterprises building as well, they will be less a part of the cycle that you described in terms of the big developers.

- Q74 **Sir Bernard Jenkin:** Can I ask another question about the planning White Paper? It has disappointed a lot of us that the Government is not going much faster towards zero-carbon homes. What are the incentives against the Government going for zero-carbon homes much more quickly?

**Tracey Waltho:** The Government is extremely committed to its zero-carbon targets. We are working very hard through the consultation on the future homes standard. The climate change committee fed in some important advice here, including on whether things can go faster. We will take account of that when we respond to the consultation very soon.

- Q75 **Sir Bernard Jenkin:** Sorry, that was not answering my question, although it was a very informative reply. Everyone would love all the new homes to be carbon-neutral homes, because that would get us faster towards the net zero target. If we build homes that are not carbon



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neutral, they will have to be retrofitted to be carbon neutral at a later date. Surely, that is a more expensive and slower way of getting carbon-neutral homes. What are the kinds of things that people say to you and the Government to discourage you from going for zero-carbon homes straightaway?

**Tracey Waltho:** There are two parts to achieving zero carbon. The future homes standard is looking at what we can do with the existing fabric and fuel supply of buildings. In due course, decarbonisation of the grid would take homes that are zero-carbon ready and make them, ultimately, zero carbon. The first phase of our work is focused very much on delivering that through the future homes standard—it is things like ending gas boilers. Therefore, the capacity of the heat pump supply market is an important consideration. We don't want to be here talking with you in three years' time, saying, "We went at this too quickly and the market wasn't ready." We have to get the balance right and there will be a very important consultation on the implementation of the future homes standard to drive exactly that kind of thinking. I don't want to leave you with the impression that we are not driving this as quickly as we possibly can.

Q76 **Sir Bernard Jenkin:** I think that is a conversation that we need to continue.

Jeremy Pocklington, the Government set itself the target of releasing Government-owned land for about 65,000 homes by 2020—sorry, the target was 160,000, but you have released land for only 65,000, so 40% of the target. Why do you think this is going so much more slowly than we wanted?

**Jeremy Pocklington:** There has been a lot of discussion in this Committee about public sector land. The Government has launched a review of public sector land and the opportunities for further house building on it. It has proved challenging historically, although we have made progress, particularly with Homes England's support on some more challenging public sector sites.

Part of the historic issue has been at times setting unrealistic targets that were not deliverable. Part of it has been the very real challenges of moving parts of the public sector—more precisely, releasing sites from parts of the public sector. There are often very complicated operational impacts that need to be managed very carefully, and then the sites themselves need to be prepared. That is where Homes England has come in and provided very useful support to Departments in recent years. It is a very important area, but it is actually very challenging. Over the past 10 years or so, a lot of the easier sites have been released.

A final point is that it is sometimes more possible to release sites for housing through local authorities, which have quite a lot of sites available.

Q77 **Sir Bernard Jenkin:** Wouldn't it be a good idea for you to publish a revised projection, rather than an unrealistic target?



**Jeremy Pocklington:** As I say, we have a review under way. We will obviously want to make decisions on it as a result of that review.

- Q78 **Sir Bernard Jenkin:** Can I ask about the housing delivery test, which, of course, is measured against the algorithm, if you like, of the housing targets—the distribution of the housing targets? I have a great concern about that, and it was raised in the House of Commons the other day by many who are very concerned about the planning White Paper. The highest target seems to be concentrated on the local authorities that happen to have built the most houses in recent years. How is that a sensible way of allocating housing targets?

**Jeremy Pocklington:** Thank you, Sir Bernard. Yes, I am aware of your interest in the matter. We have consulted on a revised formula for local housing need. As the Housing Minister and the Secretary of State made clear, that is a genuine consultation, and we are considering the responses and the points that have been made in Parliament very carefully at the moment. Ministers and the Government are considering how best to respond.

The origins of the consultation were the desire to align local housing need and, from that, the housing delivery test with the 300,000 ambition, and also to take account of different demographics and household projections. To be very clear, it is a starting point for local authorities. It is not the only factor that they need to take into account. The message to the Committee is that the consultation on that has closed—it is a different consultation from the planning White Paper—and we are considering very carefully what we have heard.

- Q79 **Sir Bernard Jenkin:** Of course, as the graph in the Report shows, there is a very wide distribution of local authorities. Some have underachieved and some have overachieved. About 50% of local authorities are not going to achieve their targets according to your new housing delivery test. What should be the Department's reaction to that?

**Jeremy Pocklington:** As I say, we are considering the responses to the consultation very closely. It would be wrong for me to pre-empt that process by giving any further detail before Government is ready to. Obviously, the housing delivery test based on the former formula will continue to apply this year, but that applies to previous years before the crisis, so we will need to continue to monitor this very closely.

- Q80 **Sir Bernard Jenkin:** What can the Department do to encourage the construction of cheaper, smaller units, which is after all very much what first-time buyers actually want, and what we need in order to get more starter homes? What can be done in the planning process or in the regulations to make it much easier to build, for example, the off-site build of prefabricated homes, which was a very successful concept just after the second world war?

**Jeremy Pocklington:** A very good question, Sir Bernard. Obviously, as part of the national planning policy framework, local authorities are required to think about what the housing needs are more broadly—rather



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than just the numbers of their local population—and to ensure that there is a suitable variety of housing provided to meet those needs. But the specific example that you raised is that of, perhaps, off-site manufacture. That is a very high priority of the Government. I don't think the planning system is the only answer to providing more types of that sort of housing. What Government is doing—again, through Homes England—is providing financial support through lending and also investing in providers of different forms of modular and modern methods of construction. Also, through its affordable homes programme is it ensuring that there is sufficient certainty of demand for that product, again to encourage potential investors to continue to invest in that market. Mr Walkley is very close to the detail on that.

**Nick Walkley:** Actually, Sir Bernard raises two related themes in sustainability and the types of homes we build, but the real question here is: how do we modernise the way the country builds its homes, because modular homes can be built to a standard that is sustainable and energy efficient? This is already happening in other parts of the world.

Mr Pocklington is right. We are using all three of our levers to drive this forward. There is investment in producers, including requirements for a proportion of MMC methods in our contracts and having a ratchet where that increases over time. We also have a small number of sites where we have contracted on the basis of very high levels of modular-type construction, so that we can do some tracking of quality and performance very quickly, to ensure that the homes that are being built are of a standard and a quality that will last, and to give confidence to planning committees, which very often, locally, are quite nervous and have memories of the sorts of '60s promises of pre-manufacture, and are very nervous about ending up back in that space. It's a poor joke but we are kicking the tyres, though these don't have wheels, to make sure that the product that is being built has that quality.

I emphasise that in the UK the modular and modern methods of construction process are still quite nascent, and support is needed, on an ongoing basis, to grow the industry so that it can gradually begin to replace and providers have confidence in building those homes. There is lots more to be done in that space in the coming period, but there is growing confidence, even from some of the big four house builders, in this product.

Q81 **Sir Bernard Jenkin:** Moving on to your First Homes initiative, how many of the 1 million homes you referred to at the beginning, Mr Pocklington, were starter homes?

**Jeremy Pocklington:** We have not set a particular sub-target for First Homes, or, as a part of our projections, we have not had a specific target for starter homes. There was of course the manifesto commitment that we referred to earlier.

Q82 **Sir Bernard Jenkin:** Your First Homes initiative looks awfully like the Starter Homes policy that it is replacing, and no starter homes were



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actually built. What have we learned from the Starter Homes policy that will make sure the First Homes policy is more successful?

**Jeremy Pocklington:** First Homes is a different product and, to an extent, being delivered differently. You will recall that the key reason those starter homes were not built was that the secondary legislation was never laid. As I say, First Homes is a different product and we are going to implement it through the planning system primarily, but also with a pilot being delivered through the affordable homes programme.

Q83 **Sir Bernard Jenkin:** What was wrong with the Starter Homes policy that it needed to be overtaken?

**Jeremy Pocklington:** There are at least three ways in which this product differs from Starter Homes. First, the discount is different. It will be an at least 30% discount. Secondly, First Homes as a product is being targeted at local first-time buyers, so local authorities using the well-established local connection test within the planning framework can prioritise local health workers, for example, as they would like, to ensure that they are able to benefit from low-cost home ownership in their area. That is a difference from Starter Homes and will, we hope, make the policy more attractive to councils. Thirdly, and crucially, the discount exists in perpetuity, whereas in Starter Homes the discount accrued over time to the homeowner. First Homes is designed not just to help the current but also future generations. So it is a different product. It is also being delivered, as I say, through a different mechanism.

We have talked about starter homes being delivered largely through land-led programmes, through Homes England investment, at least in the first instance. First Homes is being delivered, as I say, initially through a pilot through the affordable homes programme of 1,500 homes. We have also announced our intention for them to be part of the planning system and will ask local authorities to ensure that 25% of affordable homes provided through developer contributions are First Homes. We are consulting on the detail of that. It is a different product, largely being delivered differently. It does not require legislation. To be clear with the Committee, we have not ruled out legislating for First Homes in due course, but we are able to get started without.

Q84 **Sir Bernard Jenkin:** When will the 1,500 pilot homes be available for purchase?

**Jeremy Pocklington:** That will be set out in more detail in the coming weeks. Homes England have set out their prospectus for the wider affordable homes programme. Market engagement will need to happen and then we will set out more detail. I would expect these homes to come forward over the next couple of years. Obviously, we are operating under a period of very challenging uncertainty at the moment.

Q85 **Sir Bernard Jenkin:** The pilot is going to operate in the next couple of years. When will the mainstream policy come online?

**Jeremy Pocklington:** We will need to adjust the planning policy in order to fully implement the First Homes proposal. After that stage, authorities,



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as they change their policies and update their local plans, will be required to provide First Homes. We are not setting a timetable on that. We are going to learn from the 1,500 homes. This is a policy that will grow over several years. It is not a quick policy to implement. In the meantime, we are, of course, continuing to progress shared ownership products through the affordable homes programme, our support through Help to Buy, and other ways to support first-time buyers in the interim.

**Q86 Sir Bernard Jenkin:** Does the First Homes initiative require a budget?

**Jeremy Pocklington:** The affordable homes programme element does require a budget. That has been allocated to the Department and was set out in the Budget and reconfirmed over the summer. The wider delivery of First Homes does not require a budget. It is going to be funded through developer contributions, so it is funded through land value capture and through the planning system.

**Q87 Sir Bernard Jenkin:** Two brief further questions. It must be very difficult to provide continuity of policy under such a churn of Housing Ministers. You cannot possibly be held responsible for that, but how does the Department provide continuity of policy when Ministers change so quickly?

**Chair:** Just a small one there, Mr Pocklington.

**Jeremy Pocklington:** Indeed—a good question. Of course, as Governments and Administrations change, it is for Governments to determine their policies, but obviously, as Departments and civil servants, when new Ministers arrive, we set out the policy landscape as it stands at that point in time to ensure that they understand what they are inheriting. This Government has decided that it does not want to support Starter Homes; it wants to support First Homes. I have set out the reasons why it wanted to have a different product. But, in general, of course I recognise the benefit of policy stability, and as civil servants, of course we prefer that. These are very long-term programmes, and although at times housing can be built quickly, most of the time you will get better outcomes with programmes that are planned over time and implemented carefully in partnership with councils and the sector.

**Q88 Sir Bernard Jenkin:** Finally, does the new Starter Homes initiative address the accommodation need of those living in temporary accommodation at the moment? I think in particular of modular home build and that sort of thing, which would provide very fast remediation of that problem.

**Jeremy Pocklington:** I think this is probably aimed at a different part of the market. First Homes is aimed at local first-time buyers, but it is still going to be people who can get a mortgage and can fund 70% or less of the house. It will require an income, I suspect, in order to provide those—

**Q89 Sir Bernard Jenkin:** How is the Department going to address the needs of people in temporary accommodation and, indeed, the need for social housing?



**Jeremy Pocklington:** We touched on that at the start of the hearing. It is the responsibility of the affordable homes programme to ensure that we are building more homes. Over the summer, we announced details of the £12.2 billion programme set out in the Budget, which includes £11.5 billion for the programme to be delivered from 2021 to 2026, providing up to 180,000 new homes across the country, if economic conditions allow, so we have very significant investment in new supply.

The overall strategy here is one of providing different products and different types of housing to suit the needs and circumstances of different people and different places. There is no single answer to tackling the country's housing crisis.

**Sir Bernard Jenkin:** Thank you very much indeed. The turbulence above you means that you need to have extra resilience.

Q90 **Olivia Blake:** Again, these questions are to Mr Pocklington. The Starter Homes programme looks very similar to the First Homes programme, as has been outlined. After the trial period, when do you think the homes will be available? How many homes will there be, and what will the price be?

**Chair:** We do like targets and dates.

**Jeremy Pocklington:** I appreciate that, but we are very consciously not setting targets and dates for First Homes at this point in time. There is too much uncertainty for us to be able to do that. We want to learn through the pilot programme that we are launching through the Affordable Homes programme. Ultimately, as this is part of the planning system, the number of homes delivered will also depend on the volume of private house building in the years ahead. Obviously, this is an incredibly challenging time to forecast that. The price will be 70% or less of the market value of the house—so at least a 30% discount on it.

Q91 **Olivia Blake:** Do you feel that the start-up costs of this programme have been quite wasteful, given the similarities between the two programmes?

**Jeremy Pocklington:** I do not think the start-up costs of the First Homes programme have been wasteful. As I said, this is a different programme. But what we are doing as a Department is making sure that we are learning and continuing to use the expertise that we have built up over a number of years through other home ownership programmes, including Starter Homes. That is, of course, valuable when we are looking at very technical but important issues about exactly how the valuation takes place. How do we ensure that lenders are willing to lend against these properties? The expertise that we have built up over a number of years is actually going to be very helpful in delivering First Homes.

Q92 **Olivia Blake:** Neither First Homes nor Starter Homes does anything for people in temporary accommodation. What is your ambition to address that need in social housing? Obviously, the wraparound services will be under threat at the moment due to the Covid-19 cutbacks that we will potentially be looking at. Do you think there will be another programme,



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or could one of these programmes be adapted to look at that?

**Jeremy Pocklington:** In the main part—I do not say anything 100% in this place—First Homes will be focused on a different part of the population. On those in temporary accommodation, I have already outlined the very substantial investment that this Government is making in the Affordable Homes programme. We have said that 10% of that funding will be for supported housing for those with specialist needs, to provide some of that wraparound care that you have highlighted. We talked at the start of this hearing about our wider support for rough sleepers who are in temporary accommodation at the moment.

Q93 **Olivia Blake:** Do you think that over the last 10 years there have been too many housing pots of money for local authorities to bid for? What impact are you seeing trickling through from the changes to the HRA cap?

**Jeremy Pocklington:** That is another important policy. Over the last decade, there have been a number of programmes there. A lot of them are set out in the Report. All the programmes are doing different things—they are targeting different parts of the market. The Government is providing different support and taking on different risk. Why is that the case? Ultimately, if we are going to support a range of people to get the housing that they need, and if we are going to increase housing supply, which is probably the single most important thing that the Government needs to do in relation to housing, a wide range of approaches is going to be the better route to go down. There is no silver bullet in housing policy. None the less, as part of being good administrators and good civil servants, it is always important to ask ourselves, “Have we got too many funds? Can we rationalise them?” That is something we continue to do, and through the coming period I will want to see whether we can possibly do more of that.

**Chair:** Thank you, Ms Blake. I am now going to bring in Barry Gardiner.

Q94 **Barry Gardiner:** You indicated that you thought perhaps the most important thing you could do was to be pursuing all avenues. Might one of those avenues be taking additional powers to stop developers land banking?

**Jeremy Pocklington:** The question of land banking is obviously a very important issue, and one that has been raised a lot over a number of years. You may recall that Oliver Letwin looked at this issue in great depth in his report, and he did not actually find evidence of that. However, he did highlight the very important issue of absorption rates and the importance of bringing forward diversified sites with different types of housing on them in order to target different parts of the market, and that that was crucial to bringing forward more supply at speed and building out sites more quickly. As Ms Waltho has also said, we are also consulting through our “Planning for the Future” White Paper, seeking ideas on how we can further increase the rate of build-out, because—*[Interruption.]*

**Barry Gardiner:** Sorry, I lost you there totally.



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Q95 **Chair:** Sorry, Mr Pocklington, I think you are going to have to repeat that. The bell interrupted you as well, Mr Gardiner; I cannot tell who is hearing what sound. Do you need Mr Pocklington to repeat the answer? I could not hear him.

**Jeremy Pocklington:** I am sorry; it is quite loud in here, so forgive me. The question was about build-out rates. Hurry me along if I am repeating myself, but Oliver Letwin looked at this issue very carefully in his review that was commissioned by the previous Government. He highlighted that there was not concrete evidence of land banking, but also highlighted the important issue of the absorption rates from large sites and the need to provide a diversified range of housing in order to speed up delivery, particularly on larger sites. That is the sort of thing we are taking forward, and we are also consulting on what we can do to increase build-out rates through our "Planning for the Future" White Paper.

Q96 **Barry Gardiner:** Could I just ask you to define absorption rates?

**Jeremy Pocklington:** It is the rate at which new housing can be absorbed by the local market. Obviously, we do not have a single housing market in England; we have a lot of local markets, and if developers do not just build for sale but, for example, build for rent through the private rented sector, more different types of housing can be brought to the market at the same time, because there will be a broader range of customers looking to not just buy their home, but to rent it. There might be other types of housing as well: housing for different types of people, such as older people. That diversification is absolutely key, and it is something that Mr Walkley is very focused on with some of his larger sites at the moment.

Q97 **Barry Gardiner:** Let me ask one further question. We have now seen office conversions into cells—as some might call them—and student accommodation both being counted in your new house build figures, but those are not really homes, are they? Student accommodation is not a home. Why are you incorporating those into the figures? Is that not misleading? Given all that Sir Bernard quite rightly said about ensuring that new build is in line with net zero, with these office conversions, which are building tiny little compartmentalised housing without proper insulation or proper attempts to do net zero work on them, surely you are ignoring what is actually going on and then putting them into the figures and claiming it as some sort of success?

**Jeremy Pocklington:** Perhaps I may bring in Ms Waltho in a moment, but in terms of these permitted development rights, we are taking steps to ensure that space standards apply and that there is appropriate access to light, in response to the issues that have been raised. That is something the Department has been evaluating and is taking action on, but I will bring in Ms Waltho, who leads on this area.

**Tracey Waltho:** In response to the first part of your question about whether it is legitimate to count these homes, for example, a student population can make a very significant part of a local housing market, and therefore providing more student accommodation is going to relieve



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pressure on a local housing market, so I think it is legitimate to count units. Similarly, PDRs, or the conversions you have talked about, have a mixed record. You have described some of the worst excesses, and we have recognised that in the way the beginning about addressing future flexibilities. We are introducing space standards and we have already introduced standards for natural light. We have also introduced a process of prior approval, whereby developers will need to approach the local authority and secure approvals on a limited range of matters, still very much within the fast track. The quality of these kinds of conversions, based on the research that we have done and based on the learning, will be going up.

**Q98 Barry Gardiner:** You say, "Well, they have to get prior approval from local authorities," but local authorities are just struggling to deliver on your housing delivery tests. Knowing that that these are things that you will accept as part of their success, they are going to grab them with open arms, aren't they?

**Tracey Waltho:** I think local authorities will take their responsibilities very seriously and will be doing what they think is best for their local area.

**Chair:** Thank you, Mr Gardiner; we will leave it there for now, and I will go back to Ms Blake.

**Q99 Olivia Blake:** Sorry, Chair, but I am returning to the tier 3 deal in South Yorkshire. Mr Pocklington, on the £30 million, may I ask why the package of support has not been done on a council-by-council basis? Will the authorities get an equal chunk, or will it be based on population? When will the money arrive with those authorities?

**Jeremy Pocklington:** I completely understand the interest and the urgency on this. The money has been allocated to all the authorities that have been covered by tier 3—I would call it all bar one in the city region. I do not have the precise timing of when the money will be received, but maybe I can let you know as soon as possible. There are further details that are being agreed in realtime on this.

**Q100 Olivia Blake:** Okay, so is it an equal chunk or based on population?

**Jeremy Pocklington:** The amount for Sheffield City Region—

**Q101 Olivia Blake:** Sorry, for each council.

**Jeremy Pocklington:** That will need to be determined in discussion. Let me communicate with you to give you that.

**Q102 Chair:** Are you saying, Mr Pocklington, that you don't know right now or that you do know, but you don't have it in your head at this moment?

**Jeremy Pocklington:** In the case of Sheffield, we have reached agreement on the aggregate level, so I will write with the details. This is happening in realtime. Obviously, I have been preparing for this Committee—

**Chair:** Yes, we understand that; we just want to know what we are going



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to get in writing. But you will be able to write to Ms Blake with more details—thank you.

- Q103 **Olivia Blake:** Mr Pocklington, I asked you earlier about a time period, and I think that the funding is meant to cover a period of up to six months, so my question is this. Should authorities focus on getting money out of the door on the locally developed schemes, or try to stretch it for six months if there is no more money coming down the line? And will the schemes have to be the same across each authority?

**Jeremy Pocklington:** We are working very closely with the regions on the design of the schemes. We are very happy to do that; we are keen to get proposals from the areas on how best they can support local businesses. I don't think that all needs to be determined or is best determined in my Department. We are working very closely with them on that, and we haven't set any constraints on—the need for consistency has applied to the funding amount, quantum, rather than the question of the exact nature of the scheme in each local area. Again, I would be very happy to write with the detail on this.

- Q104 **Olivia Blake:** Again, this is based on authorities. If some authorities drop out of tier 3 after 28 days, will their money transfer to those in the region that are still in tier 3?

**Jeremy Pocklington:** The money is going to be allocated soon and, as you say, it's an offer of money for the remainder of the year. There will also be questions for local authorities in a particular region about how they want to manage that in the months ahead. As you rightly point out, an area will enter tier 3 for a period of 28 days and there will then be a review.

- Q105 **Olivia Blake:** I am not clear. We have this £30-million package for the whole of South Yorkshire. If that is given to councils on that basis and then part of the city region drops out of tier 3 and into tier 2, is its money going to be reallocated to help those areas in more need, or is the idea that there is going to be such a shock to our economy that all these authorities will need the standard of funding that they received at the beginning?

**Jeremy Pocklington:** This is an area that we would be very happy to have further conversations on with your city region, if that would be helpful. It was not our intention that that would happen, that there would be that reallocation process, but if that is something that the city region would think was valuable, then of course that is the sort of thing that we should—

- Q106 **Olivia Blake:** The point I am trying to get to is that if you have not done this on a council-by-council basis, these questions are going to become very challenging, very quickly. If we see, for example, Sheffield stuck in tier 3 for a much longer period than Barnsley, these questions are going to be of real interest to our local leaders.

Can I finally ask—



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**Jeremy Pocklington:** Let me just respond. The money will need to be allocated to councils; that is who we allocate money to. I am not quite understanding, necessarily, all the rationale behind your question here. The quantum has been agreed; there are discussions ongoing and they are likely to continue—

Q107 **Olivia Blake:** The rationale behind my question is this. This funding is for six months. Some of us might be in tier 3 for a long, long period; others might be in it for a very short period, comparatively. How will the funding be of most benefit to the region, as it has been allocated, or seems to be allocated, on a regional basis? That is the core of the question.

**Jeremy Pocklington:** Understood. I can commit to writing on that.

Q108 **Chair:** Ms Blake is raising a very important point there. There could be new regional spending; there could be underfunding. It's a balance. Well, we will look forward to getting a detailed letter.

**Jeremy Pocklington:** I stress that this is only one form of support. We talked at length, at the start of this hearing, about the wider forms of support for councils.

**Chair:** Yes, but I think you get the point that Ms Blake making. Ms Blake—last one, I think.

Q109 **Olivia Blake:** Final question, Chair. Will the £11 million for the local track and trace be expected to be delivered at the level of a whole city region, or will that have to be split across the authorities as well?

**Jeremy Pocklington:** That is being split across authorities.

**Olivia Blake:** Thank you for confirming that.

Q110 **Chair:** I am sure that there are many more questions that you will be getting, Mr Pocklington, and your Ministers, about how local government will be supported in tier 3 and indeed tier 2 areas.

The last couple of questions from me are directly to Ms Waltho. In March, Ms Waltho, the Chancellor announced a £1 billion fund for cladding removal for people—organisations and owners of properties—to bid for. When will people know that they have got an allocation from that £1 billion fund to remove dangerous cladding from buildings?

**Tracey Waltho:** If I may—you said I covered this, but I don't really, so could I refer that to Jeremy?

**Jeremy Pocklington:** We have reorganised the Department following my move, so Ms Waltho only covers housing and planning, not building safety—recognising the importance of that.

On the £1 billion fund, we have had people register for it and we want to set out more detail as soon as we can. We are actively working on that at the—

Q111 **Chair:** Roughly, what is the timeframe for you deciding on those bids that have come in?



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**Jeremy Pocklington:** We will set out the next steps. We want to do that in weeks, rather than taking longer on that, but I can't give you a precise date—

Q112 **Chair:** Do you know when that money will have gone out the door? Will it be by the end of the financial year?

**Jeremy Pocklington:** We are obviously keen to spend that money prudently and carefully, but we also want to spend it quickly, so the remediation work can proceed quickly, at pace, and we would like to start allocating that money this year.

Q113 **Chair:** At pace is perhaps a bit optimistic, given the amount of work that needs to be done and the number of properties that need to be done, and the fact that the skills on the ground to do it are limited. However, we will save that issue for a future session, which we are having at the end of November, because we are keen to cover it then.

Just very briefly, I have a question on the EWS1 form, which is that the new requirement for that—whether or not it was intended by the Department—has now extended, so that most purchasers' solicitors are asking for that document, even for properties that are not high risk. I have a constituent who only this week had a sale fall through because the people they were buying off—the vendor of the property—wanted to see some proof that things are moving.

This must be on your radar. Is there any comfort you can give to those many homeowners who are not, in fact, in the most dangerous buildings, but who are just trapped because of this bureaucracy?

**Jeremy Pocklington:** Absolutely. You rightly say that the EWS1 form is not a Government form. It is a process that was arranged by the Royal Institute of Chartered Surveyors, although it did follow discussion with the Department. We are looking at this issue very carefully, and I really do appreciate the challenges that many owners or potential owners have at the moment.

We are working very closely with lenders and with valuers, and with the Royal Institute itself, to look at what can be done to limit the number of occasions where the form is needed—so, reduce demand for that form.

Like you, I have heard of occasions where that form is being requested on buildings that are safe, that are even very low rise, and that is not what the form was intended for. We absolutely need to work on that as quickly as we can, and it is a high priority.

Q114 **Chair:** On that last point about those buildings that are not dangerous, is there some way that you can get a clear message out—now even, while you are still working on the more difficult buildings—that these forms are not needed for the sale of many properties, and that their being requested is an over-egging of the bureaucratic system, rather than because of a dangerous building?



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**Jeremy Pocklington:** We absolutely are doing that. We are talking very directly to lenders, to valuers and to RICS on this very issue. It is a very important issue. We are looking to see what more can be done. Of course, the EWS1 form is needed, and there are unfortunately—as we have talked about recently—too many high-rise flats that do need to be remediated.

**Chair:** Okay. We will make that the subject of a further discussion at our session with you at the end of November.

I thank our witnesses very much indeed. The Committee meeting is now over.