



# Levelling Up, Housing and Communities Committee

## Oral evidence: The Work of the Department for Levelling Up, Housing and Communities 2022, HC 808

Monday 21 November 2022

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Members present: Mr Clive Betts (Chair); Bob Blackman; Mrs Natalie Elphicke; Florence Eshalomi; Ben Everitt; Kate Hollern; Paul Holmes; Andrew Lewer; Mary Robinson; Mohammad Yasin

Questions 1 - 75

### Witness

I: Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities.

### Examination of witness

Witness: Michael Gove MP.

Q1 **Chair:** Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Select Committee. This afternoon we have with us the Secretary of State, who is going to answer questions about the work of the Department in the next few hours that we have him with us. Before we come over to you, Secretary of State, and ask our questions, I will ask members of the Committee to put on record any particular interests they may have that are relevant to these matters. I am a Vice President of the Local Government Association.

**Mohammad Yasin:** I am a member of Bedford Town Deal Board.

**Florence Eshalomi:** I am also a Vice President of the LGA.

**Kate Hollern:** I employ a councillor.

**Mrs Elphicke:** I am a Vice President of the Local Government Association.



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**Ben Everitt:** I am a Vice President and employ a councillor, and it is probably worth noting, although it is not a conflict, that I am chairman of the all-party parliamentary group for housing market and housing delivery.

**Paul Holmes:** Just to be clear, because of some of the stuff that we are discussing, I am a commissioner of something called the Key Worker Homes Fund, which is for a company called Skyroom London Ltd.

**Chair:** Mary Robinson will be joining us—she has had to be in the Chamber for a time—and Bob Blackman will be joining us as well, so we will have a fairly full attendance this afternoon. Secretary of State, thank you very much for coming. Welcome back.

**Michael Gove:** Thank you very much.

**Chair:** It is not very often we get a chance to welcome back a Secretary of State—I think this is the first one—but thank you for coming to see us this afternoon.

**Michael Gove:** Not at all; thank you.

Q2 **Chair:** You suggested that you wanted to come after the autumn statement; that is clearly helpful, to understand what the overview of that is. Therefore, Secretary of State, I will begin with a question I asked in the Chamber, which one of your colleagues answered, about the position facing local government in terms of finances.

The reality is that I think we could probably all agree that councils have had bigger cuts to their budgets than any other part of the public sector since 2010—essentially a 20% cut in real terms in the funding available to them. Someone said the NHS—and we certainly welcomed that—had a 20% real-terms increase, so councils have certainly had all the pressure. The Local Government Association is saying that inflation is now a major issue for councils, as it is for everyone else.

The settlement last week looked at social care with some additional funding, but there was nothing at all for everything else but a 3% increase in council tax—just over half a billion pounds, when the LGA is saying that the funding gap on inflation alone is £3.5 billion next year, on top of the gap that was there before. How are councils going to manage? Reserves have been used regularly and many councils are simply running out of reserves.

**Michael Gove:** I don't think it would be right for me to try to varnish the truth, which is that it will be tough for local government. The context that you lay out is absolutely correct. Local government faced some of the biggest requests for efficiency during the coalition years. Then, in the last spending review, there was a good settlement for local government but, as you quite rightly point out, local government faces inflationary pressures.



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The biggest pressure that local government faces, certainly upper-tier local authorities, is with respect to social care, adult social care in particular but also children's services. That is why there was additional funding made available for social care and a decision to delay the Dilnot reforms and to release the cash that would otherwise have been spent on them, in order to help local authorities. But yes, it is a tough picture. As I say, the Department would not be credible if we were to suggest that it was anything other than challenging.

I just say with respect to the autumn statement overall that the broad economic arguments for why these measures are necessary were put by the Chancellor and the Prime Minister. I would add, however, that already baked into the spending review beforehand was an increase in public spending, so while it is tough, it is also the case that public spending overall is increasing relative to where it was. The picture of increased public spending of course is set against what happened in the coalition years, but it is still important to maintain that balance between an acknowledgement of the fact that spending is increasing but also a recognition of just how tough things are.

**Q3 Chair:** The settlement last year looked like an increase in spending based on an inflation rate of 2% to 3%. It is now 10%. That difference, basically, is what councils are going to have to find next year, isn't it?

**Michael Gove:** Again, one of the significant pressures on local government is social care. In the absence of the additional money for social care, other budgets would have had to have borne an additional amount of pressure. Additional funding for social care relieved some of the pressure on other budgets but, yes, inflation is tough.

**Q4 Chair:** Yes. I think the Local Government Association analysis, when they came to see us, was £3.5 billion next year and £2.5 billion this year for inflation. That was on top of the social care gap.

**Michael Gove:** Yes.

**Q5 Chair:** The LGA described this as an existential situation for local government, with the threats it was facing. Certainly, a number of councils are beginning to say, "We've used reserves. We can't carry on using them. At some point we're going to run out of money." Do you have an early warning system to identify when councils get into that situation?

**Michael Gove:** Yes, but it is imperfect. As this Committee knows, the way in which local government is audited overall and the way in which we can get a central picture of the finances of local government is imperfect. That is one of the reasons why I think we need improved central scrutiny—not control but scrutiny—of local government's budgetary positions.

I am not for one moment denying the difficulties that local government faces, but we know that sometimes those difficulties can be exacerbated



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by decisions that some councils have made, for example, on borrowing. Whether it is Croydon or Spelthorne or others—Slough, again, is a conspicuous example—there are local leaders who have used the freedoms that exist in a way that, with the benefit of hindsight, they should not have done.

Getting a better and more transparent picture is important but, on your question, what I and the Department seek to do is to stay in touch with local authority chief executives and leaders, in order to get a sense of where the shoe is pinching tightest and what we can do to help.

Q6 **Chair:** Can you say currently how many councils are flagging up that next year they might be getting into section 114 territory?

**Michael Gove:** I don't know at the moment, but I could come back to the Committee with as detailed a picture as I can share of those councils that are in real difficulty.

Q7 **Chair:** You mentioned, quite reasonably, that some councils may have done things that have exacerbated their position, such as taken a punt on investments that have not exactly materialised in the right way. On the other hand, there are councils now, like Hampshire and Kent—and my own city of Sheffield, which has used its reserves prudently over a number of years—that are now getting to the point where they are saying, "At some point we won't have the reserves there to balance the books".

**Michael Gove:** Completely. The reason I mention those outlying local authorities is just to make the point that we need to improve scrutiny overall. Kent has faced particular challenges recently, in the last 12 months, as a result of other factors, so I am very sensitive to the concerns that Roger Gough and others have raised. I think and hope that it will be the case that the additional funding for social care will help and that the alarm bells that Roger Gough and others were ringing last week—while they are not muffled, I think the level of alarm may be slightly lower than it was. But, obviously, I have not had the chance to talk to Roger since the autumn statement.

Q8 **Chair:** It is possible the alarm may have been put back a year, but it is still there.

**Michael Gove:** I understand.

Q9 **Chair:** You talked, I think quite reasonably, about oversight at national level of what is happening to councils through the audit process. That sounds a bit like the role of the Audit Commission, doesn't it?

**Michael Gove:** There were several problems with the Audit Commission, which led my predecessor, Eric Pickles, to think that we needed a reset. In a sense, what the Audit Commission was doing was more than just marking homework; it was also directing local authorities in particular ways. That was certainly the feeling at the time: that it had grown



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beyond simply an audit function to a supervisory and directional function as well.

I do think that there are issues with local government audit overall, and I think it would help us all to have—I said a little bit about this when I was speaking to the LGA—a unit, a body or an organisation that could provide all of us with a better sense of where local government was working well and was efficient and we could learn from, but that could also flash up problems at an earlier stage. I would not like to think of it as a son or daughter of the Audit Commission, but I would like to think of it as a body—an office for local government—that could do some of the work that all of us recognise is now perhaps more urgent than ever.

**Q10 Chair:** So not son or daughter but maybe a second cousin—a body that can pick up from auditors who are auditing individual authorities and pull together.

**Michael Gove:** Exactly. To my mind, the most important thing is that it should be there to make sure that we have the data to make meaningful judgments. It should not be there to try to hand out badges. It should be there to furnish us with data for meaningful comparisons.

**Chair:** Thank you. Kate, you want to come in.

**Q11 Kate Hollern:** Just very briefly. I am rather concerned that the Government are not recognising the crisis in local government. We have been screaming for 10 years about the cuts. The feeling is that the Government are passing the buck rather than the bucks. The additional council tax for adult social care is just another burden on council tax payers, without the Government recognising just how difficult the situation is for many councils.

**Michael Gove:** I think it is entirely fair; I think this situation is difficult for so many. The situation is difficult for individual council tax payers; the situation is difficult for local government; the situation is difficult for different aspects of public service, because of the inflationary pressures of which we are all aware. I do not think for a moment that we are insensitive to those concerns.

On the point about council tax, I think it is right that local government should have that additional flexibility, but I also think it is important that we continue to ensure, as we have with social care funding, that central Government plays its part through grant funding as well. But I would never want to try to be Pollyanna-ish about it. It is tough.

**Q12 Paul Holmes:** Hello, Secretary of State. You mentioned in one of your answers to the Chairman more national oversight when local authorities have perhaps not acted in the best way in the past. You mentioned local authorities such as Spelthorne, Slough, and Eastleigh in my constituency, that were, I think, profligate in their borrowing.

A few months ago, the Department decided that it was going to start



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working with local authority leaders on trying to reduce the borrowing that they currently have and coming up with a plan. That programme has since gone silent. Can you update the Committee on where we are on that, please?

**Michael Gove:** Yes, we absolutely are. As I say, there are escalating levels of support and/or intervention. There are some local authorities—Slough is the most conspicuous—where we have had to intervene, where financial and other questions have meant that commissioners have had to go in. There are other areas where commissioners have been deployed, like Liverpool, where there are financial problems but also structural problems in the management of the local authority.

Overall, we do not want to be heavy-handed, but where there are conspicuous examples of councils that have gone awry, where people are being let down, then we must and should intervene. I am keen to get to a situation where everyone has a better understanding of what is going on, both financially and in terms of leadership; we can shine a light on good practice and hold it up to emulation; local authorities that are not performing well will know that it will be difficult to hide that fact from council tax payers; and then, in extremis, there should be that power to intervene.

Q13 **Chair:** One final point, Secretary of State, on something that concerns many people in local government. As council tax payers are asked to pay more each year but those people who do not receive social care—we will come on to social care in a minute—get their other services, such as their street sweeping, their bins emptied, their grass cutting, libraries, bus services and so on, they see that each year they are paying more and getting less. Do you think that is quite a threat to the basis of local democracy in our country?

**Michael Gove:** I would gently push back on that. It is certainly the case in my experience that there is an acceptance that both adult social care and children's services do need that additional funding. There is also a belief that the most vulnerable in our society should be our first call. I recognise that people do expect a good level of service delivery in the services that you describe that they rely on. Some of those are provided by lower-tier local authorities, and they are not receiving the additional money for social care, for obvious reasons. One of the things that I and Lee Rowley, the Minister who is looking at local government finance, are doing is trying to make sure that, in the broad local government finance settlement, those district and borough councils are properly resourced.

The final thing that I would say—and this comes back to the point about scrutiny and data—is that there are some local authorities that are better at providing those services than others. I do not want to criticise local government because it is very tough, as I mentioned, but I do think one of the things that we can do is make sure that there is better emulation of the best.



**Chair:** We will move on to the important issue of social housing. Obviously, you are aware of the tragic case of the young boy Awaab Ishak, which you rightly made a statement about the other day and have written to council leaders about. We will explore some of those issues now, starting with Natalie Elphicke.

Q14 **Mrs Elphicke:** Good afternoon, Secretary of State. I would like to start by sending my condolences to the family of Awaab Ishak.

I would like to discuss the regulation of social housing and the funding of social housing rents. When I was a child growing up in council housing in the 1970s, and when I was helping in advice surgeries for Lambeth Council tenants in the 1990s, I was dealing with many of the same physical issues that we have seen in this case, including mould, condensation and poor living conditions, leading to health problems, and an entire dependence on the responsibility and reaction of the landlord to solve them.

I am heartbroken and gravely concerned that in 2020, and now seeing the responses in 2022, we have a situation where a regulated social landlord has been responsible for failing to deal with mould and other conditions leading to the death of a two-year-old boy, and I know you share that concern. Looking at the current situation with the regulation of social housing and reforms, could you set out to the Committee how your commitment that, going forward, the regulator will proactively inspect social landlords will help to prevent another situation and another tragic death or illness?

**Michael Gove:** Yes. Thank you very much, Natalie, for what you say. You are right to remind us that the situation that you encountered when you were growing up and the challenges that you found when you were in local government have not gone away; indeed, in some cases they have got worse. That requires a proactive approach.

The first thing is that we need to make sure that tenants feel more comfortable and confident in raising complaints. That is why we have tried to ensure that more people are aware of the service that the ombudsman provides, but ultimately, of course, it is for the RSL to respond to tenants when these issues are raised. As we know, in the case of Awaab Ishak and his family, they tried to raise the alarm on several occasions and then they hid behind process by saying, "Oh, well, the solicitor has got involved so we can't do anything about it."

I have written to local authorities and to RSLs to remind them of their obligations, but you are also right that the regulator should have additional powers to investigate, and one of the things that our legislation proposes is unlimited fines. Again, you do not want to take money away from the sector, but you do want to have teeth for the regulator.

Will all of these things be enough in themselves? I hope they certainly move the dial significantly, but I am very open to looking both at any



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amendments to the Bill and at any additional steps that may be required to make sure that we can get the changes we need.

**Q15 Mrs Elphicke:** Thank you. If I may press a bit further on the regulatory role, when I looked at the regulatory oversight of RBH in the year after Awaab's death, the social housing regulator had awarded it a G1. That is the top level for governance rating—the top level.

This is an organisation that we have heard routinely blocked repairs for tenants when they made legal complaints and refused to deal with them, even where they raised serious health risks, which on its own policies should have had a 24 or 48-hour response.

Then I looked at its current unreasonable behaviour policy, which was updated only in August this year. It says that the housing association will not speak to tenants who make complaints to the housing ombudsman. Secretary of State, you just referred to the important ability of tenants to raise issues with the housing ombudsman.

These types of behaviours are the sorts of things we are used to seeing with rogue landlords. Do you think that there is an embedded risk within the Government's approach with social landlords that the organisations are seen too often as the good guys, that that is effectively a lazy stereotype, that we need to bear down on bad and rogue behaviours, and that that really needs to be the focus of regulation? What are your thoughts about the adequacy of the current inspection and rating approach?

**Michael Gove:** I think you are absolutely spot on. The first thing to say is that I had a look at the report and accounts for RBH and there was a self-congratulatory tone to the way in which it reflected on, for example, equality, diversity and inclusion questions. It seemed to me that that was wholly inappropriate when this report was published after the death of a child in horrendous circumstances.

The second point that you make, which I think is absolutely spot on, is that it can sometimes be the case, linked to that, that judgments that are made about effectiveness are made on the way in which certain boxes have been ticked, not the way in which tenants have actually been looked after.

The third thing is that the voice of tenants is the single most important factor in how well an RSL is doing, and far too often there has been defensive behaviour of the kind that you rightly draw attention to, where people will not respond because a solicitor is involved or because the ombudsman has been involved. That is totally wrong and we do need to change that.

You are right as well that there are people who go into housing because they want to make life better for communities that they believe in. It is not a universal issue but it is certainly the case, as in the private rented



sector, that there are some people who are not doing right by tenants, and we do need to take appropriate steps in order to deal with that.

That takes me, in a way, to your final point, which is that even when RBH had all these problems brought to its attention, the board still felt it was appropriate to keep the chief executive in place. You should not blame just one individual but, ultimately, the chief executive and the board should carry the can. In the meetings that we had, both with the then chief executive and the chair, I was not convinced that they appreciated the scale of change that was required in order to serve people well in Rochdale.

Q16 **Mrs Elphicke:** Would you accept, though, that some of those behaviours—those absolutely bad, indeed rogue behaviours—were evidenced with other housing associations as well in terms of practice?

**Michael Gove:** Oh yes.

**Mrs Elphicke:** And is action being taken to address that more broadly?

**Michael Gove:** Yes. I wrote at the weekend to six of the housing associations that had most conspicuously let tenants down, in order to reinforce the fact that this was unacceptable. I think there is a range of things in play here, but I think that there has been, among some housing associations, an element of complacency, and among others a desire to put the interests of the bureaucracy ahead of the interests of the tenant.

There is a final point as well, which is that when we are thinking about governance, housing associations, quite rightly, were created as arm's length management organisations and so on, but the role that local representatives—whether they are tenants or others—should play in the management and governance of them is a live issue, which I do not have a perfect answer to but we definitely need to improve.

Q17 **Mrs Elphicke:** Finally, if I may turn to funding, the autumn statement set a 7% cap on rent increases for the social housing sector. I think that is more than many tenants would like but less than many housing associations had asked for. Could we turn to the funding structure of social landlords? Looking at last year's global accounts for the sector, we saw an overall operating surplus—the profit of the housing associations—of some £2.6 billion. If we look at social housing lettings turnovers themselves, that is exceeding £16 billion. The operating surplus for social housing lettings alone—that is the profit from social housing lettings—was some £4.6 billion, but the profit margin had increased to 28.4%.

In other words, the profits on social housing lettings are subsidising commercial and other activities of housing associations, and that has been a structural issue for a number of years. Do you agree that the cross-subsidy model must not be at the expense of safe social housing? Could you outline any steps that are being taken to ensure that there is an increased focus on spending social housing rent to repair social housing properties in order to improve the housing conditions of tenants



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up and down the country who are also in poor housing like that suffered by Awaab and his family?

**Michael Gove:** Again, I think you are spot on. Of course, housing associations have a business model that helps to facilitate increasing supply overall, and that is a good thing, but their first responsibility must be to their existing tenants, and their first responsibility must be to make sure that people are living in decent conditions. As you quite rightly point out, and as Awaab Ishak's case reminds us, there are far too many who are living in conditions that are not decent.

With respect to the specific issue of damp and mould, there has sometimes been a sense of some housing associations attempting to fob off responsibility, as we have discussed in the past. I think that if this case serves as a reminder of the obligation to deal with those questions, then that reminder could not be more urgent.

**Mrs Elphicke:** Thank you.

Q18 **Florence Eshalomi:** Secretary of State, I want to come back to the issue of the regulator and how we can get the regulator to actually do their work. One of the problems—my colleague outlined it—is that the reality is that, up and down the country, a number of housing associations and some social landlords continue to fail. All of us will have received issues like this, with pictures, in our inboxes. But in terms of your saying you are going to measure systematic failure, what percentage of flats with mould would add up to systematic failure? What more needs to be done to make sure that these social landlords take action?

It is all good saying we want more tenants to come forward and get their voices heard. Many of them are fed up. Many of them are tired. Many of them continue to raise this with their councillors, with housing solicitors and with us as MPs, but nothing seems to change.

**Michael Gove:** I can completely understand your frustration. It should not take a tragedy to foreground the concerns that you have expressed so clearly. In fact, as so many people have pointed out, particularly after the Grenfell tragedy, the position of tenants in social housing should have been at the forefront of all our minds. I hope that the legislation that we are bringing forward will strengthen the hand of the regulator and give tenants confidence. As I have mentioned before, I wish—and I am sure everyone wishes—that this legislation had come forward earlier.

One other thing that I would say is that tenants have a right to expect from housing associations certain performance indicators: the speed with which complaints will be responded to, and the speed with which problems will be addressed. I recognise that there will be some housing associations that have an older housing stock and a smaller revenue base. I do not want to be unfair, but I do think that all of us together need to be clear about what the level of tenants' expectations is. That is one of the things I will be talking to housing associations about: making



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sure that those performance indicators and the expectations that tenants have can be clear.

**Q19 Chair:** Just to follow up on that, it is quite right that the first priority is to keep people safe in their homes with a good quality of accommodation. But housing associations and councils are both under pressure to build more homes, because of the enormous shortage of social housing to rent, they are under pressure to bring in energy efficiency measures—even more so now in the current crisis with energy costs—and many of the repairs that need doing are not individual odd repairs but, in many cases, wholesale regeneration of estates, which I think we will come back to.

I wrote to our council at the weekend—I thought your letter was excellent, if I might say so; I thought it was spot on—saying, “You’ve got to do a survey of all your housing stock. Begin with the ones where you have had most complaints about dampness, but also follow up on all the individual repairs that have been done in the last year and check whether they actually have been done.” In the Rochdale case, the repairs are received and they are ticked off and they do not actually get resolved.

If that is done and we get the results back from all these surveys, will you be prepared to sit down with the National Housing Federation and the LGA and look at the returns that have come in and what the implications are for the costs of sorting these problems out properly? I think there is going to have to be an engagement with the Government to look seriously at what finance is needed.

**Michael Gove:** Yes, I think that is fair and right. It may well be the case that the level and scale of what is required will be greater than even I fear at the moment, but yes, I think we do need to do that.

As the Committee knows, one of the things that we are keen to do, working with Homes England and the private sector, is to have a programme of urban regeneration. Sheffield, Wolverhampton and other areas have been identified. Can we proceed at the pace that we might have wanted to? Perhaps not. Should we concentrate on dealing with some of the problems identified? Absolutely.

**Q20 Chair:** That is fine. I would just add that the Sheffield Council executive officer has come straight back and said it is going to get on with it. It is a positive response, which is good.

Moving on to housebuilding and affordable homes, Paul Holmes.

**Q21 Paul Holmes:** Welcome back, Secretary of State. I am sure that sitting in front of us is a great aspect of the job, so welcome back.

**Florence Eshalomi:** It is part of the job.

**Paul Holmes:** Yes, it is part of the job. Upon taking office, you told the BBC that the pledge to build 300,000 houses each year in England remained the Government’s target. You also implied that you are intending to review the system for forming local housing targets. Meeting



those local housing targets is key to meeting the overall target, so can you inform the Committee how you are going to be encouraging local housebuilding, especially when the OBR has recently said that there is a real risk that housebuilding will fall to 200,000 units a year?

**Michael Gove:** Yes. There is so much there. The first thing is that the 300,000 figure is a manifesto ambition. It is different, though related to the way in which housing need is calculated overall. There has been a live debate—and I think a useful one—about how those numbers are generated and how we make judgments about household formation and population growth overall. My own view is that whatever figures you arrive at nationally, and however it is broken down authority by authority, there are three things.

The first thing is that we have already said that a greater proportion of housing need should be met in urban areas and on brownfield sites. I know that most Governments say that, but I think it is absolutely the right thing to do, not least because, as we have noted in the past, many of our cities are significantly less dense than their counterparts elsewhere. That is bad for everything from transport to economic growth.

The second thing is that I do believe that we need to have in plan making a judgment about the likely level of new housing required, but I also think in plan making we should have a system whereby, once a plan has been adopted, a community can feel confident that they will not get speculative development undermining their commitment to local democratic control.

**Q22 Paul Holmes:** Thank you. I am pleased that you touched on that. I want to drill down a bit more on the local target aspect. The target of 300,000 a year makes the blood drain from the faces of local communities, particularly in areas like mine and those of many other Members of Parliament, where a local authority has built double what is required under assessed need. For example, Eastleigh is, on average, building 1,200 homes a year instead of 650, which is the local assessed need. People are quite rightly concerned about that, even though they recognise that we need housing.

If a local authority has built more than the assessed need required over the past five or seven years, would a future formula under your stewardship recognise that and reduce the number of houses required locally if local authorities are building?

**Michael Gove:** Yes, that is what we propose to do. We are going to say a little bit more about how the NPPF can be reformed, but there are at least two things we want to do to acknowledge those authorities that have outperformed expectations or requests or targets, and also to ensure that, if there is a robust plan in place and a clear pipeline, that local authority is not held to be in breach of the five-year land supply requirement.



**Q23 Paul Holmes:** Thank you. There have been reports that the threshold for providing affordable housing is to be increased. Your predecessor said that the Government were keeping their options open and that there were compelling reasons why there has not previously been an increase. In relation to the difficult economic circumstances, how is the building of social and affordable housing to be maintained?

**Michael Gove:** I think that Simon was exploring an important point. While he wanted, like all of us do, to make sure that there was more affordable housing, he also wanted to make sure that there was more housing overall. He was worried that the existing regime might unfairly impact small and medium-sized builders, so I think he was raising an important argument.

There are three things. First, obviously, we need to look at the obligations on developers to make sure that they are proportionate. Secondly, we need to look at whether moving from reliance on section 106 to the infrastructure levy can help. Thirdly, there is a role for the Government through the AHP to make sure that we play our part in helping to ensure that there is affordable housing where it is required.

Obviously, there are some sensitive circumstances—particularly, but not exclusively, in rural areas—where people want to see affordable housing that is linked to the needs of local people. One thing that I am keen to explore is why everything from rural exception sites to community land trusts has been underused over time. Are the incentives right? Do local authorities have the powers they need?

**Q24 Paul Holmes:** That is very encouraging, thank you. Slightly concerningly, it has been reported that the Treasury is seeing to recoup a current underspend in the affordable housing programme. Can you confirm whether that is the case? If it is, what steps are you and your Department taking to ensure there is no underspend in a critical programme?

**Michael Gove:** The Treasury always looks with a jealous eye at any underspend and tries to snaffle it back. We are trying to show that we, and Homes England and others, can spend that money wisely. I think there is a strong argument at the moment, for reasons that I think the Committee will understand in terms of growth, that, at a time when, as you rightly point out, inflation means that materials are costing more, the labour market is tight and there is pressure on developers and local government, making sure that we can continue to support a vital part of the economy and contribute to levelling up is crucial.

**Q25 Paul Holmes:** Have you been approached by the Treasury so far in your time asking for that money back?

**Michael Gove:** I have had robust conversations with the Chief Secretary and the Chancellor about the importance of maintaining our commitment to levelling up. I also do have a lot of sympathy for the position in which they find themselves.



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**Paul Holmes:** I didn't expect any less in your response. Thank you very much.

Q26 **Chair:** Did they agree with you, Secretary of State?

**Michael Gove:** Well, I think the Chancellor does see the merit of the argument, but I have a lot of sympathy for the position that he is in.

**Chair:** I think we will keep adding our voice to yours then, Secretary of State. We will move on to the renters' reform Bill and homelessness with Florence Eshalomi.

Q27 **Florence Eshalomi:** Good afternoon, Secretary of State. You will be aware of the financial difficulties that those in the private rented sector face. I want to use the example of a case in my constituency, Vauxhall, which, as you know, starts across the bridge and stretches to Clapham, Stockwell, Oval and Kennington.

A constituent, Toby, contacted me late in September. He said that he and his girlfriend went to view a flat advertised online for £2,000 a month. They were told by the letting agent that they would have to be prepared to view with probably 35 other people, and even if they got a chance to view they would have to put in an offer and maybe enter into a bidding process and up their price higher than what was advertised.

This is simply not sustainable, and this is happening not just in London but right across the country. Tenants in the private rented sector are seeing the costs passed on to them through increased rents. The renters' reform Bill is long awaited. There are some really good measures in there, but are there any measures that can be taken now to address the issues across the sector?

**Michael Gove:** I am grateful to you for being generous in acknowledging that the renters' reform Bill creates some good measures, but the situation that you describe is concerning and it is very difficult. There was a recent podcast by the LBC journalist Lewis Goodall, looking at the situation facing the private rented sector, and there has been very good journalism by Vicky Spratt of *The Independent* and others drawing attention to this. There were examples that Lewis Goodall brought up, including a prospective tenant who committed to 12 months' rent paid in advance and was still told that there was no guarantee because it might be the case that someone outbid them. Examples from Cardiff and other cities outside London were cited, so it is not just a London issue, although of course it is particularly acute in London.

As the Committee knows, there are a variety of things that come together. There is significant pressure on the private rented sector because of what has happened—I am not just talking about recently, but what has been happening in the mortgage market overall. People have needed to get a big deposit, in relative terms, in order to borrow and some of the turbulence in the mortgage market has meant that some products were not available. Hopefully, steps taken in the autumn



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statement will mean that the situation there will stabilise, but it is still tough.

I think that ultimately there are three things. The first thing is, as I say, broader economic stability. The second thing is increasing the supply of housing overall. The third thing is making sure that we do not have a situation where a small minority of landlords is attempting to exploit the vulnerability of tenants by, for example, using no-fault evictions to get rid of them in order to increase their return, and that that can be cracked down on.

**Q28 Florence Eshalomi:** Yes, and we are all waiting with bated breath for section 21 no-fault evictions to be scrapped. Let me raise another case. My constituent Katherine did the right thing, signed a tenancy and started a family. She has now been told that the family, with a four-month-old baby, will have to leave by December. They were informed in October and given two months to leave.

Housing associations in England have confirmed that tenants will not be evicted as a result of financial hardship, which is a welcome move. We know that the Government have committed—even though we have not seen it come forward yet, Secretary of State—to scrapping no-fault evictions. Is there any merit in trying to secure a temporary suspension of section 21 eviction notices to give some comfort and reassurance to the 4.4 million private tenants across the country who in many cases are facing real financial hardship?

**Michael Gove:** Yes, and obviously we took steps during the pandemic. We keep everything under review, but I think the right thing to do is to legislate overall and to legislate in a way that is a genuinely balanced package. One of the problems with section 21, as you quite rightly point out, is that it can be used at relatively short notice and it can lead to turbulence and unfairness, sometimes for people in particularly vulnerable positions.

The balancing argument, as the Committee knows, is that the overall majority of people who are landlords do a very good job, care for their tenants and want to make sure that their tenants feel safe and secure, but they also have concerns about a very small minority of tenants, some of whom behave in an antisocial way, some of whom are in arrears not because they are in poverty but because they are trying to outfox—for want of a better word—the landlord.

The legislation that we are bringing forward I think has the support of many landlords, not only because the overwhelming majority do not want to use section 21—good landlords don't want to use it except in extremis—but they get the comfort of knowing that, even as that goes, there are other measures that can help them deal with that tiny minority of antisocial or otherwise difficult tenants. I think bringing forward a balanced package overall is the right thing to do, but in the meantime, it



is very tough for those in the private rented sector whom you quite rightly highlight.

There is only one other thing that I would say, which is that we had a session with Homes England last week to look at the state of the housing market overall, which is obviously not great, but one area where people are still investing is in the build-to-rent sector. Some of the major institutions are seeking to build more homes for rent, and by definition, they are people who would, in most circumstances, want to make sure that what they were building is high quality and that the tenants who were in those homes had confidence for the future. But many of the homes that are being built in that area tend to be flats rather than family houses, and that is an issue.

**Q29 Florence Eshalomi:** So there may be no help in the immediate future. The last thing I want to ask you about is the Government's commitment to ending rough sleeping. Obviously, that was a big manifesto commitment led by former Minister Eddie Hughes, who did a really good job in highlighting it. Given the cost of living difficulties and the big potential of people being homeless—I should declare an interest as co-chair of the APPG for ending homelessness with Bob Blackman—I do not think the Government are actually going to make this commitment, are they, Secretary of State?

**Michael Gove:** Well, it's a big worry. Thank you again for everything you said about Eddie. He did a fantastic job. He's a great guy.

There are particular difficulties that we are facing as a result of the cost of living, inflation, more families being hit hard, facing the risk of being rendered homeless, and on top of that we have challenges because of the situation in Ukraine and the people who have arrived here. We have opened our doors to them, but there is a proportion of them who have found themselves, for a variety of reasons, in temporary accommodation or homeless.

There is pressure in these areas, which means that the good progress that Eddie has made is not likely to be sustained in the next few months. It is very much in my colleague Felicity Buchan's mind to look at every step that we can take in order to deal with the increased pressure that local government will face dealing with homelessness.

**Q30 Florence Eshalomi:** Do you think that the Government will deliver on that commitment, Secretary of State?

**Michael Gove:** I hope so, but it is a bit like when I was asked about the 300,000 commitment. I am not saying that it is the wrong thing to aim for; it is just that we are in a world where a number of our very important policy aims and ambitions have become more difficult to deliver. I do not want to—what is the word?—try to trumpet that it is all going fine because it is not.

**Chair:** We have mentioned the important issue of adult social care. Let



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us look at that in more detail—Mohammad Yasin.

Q31 **Mohammad Yasin:** Welcome, Secretary of State. In his last speech before he resigned, former Prime Minister Boris Johnson said that he had fixed social care. Do you agree with that statement?

**Michael Gove:** Well, we were on the verge of fixing it, and—

**Mohammad Yasin:** So it was not fixed, as he said?

**Michael Gove:** I don't want to get into semantics and I don't want to be unfair to Boris. The Dilnot proposals are and were excellent proposals but we have had to put them on ice.

Q32 **Mohammad Yasin:** Considering that in the recent autumn statement, the cap on social care costs was delayed, what are the Government's plans to fix the problems in adult social care?

**Michael Gove:** As I mentioned, the Dilnot proposals are a powerful and effective way of providing people with the reassurance and peace of mind that we would all like to see, but difficulties in implementing them on time and the short-term pressures that local government faces have meant that we have delayed the implementation of those proposals for two years. During that time, the money that we are making available will be used in order to give local authorities more flexibility in addressing some of the problems in social care.

There are other questions, about the nature of the workforce and what happens in hospitals when it comes to faster discharge, that are being tackled in what I think is a constructive way. However, the high hopes that all of us had about the progress that we could make have been derailed, partly by covid and partly by other inflationary pressures. I know that it is very boring when Government Ministers keep referring back to those two phenomena as reasons for the difficulties that we face, but they are unarguably very big factors that have made everyone's life more difficult.

Q33 **Mohammad Yasin:** From 2015 to 2017 I was the portfolio holder for adult services, including social care, and the problem was there even then. Why has it taken so long for this Government to fix it or to get anywhere to fixing it?

**Michael Gove:** It is a massive problem. I would say two things. First, it is a good thing overall that people are living for longer. As they live for longer, as you know better than me, the call on adult social care grows. Ultimately that has to be funded by one of several routes, including by an individual's savings—but we do not want to penalise prudence. We want to make sure that people do not feel that the infirmities that some people will face will mean that their savings will go, whereas the illnesses that other people face will mean that their savings will not. That is a basic inequity that we sought to address.



Secondly, in the absence of people self-funding and drawing down their own savings, it is the responsibility of local government and the taxpayer to provide care, but when there are so many other calls on the Exchequer, as we were discussing earlier, and resources are tight, it is difficult.

The final thing I would say is that adult social care is the biggest pressure but children's social care is a growing pressure as well. More and more children—and this is a mercy—are being born and surviving and living with conditions that in the past would have—what is the best way of putting it? We are in a position where the range and the nature of the diagnosis of conditions that children are living with is better. Demands, therefore, on services are greater, and we need to meet those demands alongside the adult social care demands. It is a network of issues that are not susceptible to a single simple solution.

**Q34** **Mohammad Yasin:** When the former Minister, Kemi Badenoch, gave evidence to this Committee in May, we asked if there was enough funding for the here-and-now challenges for adult social care. She said yes, that there was enough money. Now, the social care levy has been scrapped, and the autumn statement gave some scope to local authorities to increase council tax. Considering that people are really struggling during this cost of living crisis, do you think that extra burden on people who pay council tax is fair?

**Michael Gove:** Yes. Giving local authorities a greater degree of flexibility is part of a package, along with delaying the reforms, providing the cash that is then released, and adding grant funding to that. It is a mix; it is a balance. Council tax is the second most unpopular tax in the country, for a variety of reasons, and it is certainly the case that none of us would want council tax payers to pay any more than is necessary for the provision of services. However, balancing the additional money that we are giving by reform delay and through grant with the freedom for local authorities to increase council tax is the best way, in tough times, of spreading the load.

**Q35** **Mohammad Yasin:** Finally, when are the Government going to come out with a long-term plan for social care to fix the crisis?

**Michael Gove:** Steve Barclay and Helen Whately will be saying more about the steps that we are taking on social care, but while the delay to enacting Andrew Dilnot's proposals releases resource and places an obligation on us to do other things to improve things, it also means that the full reform that we would like to see will not happen at the pace that we would have liked to have seen it.

**Q36** **Mohammad Yasin:** Do you have any idea about the timeframe?

**Michael Gove:** We expect to have the Dilnot proposals implemented in September 2025.

**Q37** **Chair:** Coming back to the issue of local government funding, the LGA



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and other local authority organisations have said repeatedly that you cannot sort local government finance out until you sort social care funding out. Keeping going back to council tax or better care for the other short-term fixes is not really the solution, is it? You have to think from a local government point of view.

**Michael Gove:** Sure. I think that is fair. There are two things. First, there is much more that we can do to reform local government finance to make it simpler and clearer, to have fewer streams, a greater degree of local discretion and fewer pots—although still some—for which people bid. That is one thing, and that will improve the situation, but I do agree that until you have a sustainable approach towards social care you do not resolve the problems overall.

Q38 **Chair:** You have a bit of a reputation, Secretary of State, for being a reformer and sorting out difficult issues. Have you thought about the rest of local government finance, particularly council tax? It is very regressive and, as you say, very unpopular. Do you think that there is a challenge for you there, while you are in the job, to look at that as a serious issue for reform?

**Michael Gove:** Yes, but even more than for me, it is a challenge for—sorry. It is a challenge, and it is one that we want to look at, but I was going to say that I know that both the Chancellor and Lee Rowley want to look at it as well, and both of them are much more on it than I am. Lee is a brilliant junior Minister, and he has been looking at this at the Chancellor's and my own request. Yes, is the short answer.

Q39 **Chair:** When do we get to see what he has been looking at?

**Michael Gove:** We had to get through the run-up to the autumn statement first. Work is going on now. I think it would be premature to ask either me or Lee to come back to the Committee before Christmas, but hopefully we will be able to say more in the new year.

**Chair:** Thank you. We will move on now to the issue, which you mentioned, of Ukraine and the refugee schemes.

Q40 **Mrs Elphicke:** Secretary of State, you mentioned that a proportion of Ukrainian refugees are in temporary accommodation or have been homeless. The initial host arrangements will reach their six-month initial period around the end of November and into December. I am very proud of the response of so many people in my constituency of Dover and Deal for their generosity in hosting Ukrainian refugees. However, now it is approaching that six-month point, what is the Department's plan for hosting Ukrainian refugees? Will you be asking sponsors to carry on? Will you be moving refugees to new hosts? Will you be providing alternative housing? What approach can be expected?

**Michael Gove:** All of the above. I echo you in thanking people who have taken Ukrainian families and individuals into their homes. It has been an amazing display of generosity. But we have a partnership role to play as



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well. For every new arrival, we have been providing local authorities with up to £10,000, and we have also been giving thank-you payments to individual families who have been providing that support, of £350 per month.

We are in discussion with the Treasury about continuing support for local government but also continuing payments to families. It is the case that already a tranche of Ukrainians who have come here have moved out of the family arrangements, out of the sponsorship arrangements, into the private rented sector or elsewhere. A tranche is in employment and contributing to our economy. It is also the case that there are some people who offered to act as sponsors who are now playing a role in welcoming Ukrainian families into their homes from other homes as a six-month sponsorship arrangement ends.

I hope that we will be able to say more in the next week or two about our approach towards those payments, and towards two other things that would help as well. First, we need to make sure that all Ukrainian families have access to high-quality English as a second language teaching. Secondly, we need to make sure that all the professions recognise Ukrainian qualifications, because, as you know, many of the people who have come here are highly qualified in their own country and we want them to have the chance to contribute to the economy and public services here.

Q41 **Mrs Elphicke:** Is there information available about how many people have reported as homeless, in particular, but also as having moved into private rented accommodation? I am conscious that my council is one among many that have provided deposits and support to move to the private rented sector, but there are other pressures in the private rented sector, as we know. Is that information that you could share with the Committee, perhaps afterwards?

**Michael Gove:** Yes. The most recent figures that I have seen are from an ONS survey that Sir Ian Diamond supervised. I am sure that we can share that with the Committee.

Q42 **Mrs Elphicke:** Thank you. Let me move on to the two separate schemes that are in place at the moment: the family scheme and the Homes for Ukraine scheme. I had a situation in my constituency where someone was advised to come in under the Ukrainian family scheme as a surrogate sponsor. They wanted to move to the Homes for Ukraine scheme and were not able to do that. There was a commitment to merge the two schemes into one. Could you update us about the progress on combining those two schemes and what it will mean for people who are under either of those schemes?

**Michael Gove:** The family scheme is technically owned by the Home Office and the Homes for Ukraine scheme is administered by DLUHC. Conversations about bringing them more closely together are also part of the conversations with the Treasury and others about future funding.



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Hopefully we can come to agreement with other Government Departments—I am sure we can—about the way forward and make an announcement in the next couple of weeks.

Q43 **Chair:** One of the objectives, presumably, is to stop people becoming homeless and adding further pressure on local authorities.

**Michael Gove:** Yes, exactly.

**Chair:** Thank you. We will move on to building safety, which is still a challenge to be met.

Q44 **Florence Eshalomi:** Secretary of State, this is an issue that I have raised on a number of occasions, and I will keep raising it, because the issue of building safety is not going to go away. I have a number of tall buildings in Vauxhall. You referenced Grenfell earlier. You will know that a number of the victims of the Grenfell tragedy were disabled, and none of them had a personal evacuation plan. I am contacted on an almost daily basis by constituents highlighting that the lift has been broken. If there was a fire, none of those people would be able to get out safely. The Government reneged on their commitment to introduce personal evacuation plans in high-rise properties, but instead went into a series of consultations upon consultations. You may not be able to answer this because the judicial review is coming forward next month, but what is the rationale for the Government's not introducing that and consistently failing disabled people who live in high-rise buildings?

**Michael Gove:** I have a lot of sympathy with the concerns that you raise. This sounds like bureaucratic buck-passing but let me try to answer as comprehensively as I can. The responsibility for policy in this area lies with the Home Office because the Home Office is the Department that deals with fire and rescue services overall. One of the challenges is the view of some professionals about what the correct and most proportionate approach might be to dealing with the safe evacuation of people living with disabilities. I am not a professional in this area, so I have to listen with respect to what people in that area say.

However, I am of the view that we do need to recognise that the inquiry was pretty clear about what was required in this space. My view is that when we are dealing with the set of challenges that we face with buildings in this country—the fact that there are many buildings in this country that have one central staircase rather than two, the age of the buildings, and so on—we should deliberately set out to provide people living with disabilities with absolute assurance that we have done everything possible in order to ensure that plans for their safe evacuation are in place.

One of the key things from the Grenfell tragedy is that advice and protocols put in place by people who are fire safety experts are not appropriate in all circumstances, given the challenges that we face with some of our buildings and some of the people in those buildings. I know



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that that sounds like a long and convoluted answer, but basically I am saying that we do need to move.

- Q45 **Florence Eshalomi:** I hope so. Given that PEEPs are already mandatory in the workplace, I am not sure why there seems to be this dither and delay in looking at the issue of PEEPs in high-rise buildings.

Let me turn to building safety cost remediation. So many leaseholders are now seeing some of the unintended consequences of the waterfall approach that was introduced. We are hearing about delays due to leaseholders not having the liability and access to funds. We are also hearing that leaseholders are paying huge sums in legal fees and some are having to take court action. Did you foresee any of these unintended consequences? How are you and your Department going to address them?

**Michael Gove:** I will be more than happy to look into specific examples from your constituency and from others of people who have found that the system is not working. The whole waterfall approach was intended to look first to see whether the developer can pay, then to look to see whether the freeholder can pay, and only in extremis—and with a cap—rely on leaseholders. In any scheme, however well intentioned and however carefully designed, it may well be that we discover in its application that there are individuals and groups of people who are not protected by it, so please do let me know. I hope that I have said to the Committee that this is not a perfect solution, but it is the best that we can have at this stage.

- Q46 **Florence Eshalomi:** There is a similar situation with Help to Buy owners who have found that their flats are unsafe. They are not able to redeem their loans and are facing huge costs. A number of them feel trapped because they cannot move, they cannot remortgage, and they are seeing major increases in their loans. Is that an area that you are able to look into as well?

**Michael Gove:** We shall, yes.

- Q47 **Florence Eshalomi:** Great. Another thing that has been raised a number of times by people caught up in the building safety issue, but for which no meaningful solution has come forward, is the fact that building insurance premiums have been skyrocketing and people have been lumbered with extortionate rates through no fault of their own. The FCA's review said that, yes, it has seen that the premiums are unfair, but it has not been able to come forward with anything to address that. What is your message to leaseholders who have to face these punitive premiums?

**Michael Gove:** You are absolutely right. I think that the FCA's findings are concerning. I and Minister Rowley will be talking to insurers in the next few weeks in order to try to make sure that the FCA's recommendations for change by February next year are taken up and that people are not facing premia that are totally out of kilter with the real danger or risk that they face or will be facing in the future.



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Q48 **Chair:** I don't know whether you have had any more success than we have, Secretary of State, in trying to get from the insurance industry figures about how much the premiums have gone up compared with how much the claims have gone up. The two do not seem very much related.

**Michael Gove:** We will make sure that we ask the ABI and other insurers that when we meet them shortly.

Q49 **Chair:** On these building safety issues, there are a lot of challenges around. We have had evidence and information about the waterfall getting to the bottom, where the freeholders cannot pay—they do not have the resources—and leaseholders have to fill in forms to prove that they qualify. The managing agents association said that 70% of these forms are filled in wrongly. There are quite a lot of challenges, including in the social housing sector, which has not had much resource at all. It might be helpful if—probably after Christmas—the relevant Minister comes to talk about these issues in more detail. We can probably write to you and the Minister in the meantime with a list of the issues that we would like to discuss.

**Michael Gove:** Yes.

**Chair:** We will move on to levelling up, which is in the name of the Department, so it is clearly a priority.

Q50 **Kate Hollern:** I am pleased that you now have this position, Secretary of State, because we have always expressed concerns about this, and we have had a commitment from you in the past to bring forward a more understandable programme. Is there a danger that bids to the levelling-up fund could be unsuccessful if they are not increased to match the level of inflation?

**Michael Gove:** One of the things that we will be looking at as we assess all the bids in round 2 for the levelling-up fund is the impact of inflation on deliverability. Ministers set out some key guiding principles about what we consider to be the important overall criteria that the funds should meet, and one of them is deliverability. Then officials go through those bids, rank them, score them appropriately and then present them to us for approval. Undoubtedly, there will be people who might have been entertaining levelling-up fund bids a wee while back, and the impact of inflation will be real. That is something that we will have to take into account.

Q51 **Kate Hollern:** Are you suggesting that a number of bids will be unsuccessful because inflation has put them beyond being deliverable?

**Michael Gove:** If it is the case that a bid was put forward and there were heroic assumptions about its deliverability and they are not justified by the overall economic condition, we will be advised that that is so. That does not mean that that community or that bid is never going to be satisfied, because there will be—this is the plan at the moment—another round of levelling-up fund bidding after this round.



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If it were the case that, in Blackburn or anywhere else, there was a levelling-up fund bid that was seeking to achieve a certain outcome but the deliverability of it was not clear, we could, at the end of the process, say, "We're sorry that you haven't won this time but we do think that there is lots of merit in what you're seeking to achieve. Here's some advice, pointers and suggestions as to how the bid might be improved for the next round."

**Q52 Kate Hollern:** Are you saying that, although bids were based on the circumstances at the time and inflation has gone through the roof, when those bids are looked at and they are no longer deliverable because of inflation, the pot will not be increased to meet them?

**Michael Gove:** Over £4 billion has been dedicated to the levelling-up fund, and those sums will be allocated. In a way, it is probably better to wait for the results of the round to come out in order to see what has been funded and in what way, and then people can make a judgment about whether or not we have fairly allocated resources to those bids. As I say, there are two things: first, was it deliverable in the first place? Secondly, as you rightly point out, inflation means that there are some projects that may or may not be rescope.

**Q53 Kate Hollern:** So it is a wait-and-see situation.

**Michael Gove:** For the moment.

**Kate Hollern:** That is very difficult when you think of the effort and time that councils have put in.

**Michael Gove:** Oh yes, quite.

**Q54 Kate Hollern:** In the first round of the levelling-up fund, 28 councils had their bids rejected. From what you just said, that is likely to increase. Eighteen of these were priority areas. With allocations for the second round of the levelling-up fund due to be announced before the end of the year, can you explain in detail what feedback or support has been provided to those areas that were unsuccessful in the first round, including those that have not submitted at all? Is there a concern that the criteria that were set for councils possibly did not reflect what they needed to improve the economic outturn of their areas and truly level up?

**Michael Gove:** There is a very fair point there, which is that those local authorities that are most deserving of support are sometimes those local authorities that may not have the capacity to ensure that their bid is of the highest quality. The Department has been seeking to work with local authorities in order to ensure that those who are potential beneficiaries can get the feedback required to ensure that they are in the best possible position to secure the funding that they deserve. There has been engagement.

**Q55 Kate Hollern:** I am pleased to hear that. From speaking to a number of councils I understand that there are various pots of money available,



which is very difficult. Councils have put a lot of effort in and, as I say, there are various pots with different criteria and different targets. Would it be easier for councils and more cost-effective to amalgamate the funds and make them clearer, with a single pot? Could that pot use a formula based on need rather than who has the best expertise to write a bid?

**Michael Gove:** That is very fair. Clive touched on this earlier. Overall, ideally, we would like to move to a situation where there are fewer funding streams. I think it is still the case that having some competitive bidding for some funding is a good thing. I think the argument made by Michael Heseltine about the encouragement of innovation and people learning from the most dynamic and innovative holds, but while competitive funding for individual pots is a good thing, we have too much of a good thing at the moment and we do need a rationalisation. You are right.

Q56 **Kate Hollern:** I welcome that. Your predecessor said at oral questions on Monday 17 October that investment zones would be funded through new money. What is happening to that money, and could it be used to compensate those 90 authorities that wasted resources to establish an investment zone? Blackburn has done a lot of work and now you are saying, "Just forget it; it's gone."

**Michael Gove:** The work that was done by local authorities, often at high speed, to put in bids for investment zones has not been wasted. We are looking at all those bids, because there will be things that we can do, and tools in the Department's kit that we can use, to expedite development and support regeneration.

The Chancellor explicitly said in the Budget that we want to move away from investment zones being potentially established across the entire UK towards more targeted investment in those areas that are most in need of levelling up. In particular, he was thinking about research and development and innovation. I do not think any local authority should feel that its effort and energy have been wasted, but more needs to be done before we can say how funding is going to be allocated to those areas that the Chancellor has quite rightly highlighted as most deserving of support.

Q57 **Kate Hollern:** Finally, do you agree with the Prime Minister that the south-east needs more levelling-up money, as Labour "shoved all the funding" into deprived areas like Blackburn?

**Michael Gove:** The comments from the Prime Minister have been pored over at length. What he was doing when addressing councillors in Kent was making the point, which is true, that there are areas of deprivation in the south-east—coastal towns in particular but not exclusively—that do need support. Since it was the Prime Minister who, as Chancellor, set up the levelling-up funds in the first place, ensured that the UK shared prosperity fund was properly funded, ensured that we had an increased local government settlement, helped set up the levelling-up Cabinet



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Committee, and helped author the levelling-up White Paper, I think we can say that the Prime Minister is completely committed to the agenda.

To my mind, if you are thinking about Margate and Ramsgate, they are areas that need levelling up in the same way as Blackburn does and in the same way in which, for example, Christchurch in Dorset does a little less so.

**Florence Eshalomi:** Vauxhall needs levelling up.

**Chair:** Or Richmond in Yorkshire.

**Michael Gove:** Not so much Richmond in Yorkshire. Natalie will forgive me for saying this, but the thing is that in east Kent overall, even though there are some very beautiful and relatively prosperous parts of it, if you look at Dover as a community, and bits of Deal, there is real deprivation there.

**Mrs Elphicke:** We would like a deal, thank you, Secretary of State.

Q58 **Chair:** A deal for Deal. Secretary of State, you wrote to us recently and said that you did not have the data to share with us about the way that Departments across the piece are spending their money on issues that may be relevant to levelling up. How can you be responsible as the Minister for co-ordinating levelling up across the piece if you do not know where the money is spent?

**Michael Gove:** That is what I am trying to do, and that is what I have been trying to do. The new BEIS Secretary is super keen that we should ensure that everything from research and development spend to the new investment zones that we have been talking about works towards levelling up. We have the levelling-up Cabinet Committee reconstructed under the new Cabinet Committee structure to do just that. On everything from R&D spend to transport spend, we are developing a picture of how it works together to support levelling up. As that picture becomes more detailed and granular, I am more than happy to share it with the Committee, because we want to be held to account for that.

**Chair:** That is helpful.

Q59 **Ben Everitt:** Hello, Secretary of State. Thanks for coming. I have questions about planning.

This is not specific to planning, but in any regulated industry, the entities in it, whoever they are, want clarity, consistency and certainty. When it comes to planning, we have had the 2020 White Paper on planning reform, the Levelling-up and Regeneration Bill that we are seeing this week, the planning and infrastructure Bill proposed by your predecessor, and a plethora of other reforms. When is the certainty coming?

**Michael Gove:** I hope that two significant streams of work will provide a greater level of certainty. I hope that when the Levelling-up and Regeneration Bill passes the House of Commons there will be a degree of



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certainty about how we can make a plan-led system work even better. Secondly, when it comes to major infrastructure projects, one of the things that we need to do there across Government is to update the national policy statements and provide people with a degree of confidence that the planning process for these major investments will be predictable.

I completely understand why, when Liz was PM, there was the thought that an infrastructure Bill would be a means of forcing the pace. It is probably the case that if we can update national policy statements and do some other stuff in that area we can provide people with the dependability that they need in order to invest.

Q60 **Ben Everitt:** We are rowing back a bit from the infrastructure Bill.

**Michael Gove:** Yes.

Q61 **Ben Everitt:** That is kind of part of the problem, because there is so much going on and the system is so complex. One of the reasons why in particular the housing market does not operate like a market is that there have been so many interventions in it over the past few decades that there is this mass of perverse incentives. Very well-meaning reforms have been brought in but they all sort of work against each other.

Right now we are in a situation where the infrastructure Bill is taking a bit of a back seat, as you have just said, but there is speculation about increases to the range of permitted development, there are rumours that the statutory requirements on biodiversity net gain will be modified or abandoned, and there is speculation that Natural England's instruction to councils to increase nutrients in nearby waterways is going to go. From a house building perspective, all that would be very welcome, but it does not provide certainty. Is any of that speculation true?

**Michael Gove:** On the question of nutrient neutrality, which has been a particular concern, we are bringing forward amendments to the Levelling-up and Regeneration Bill placing responsibility where I believe that it has always lain, which is with the water companies. I have always felt that it was unfair that house building was being asked to pay the price for a failure over time of the water companies to ensure that wastewater was treated in the right way. The amendments, which we have constructed with DEFRA, will, I think, deal with that, or certainly they will deal with a lot of the problems there.

Biodiversity net gain is a very good principle. I was reassured when I was talking in my constituency on Friday to Surrey Wildlife Trust that it is working well with developers in order to implement biodiversity net gain. But you are right that overall we want to be able to give a degree of certainty in each of those areas to developers. While I have been critical of developers in some respects, I do have an enormous amount of sympathy about the way in which new developments, like Natural England's interpretation of the nutrient neutrality obligation, have



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suddenly made their lives significantly more difficult, when all they have been trying to do is to meet local need.

**Ben Everitt:** Obviously everybody understands that Natural England is coming at it for good reasons.

**Michael Gove:** Totally.

Q62 **Ben Everitt:** Will the changes that you talk about in relation to nutrient neutrality immediately unblock the system? We have 150,000 unbuilt planning permissions in England that are waiting for a bit of clarity and consistency and certainty in that area.

**Michael Gove:** I hope that it will significantly unblock things but I do not want to over-promise at this stage.

Q63 **Ben Everitt:** What about timescales?

**Michael Gove:** I will come back to the Committee with a view on how quickly this will change things. It depends on the legislation passing, but that is a fair point and I will come back.

**Ben Everitt:** It will take a hefty chunk out of that 300,000 target.

**Michael Gove:** I know.

Q64 **Ben Everitt:** We have covered the potential infrastructure Bill, or lack thereof now. One of the other things that provided a bit of uncertainty in the planning system recently was the moratorium on fracking, which was lifted and then put on again. What is the Government's intention in terms of getting some guidance to planning authorities to clarify where we are on that?

**Michael Gove:** After lively debate on the merits or otherwise of looking at the seismological considerations, the Government are maintaining the moratorium that was in the 2019 manifesto. I know that there are some people who are disappointed but I think that on the whole, that is probably the right position for us.

Q65 **Ben Everitt:** Understood. In just a few minutes, we have covered a lot of ground in terms of all the different inputs that the Government have into the ecosystem of planning and development. Will we end up with a clearer pitch? In a year's time, will developers be able to invest, and will planners be able to make a long-term plan, on the basis that nothing else is going to change?

**Michael Gove:** The minimum, I hope, will change. You can never know when, either as a result of a court judgment or as the result of a body like Natural England making a particular determination, an issue will arise that might lead to developers having to think again. What I want to do, for all the reasons you outlined, is to get to as predictable a system as possible. That is why I mentioned earlier that these national policy statements are so important. Whether produced by the Department for



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Transport or DEFRA or BEIS, what they can do is give a degree of confidence. As *The Economist* pointed out a fortnight ago, it is the absence of the updating of these, along with one or two other technical issues, that has held back some of the major infrastructure investment that we would like to see.

**Q66 Andrew Lewer:** Before we get to this alleged calmer and less over-regulated period, one area that has not always delivered the goods in quite the way it has the potential to do is small sites, due to their complexity and some of the additional costs sometimes related to them. It could deliver more. Do you agree that small sites have a vital role in housing delivery? If you do, might policy changes around small sites planning policy to take account of their complicated and specific needs form part of your thinking in the forthcoming Bill?

**Michael Gove:** There is a very good amendment that has been put forward by a Back-Bench colleague, which we are looking at to see if it can be made to work.

**Andrew Lewer:** Thank you very much.

**Ben Everitt:** Can you look at mine as well?

**Michael Gove:** Yes.

**Q67 Chair:** In terms of the conflict between local plans and national policy, there is a clause in the Bill that says that if there is a conflict, the national policy overrides the local plan. That is a fundamental change, isn't it? Local plans have always been the central document that everyone can rely on. Indeed, a local plan, as it is formed, should take account of national policy. Why the need to have a national policy override in the Bill?

**Michael Gove:** The Committee and a number of colleagues have expressed their concerns. One of the things that we need to do is to show how national development management policies will be consulted on and the range of issues that they will cover, in order to provide people with reassurance. What they are intended to do is to ensure that there is a uniform and universal understanding of, for example, green-belt policy or other areas that matter. However, I do know that there are some concerns about a perceived power grab. I want to provide people with reassurance on that. Quite rightly, as you say, if a local community has invested time and care into making sure that it has a robust local plan, that should prevail.

**Chair:** Okay, so further explanation is—

**Michael Gove:** Yes.

**Chair:** Right. We will move on to your wider remit with Andrew Lewer.

**Q68 Andrew Lewer:** Intergovernmental relations—something completely



different. Departments and Select Committees have had a bit of a hokey-cokey with this in terms of who is doing it and who is not. Now it is back with DLUHC, will you give us an account of the state of the relationships between the UK Government on the one hand and the Scottish and Welsh Governments on the other?

**Michael Gove:** Good, overall. I mentioned in questions in the Chamber earlier that we had a meeting of the British-Irish Council on 10 November in Blackpool. Because the Scottish Government were there, as well as the Taoiseach and representatives of the Crown dependencies, that provided us with an opportunity for the First Ministers of Scotland and Wales to be in conversation with the head of the Northern Ireland civil service and the PM and the Chancellor. The First Minister of Wales was laid low with covid and the Chancellor was in London but we had a good conversation. I would not want to put words into the mouths of either the First Minister of Scotland or the First Minister of Wales, but I think that their overall reaction was reassurance that the Prime Minister was taking time to be there, to listen and to respond in detail to some of the concerns that they had.

The PM spelled that out of course if you have different leaders from different parties, they will not always agree, by definition, but the commitment to working together wherever possible was clear. We have seen examples of that in everything from the approach that we have taken towards freeports to the approach that we took towards vaccine roll-out during covid.

So I think that we will get on to a more even keel, although there is one particular current to navigate, and that is this Wednesday, when the Supreme Court hands down its judgment on the case that the Scottish Government have brought about the advisability of their referendum.

Q69 **Andrew Lewer:** You put some new structures in place in January 2022. Do you feel that that has assisted with this better environment that you are talking about?

**Michael Gove:** Yes, I think so.

Q70 **Andrew Lewer:** How often do you think that Ministers of devolved Administrations should meet? Is your understanding of how often that should happen the same as theirs, or is there some difference of opinion over the frequency of meetings?

**Michael Gove:** I think there can sometimes be a difference of opinion over frequency, and also over seniority. A lot depends on the personal relationships being built up between different Departments and different Ministers, but I think a fairly regular rhythm—for most Departments, something between eight to 10 times a year—would be sensible.

Q71 **Andrew Lewer:** As you will know, there are always slight overlaps between the responsibilities of Departments and Select Committees, but now that you are back with these broader responsibilities as well as the



very intense detail that we have gone into on your more conventional set of responsibilities, that potentially involves not only this Select Committee but the Public Administration and Constitutional Affairs Committee, the Northern Ireland Affairs Committee, the Scottish Affairs Committee and the Welsh Affairs Committee. Are you anticipating meeting with those Select Committees, or do you anticipate using this one as your main conduit?

**Michael Gove:** It is for the House to decide but my view would be to use this Committee. There have been requests to go to those other Committees. In the past, I know that it has sometimes been the case that an individual Select Committee has invited Chairs of other Select Committees to join it for questioning in areas where there is overlap. Again, it is not for me to say. I regard my obligation as being to this Select Committee pre-eminently, but if this Committee were to say that it wanted to have a detailed element of questioning and to bring in the Chair of the Scottish Affairs Committee or the Welsh Affairs Committee or PACAC, I would entirely understand that as well. The other thing is that I have appeared in front of Select Committees of the Senedd and the Scottish Parliament from time to time, and would do so again if it was appropriate.

**Chair:** That is something that we will take back and talk to other Select Committees about.

Q72 **Mary Robinson:** Finally, let us move on to business rates. I am sure it is true for all of us as constituency MPs that, when we are out and about and speaking to businesses, one of the first issues they tell us about is business rates. In our report on supporting our high streets after covid-19, we commented: "Transitional relief on business rates has left thousands of shops, particularly in the north of England where rents have fallen steeply, paying more in rates than they do in rent." This relief has now been further diminished due to inflation. The autumn statement has taken some steps to address the concerns on this matter, but are you satisfied that high streets are not hindered by the current business rates system?

**Michael Gove:** No, I am not satisfied. We have an imperfect system. In a way, that has been recognised by the Chancellor. Even though we have to have a revaluation and we cannot ignore the changing patterns of business in our economy, the Chancellor did provide a particular support package that acknowledged that in some communities, in some parts of the country, the level of business rates needs amelioration.

Taking a couple of steps back—and I do not think that there will be time to change it significantly in this Parliament—we do need to look at the whole way in which business rates, for the reasons you mentioned. Healthy and thriving high streets, as the Committee knows, are at the heart of successful communities, and business rates, particularly but not exclusively for retail, are a problem, or have been a problem.



**Q73 Mary Robinson:** What sort of timescale could we look at for this? On so many occasions we have discussed reforming business rates and having a new system and so on. It keeps being knocked back, and we do not get anything coming forward that will really change things. Is it on the agenda to have real, root-and-branch reform?

**Michael Gove:** Yes, and it is something that I touched on with the Treasury in the run-up to the autumn statement and which I know that Lee Rowley and others have thoughts on. I would not want to raise too much hope of dramatic change at the moment. In the broader context of the autumn statement, broad revaluation, and within it specific support for retail in particular but also for others affected, gives us a little bit of time to look at what we need to do. But I think that there is unlikely to be any significant change felt on the ground before the next manifesto and the next election.

**Q74 Mary Robinson:** Obviously there is transitional relief, but it is impacted by inflation, which we know is looking quite high at the moment and may not have been fully taken into account. Is this something that will be looked at again?

**Michael Gove:** Overall, £13.6 billion has been made available, part of which is transitional relief to help businesses most affected. As we know, retail, hospitality and leisure have had the percentage relief increased because of their exposure to a particular set of challenges and their importance to the high street. Yes, it is something that we do need to keep under review.

**Q75 Florence Eshalomi:** On the issue of business rates, Secretary of State, I met with South Bank Employers' Group—landowners, businesses and universities in and around the Southbank in my constituency—and one of the issues that came up was business rates and the fact that over the years they have just been another layer of tax burden. We saw during the pandemic that the Government offered business rates relief. That did not touch any of the businesses in my constituency or a number of other London constituencies, because their rateable value was much higher than the threshold. We saw so many online businesses, and businesses with warehouses way out, not paying any business rates. It is not just a case of our high streets being hindered by business rates; when are we going to see a massive overhaul so that we look at revaluations every so often and make sure that businesses using empty properties are paying their fair share? The business rates model is totally outdated and is not fit for purpose. Would you not agree?

**Michael Gove:** I have a lot of sympathy for your view, yes.

**Florence Eshalomi:** I will leave it there, Chair.

**Michael Gove:** The ultimate decisions are above my pay grade, but yes.

**Chair:** I didn't think anything across Government was above your pay grade, Secretary of State.



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**Michael Gove:** No, a lot is.

**Chair:** Right. I think we can all agree that that is something that, hopefully, we can come back and have a look at at some point, because it has been around for some time.

**Michael Gove:** Yes, definitely.

**Florence Eshalomi:** Too long.

**Chair:** Secretary of State, thank you very much for coming this afternoon and answering a wide range of questions. We appreciate your coming here. There are a number of issues that we will probably be following up with your Ministers over the next two or three months as well.