

Levelling Up, Housing and Communities Committee

Oral evidence: Financial distress in local authorities, HC 56

Wednesday 6 December 2023

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Members present: Mr Clive Betts (Chair); Ian Byrne; Mrs Natalie Elphicke; Kate Hollern; Andrew Lewer; Mary Robinson; Nadia Whittome; Mohammad Yasin.

Questions 220 - 321

Witnesses

I: Rt Hon Michael Gove MP, Secretary of State, Levelling Up, Housing and Communities; Nico Heslop, Director, Local Government, Department for Levelling Up, Housing and Communities; and Joanna Key, Director General, Regeneration, Department for Levelling Up, Housing and Communities.



Examination of witnesses

Witnesses: Michael Gove, Nico Heslop and Joanna Key.

Chair: Welcome, everyone, to this afternoon's session of the Levelling Up, Housing and Communities Committee. It is the last of our sessions on the issue of financial distress in local authorities—a very important issue for all our constituents, who rely on local authorities for so many important services.

We have with us this afternoon the Secretary of State, whom we very much welcome and who is joining us with his officials. In a minute, Secretary of State, I will ask you to introduce them to us, but first I will ask Committee members to put on record any interests that may be relevant to this inquiry. I am a vice-president of the Local Government Association.

Kate Hollern: I employ a councillor in my office.

Nadia Whittome: I am a member of the One Nottingham board.

Mrs Elphicke: I am a vice-president of the Local Government Association and I employ an officer and a councillor in my office.

Andrew Lewer: I am a vice-president of the Local Government Association and a member of the Northampton Forward board.

Mary Robinson: I am a member of the council and board in Cheadle.

Chair: Thank you all for that. Secretary of State, you are, as always, welcome at our Committee.

Michael Gove: Thank you.

Chair: Could you introduce the officials who are with you? That would be really helpful.

Michael Gove: Of course. On my right is Jo Key, who joined the Department over the summer; she is the director general with responsibility for housing and homelessness and is also the overseer of our legislative programme. On my left is Nico Heslop, the director in the Department with particular responsibility for local government finance.

Q220 **Chair:** Nico joined us at the last session on this issue with the Minister for Local Government.

Secretary of State, I think there is a feeling among those in local government that they are—I use these words carefully—at a point of crisis. They are looking at a very serious situation in the next financial year, and indeed many of them in this financial year. The County Councils Network has issued concerns overnight, and the Local Government Association is saying that having surveyed its members, nearly one in



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five are indicating that in the next 12 months they could be issuing section 114 notices, effectively saying that they have run out of money to deliver their services. Do you believe those concerns that are being raised? Are you yourself concerned by them?

Michael Gove: I am concerned. I think it is important to put into context some of the issues that are being raised. It is important to recognise that core spending power has increased, and the amount of money that central Government are allocating to local government has increased above inflation. However, it is certainly the case that local government faces significant funding pressures. I met the chairman of the County Councils Network and the vice-president of the LGA this morning to discuss this. Their view was that while there is a risk of more local authorities issuing section 114 notices, the estimate of one in five was at the top-ish end of the scale.

Chair: If it were one in 10 it would still be a worry, wouldn't it?

Michael Gove: Any local authority issuing a section 114 notice is a cause for concern, yes.

Q221 **Chair:** When we have been discussing the matter of council funding with council leaders, local authority association representatives and council officers, it has come across to us that the settlement in the last two years has probably been more generous than in previous years. Looking back over the last 13 years, I think the National Audit Office has said that, in real terms, local government spending power as a whole has fallen by 26%. Councils have had a really difficult job managing those reductions—making cuts into what are often very important and valued services, and putting up council tax to replace some of that lost funding from Government.

Michael Gove: Yes, I think that is fair. Again, I think it is impossible to look at public spending in any area without taking account of the overall economic framework, as I know the Committee has. In the coalition years, local government was asked to bear a significant share of the effort in spending reduction overall. That is certainly true. I think it is the case—and it has happened while I have been in office, not because I have been in office—that efforts have been made to ensure that local government spending rises above inflation, as you acknowledged and as I mentioned earlier.

Q222 **Chair:** Do think there is a change now, though? When section 114 notices have been issued by councils in the past, you have pointed out that sometimes those councils are at least partly to blame themselves for the way they have managed their money. I think the evidence that has been given to this inquiry is that we have got to a different point now. When we heard from Lorna Baxter of Oxfordshire County Council, the president of the Association of Local Authority Treasurers Society, her words were that in the past, financial distress has probably been blamed on local authorities themselves, but now it is not solely attributable to failures of local leadership; it is a more systemic problem.



Michael Gove: Certainly, if one looks back, it is absolutely the case that each of the local authorities that have had to issue section 114 notices has had failures of leadership, management and governance, and some have taken risks that were unmerited. It is also the case that we are in a situation in which local government, like other parts of the public sector and like Government, is facing significant pressure. It may be the case in the future that some local authorities that have been relatively well managed will face particularly acute pressures, but I would not want at this stage to predict that a section 114 notice will be issued by a local authority that has been well managed. So far—and I stress it is so far—there has been a direct linkage between poor leadership and the subsequent issuance of a section 114 notice.

Q223 **Chair:** Going forward, are you looking at the 20% of councils that may have indicated to the LGA that they could possibly issue a 114 notice, or some of those that you think might be really serious about that? Are you looking at whether some of those councils now are simply running out of money? Is that the reason why they are looking at that problem?

Michael Gove: We are looking at local government in totality. As the Committee knows, Oflog recently established four basic metrics, and there are many other metrics that we can use to judge the financial health of local government. I think it is fair to say that there is a distribution of local councils—not quite a bell curve—and within that there are some councils that are facing greater financial pressures. We have a watchlist, which is supplemented by the intelligence that we get from conversations with leaders in local government, as well as the data that I mentioned. Again, I think saying that there are one in five at risk is an overestimate, but of course we keep a close look at the picture and the pressures that are faced by local government.

Q224 **Chair:** How many are on the watchlist?

Michael Gove: The watchlist is a moveable feast, as it were, in that there are some local authorities that express concern, and some where we look at things particularly closely and discover that perhaps the concern is not merited in the way that it might have been.

To take a very parochial case, you were kind enough to invite the section 115 officer from my own borough here. The local political leadership had expressed some concerns—their prerogative—and the section 115 officer put things into context by suggesting that some of the concerns that have been articulated by the political leadership were not necessarily merited on the facts. Of course, if a cry is issued by particular sectors of local government, we look. Sometimes we are reassured that actually the situation is not as it might have been depicted by some political figures.

Q225 **Chair:** Right. I assume that you are looking at all these cases in detail. When you were doing your detailed look, how many remain on the watchlist?

Michael Gove: Again, it would be unfair for me to say, because the number of local authorities that we are engaging with changes depending



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on circumstances. The next question immediately after we say, “How many?” is “Which?” Of course, as soon as we do that, we create an invidious dynamic for those councils. If any local government figure wants to, they have the opportunity to come directly to the Department to ask for support, advice, help and indeed—as 20 local authorities have—exceptional financial assistance. But the nature of the support that we give relies to an extent on a degree of confidentiality as well. There are people in local government who have been clear about what they consider to be the pressures, and I think many of them have made a very fair case about the particular areas where they are enduring or facing difficulties.

Q226 **Chair:** Secretary of State, if I promise not to ask “Which?”, will you tell me how many?

Michael Gove: I don’t think I can or should, though I appreciate the sincerity of the question. I don’t think it would be helpful to the sector, actually.

Q227 **Chair:** I think you slightly changed the answer. You probably can, but you won’t—is that fair?

Michael Gove: Yes.

Q228 **Chair:** Okay. So we have a figure of 20%, but at this stage you cannot give us a different figure.

Michael Gove: I would say it was significantly fewer than that, but I do not think that the issue is well served by running through individual local authorities or numbers. It is fair to say that there are systemic pressures, and I think that my approach is that, while we have an understanding of what is happening in local authorities across the piece, it is the systemic issues that particularly preoccupy and concern us.

Q229 **Chair:** Right. Can I go to one example, which is very much in the news? Nottingham issued another 114 notice, I think this time without any particular issue—just a general problem of not being able to meet its obligations. When were you first aware that that 114 notice was likely to be served?

Michael Gove: A little while ago—a couple of weeks ago. But to be fair, there has been support from Sir Tony Redmond to Nottingham for quite some time. I was talking about the situation in Nottingham to those who had worked in the Department before I joined. As the Committee will know, the nature and scale of intervention is always a finely balanced judgment, and the—what’s the word?—most serious step of sending in commissioners is not taken lightly. But there have been systemic problems with leadership and governance in Nottingham city, and they have been relatively well advertised for some time.

Q230 **Chair:** Right, but this is now 114, with commissioners already in there, so it is a slightly difficult position to simply explain away on the grounds of local leadership.



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Michael Gove: I think that there will be more that we will be saying specifically about Nottingham before Parliament rises for the Christmas recess, and I would not want to pre-empt what we will be seeing in that oral or written statement.

Chair: Maybe you will be tempted to a bit of pre-emption by Nadia Whittome, who is a Nottingham MP.

Michael Gove: Indeed.

Q231 **Nadia Whittome:** Nottingham City Council's spending power is down 28% on 2010-11 while demand for services has risen significantly. If the Government had not cut its spending power, would the council have had to issue a section 114 notice?

Michael Gove: I believe that the issue is not about the level of Government support. The issue is about persistent problems of leadership and governance within Nottingham City Council.

Nadia Whittome: It really is a yes or no question, Secretary of State.

Michael Gove: In which case, I don't believe that it is the fault of central Government at all—no.

Q232 **Nadia Whittome:** Okay. Well, Nottingham's overspend was £23 million. Conservative Governments have cut funding by £100 million a year every year since 2013, so I think we can all do the maths on that.

Michael Gove: One can always ask the question: how effective has the spending been? How good has leadership been? What is the quality of service delivery in Nottingham? I think very few people would say that the political leadership in Nottingham City Council has been exemplary over the last few years.

Q233 **Nadia Whittome:** Secretary of State, we are here to scrutinise you and your Department's role in this. Nottingham City Council has a separate scrutiny procedure. Nottingham is the 11th most deprived local authority in England with the fifth highest rates of destitution. We have the lowest disposable income in the country. Do you think it is fair that our city council's spending power is 28% lower when the average among councils is a reduction of 19%? How is that consistent with the Government's levelling-up agenda?

Michael Gove: I would say that many of Nottingham's problems are a result of the Labour leadership of the city council over many years.

Nadia Whittome: Can you please answer the question?

Michael Gove: I have.

Nadia Whittome: You are here to answer on behalf of your Department, not the city council.

Michael Gove: But I think it is only fair to say that if one were to look at the situation that Nottingham finds itself in, it would be impossible to form



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a judgment about what has been happening in the city without reference to the leadership that the Labour party has given in Nottingham. I am here to help the Committee to understand the local government finance landscape. The situation in Nottingham is difficult because of the decisions that Nottingham councillors have made over many years.

Q234 **Nadia Whittome:** Okay. Back to the question—the National Audit Office and the IFS said that in the years since the current funding system took shape, funding has become notably less targeted towards socioeconomic deprivation. The IFS said in its report last August that more deprived areas “do not receive as high a share of the national funding pot as the formulae used in official spending needs assessments suggest they should.” Do you accept that?

Michael Gove: No.

Nadia Whittome: Okay. You disagree with the National Audit Office and the IFS.

Michael Gove: I think that it looks at only one part of the picture. There are a number of different ways in which the Government provide help and support to those areas of disadvantage. Local government spending is simply one of those. I would argue that many of the good things that have happened in Nottingham have been as a result of central Government intervention in other ways, for example the academies programme.

Q235 **Nadia Whittome:** What is your Department going to do now, bearing in mind the stats that I read out in the previous question about high rates of deprivation in my city? How do you think this will impact residents in Nottingham at a time when they are also dealing with the biggest drop in living standards since records began, unaffordable energy bills, skyrocketing rents and public services on the brink of collapse thanks to the decisions of your Governments? Will you give the council the funding that it needs to deliver the local services that my constituents rely on instead of expecting the council to make further cuts?

Michael Gove: The direct analogy that I would draw is with Birmingham, where, of course, we took all the steps necessary to ensure that the blameless citizens of a great city are protected and have the services that they need. But, again, the principle of local accountability means that Nottingham’s political leadership have to take responsibility for what has happened on their watch. There are other cities and other local authorities, including those run by Labour politicians, that have managed with tighter resources to deliver services of a higher standard than Nottingham has.

Q236 **Nadia Whittome:** So will you give councils the funding that they need to deliver local services: yes or no?

Michael Gove: Yes.

Nadia Whittome: Well, I think the answer to that question will become clearer in the months ahead. Thank you.

Q237 **Chair:** I am sure we will be hearing more about Nottingham before



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Parliament concludes.

Secretary of State, we have discussed the fact that councils have had probably the largest percentage cuts of any part of the public sector since 2010, although there has been a slightly more generous settlement in the last two years. Looking forward, the LGA say there is about a £4 billion gap currently in what they need to meet services. According to the autumn statement, departmental spending will effectively be frozen in the next Parliament, with a 2.3% cut in real terms, according to the OBR estimates. How on earth will councils find that level of reductions in the next Parliament?

Michael Gove: I would not want to pre-empt the spending review that will inevitably occur. It is first the case that the decisions taken at the autumn statement were designed to ensure that we had stronger long-term growth. That stronger long-term growth will improve the public finances and that will be taken into account at the time of the next spending review.

Chair: Which is when?

Michael Gove: I believe it will be in 2025.

Chair: So you are saying that these problems are basically being pushed out to the next Parliament to sort out.

Michael Gove: Again, I think it is probably fair to say that this Government have taken the right long-term economic decisions to ensure that the public finances will have a stronger basis.

Chair: So whoever is the Chancellor after the next election will have to find a lot more money for local councils than is currently being portrayed as the figures in the current spending plans going forward.

Michael Gove: I don't want to and shouldn't pre-empt any spending review.

Q238 **Chair:** Let's go back to the maths and where we are now. We have figures going forward, which are a 2.3% cut in real terms in your departmental budget and the spending available, then, to councils from your Department. That either means significant further spending cuts when already local government are saying that they do not have the money to carry out existing services, or significant increases in council tax, well beyond the level of inflation. That is the maths, isn't it, Secretary of State?

Michael Gove: It is a projection, but again, one of the things I would say is that in the last two years, we have seen above-inflation increases in support to local government. We can look at the book. I prefer to do that than look into a crystal ball.

Q239 **Chair:** Wait a minute: councils have some need to look at their spending possibilities going forward. We can discuss what has happened in the last two years, but councils need to look at what the future holds for them.



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The future look very bleak according to those figures, doesn't it? A whole further raft of spending cuts or massive council tax increases. Anyone can do the sums. The question is: what are you going to do to try and make sure those sums do not have to become a reality?

Michael Gove: Put the economy on a sounder, long-term basis for growth.

Chair: And if that does not happen, a further round of spending cuts or massive increases in council tax are inevitable.

Michael Gove: Again, you are tempting me to go down a road of financial and economic forecasting, which I think is a dangerous one to venture down.

Q240 **Chair:** How can it be dangerous to assume that the Chancellor meant what he said when he said that spending was going to be frozen in the next Parliament?

Michael Gove: What he specifically outlined was a programme for sustained economic growth overall.

Chair: That does not sound like much growth in councils' work in that case, does it?

Michael Gove: Again, it will be for the Chancellor of the Exchequer to decide. All I would say is that any attempt to predict the future is always fraught with risk.

Q241 **Chair:** I think there is a message there that councils have a real struggle to change the current forecast, otherwise they will be in real difficulties. Rather, let us put it another way, our constituents will be in real difficulties when they see further cuts to already shredded services or significant increases in council tax, which you have accepted are regressive.

Michael Gove: The latter point is absolutely true. Let me take two steps back. It is impossible to have any conversation about any area of public expenditure without taking account of both the impact of the covid pandemic and the inflation that followed the war in Ukraine. That means that every part of the public realm, not just in the United Kingdom but across Europe, has to consider some potentially tough decisions. Against that, Government's aim to ensure that economic growth exceeds the trend-rate predictions has to be the single most important thing.

Q242 **Chair:** Yes. I would just suggest, Secretary of State, that local government have been taking cuts well before covid and well before Ukraine.

Michael Gove: Indeed, and, as I said earlier, even with the shadow of the pandemic, we have increased local government spending in the last two years. So, is it the case that, during the coalition years, the pressure placed on local government was greater than on other areas—not all other areas, but most other areas? Yes. Is it the case that, subsequently, that



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spending has increased and that core spending power has increased? Yes. Will there be challenges in the future? Undoubtedly. But one cannot, certainly on the basis of the last two years, automatically assume that local government, of all of the services in the public realm, will be the one that will face the toughest choices.

Q243 **Chair:** I think that it is going to, according to those figures that were in the autumn statement. I have two more points, Secretary of State. Council tax, as you described to us in a previous hearing, is regressive.

Michael Gove: Yes.

Chair: You said then that you had appointed the then Minister for local government, Lee Rowley, to conduct a review. When we spoke to the current Minister, Simon Hoare, who came to see us only a few days ago, he really did not seem to know much about the review or whether anything was happening. He has written to us now, really giving us no information about how far that review has got.

You made it clear to us that you were not going to bring in significant changes overnight, but that you were going to do the review to look at what the possibilities might be for the future. So, have you got anything that you can share with us?

Michael Gove: Well, last year at the time of the LGFS, we made it clear that our preference was to go for stability overall, and that we were not going to fundamentally reform the basis of local government taxation. The important thing to do was to work within the constraints of the existing system.

So, when I arrived and when I had conversations subsequently, particularly with Lee Rowley, we looked at some of the options that we might have and came relatively quickly to the conclusion that, despite the sorts of fundamental reforms that we might have wished to entertain at the beginning of a Parliament—given where we were and given, as you quite rightly pointed out, the overall set of challenges that local government faces—any sort of fundamental reform at this stage would probably risk a level of instability in the system that would not justify any of the potential benefits.

Q244 **Chair:** So there is no intention to have even an edge “very-Green Paper” to look at what options there might be, going forward, to make the system less regressive?

Michael Gove: At this stage, I think the more important thing is to use the tools within the system to make sure that it works as effectively as possible. Obviously, we are now almost certainly less than 12 months away from a general election; I think that every party will probably want to put forward manifesto proposals for improving local government taxation.

Q245 **Chair:** So we probably do not expect to see very much before the election?



Michael Gove: No.

Q246 **Chair:** Okay. Just one final thing: when commissioners are sent in, they have two additional tools, apart from looking at the spending levels in each service that the authority provides. They can increase council tax by more than the limits that are applied to councils themselves before a referendum is called, and they can borrow for revenue. Have you thought that it might be necessary at some point, as Secretary of State, to make those possibilities more widely available to councils?

Michael Gove: I would add a third, which is that, of course, commissioners do scrutinise every aspect of how the council is run. Max Caller has made the point that he and his team will scrutinise even down to some of the most basic items of expenditure.

On the point about greater council tax flexibility, we have a manifesto commitment to ensure that people are protected—except in the circumstances that you allude to—from disproportionate or unfair council tax increases. But of course, we need to look at council tax flexibility overall. Borrowing is a more challenging and more difficult area.

Q247 **Chair:** Right, but those problems disappear when the commissioner appears, because the commissioner can use those tools that the council cannot.

Michael Gove: Well, I would argue that the problems do not disappear, but commissioners can deal effectively with those problems by, as has been the case, seeing council tax increase. But the real benefit that commissioners bring is in dealing with the systemic problems that have arisen. For example, the situation in Liverpool has undoubtedly benefited not just from a change of political leadership in Liverpool but from the actions of the commissioners in recognising where there was real failure in the way in which the council was set up and run.

Nico Heslop: I have just one thing to add: we set out in our policy statement, which was announced yesterday, that, when councils are coming to us for exceptional financial support—if they are coming for exceptional financial support—we will consider representations around council tax flexibility. That is separate from having commissioners. Some councils that come to us for exceptional support do have commissioners, but not exclusively, as the Secretary of State made clear earlier.

Q248 **Chair:** Flexibility on council tax but not on borrowing?

Nico Heslop: Not at this stage on borrowing, for the reasons that the Secretary of State has given. But councils do have the ability to capitalise, which is less about borrowing and more about using capital assets to fund revenue costs. That is something that the exceptional financial support system allows.

Chair: That is helpful.

Q249 **Nadia Whittome:** Secretary of State, you talk about raising council tax as a solution to this, but in places like Nottingham that is not a solution,



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because 80% of our properties are in the lowest two council tax bands, A and B. That is almost double the national average. Do you accept what an unfair situation that is?

Michael Gove: Of course that is the case in Nottingham, but it is the case that there are other local authorities that also have, if anything, a smaller or more constricted tax base. There are other local authorities that have more council tax properties in the very lowest bands than Nottingham.

There is one thing I should say. Again, please forgive me, but for Nottingham specifically, my understanding is that between 2015-16 and '23-24 Nottingham City Council's core spending power increased by 31.7%, from £259.8 million to £342.2 million. Those are not small figures. Between 2023 and '23-24, Nottingham's core spending power increased again, by another 9.9% and £30.9 million. Nottingham undoubtedly suffers from and has suffered from—

Nadia Whittome: Residents being poor and then being punished for that.

Michael Gove: It has suffered from a variety of factors, but again, I think you can see from those figures that that is solid support for Nottingham Council. Again, one has to look at the way in which the political leadership of Nottingham Council has delivered on services. And again I would contrast that with other local authorities, of every political stripe, that have been more effective and more efficient with the resources they have been allocated.

Q250 **Chair:** I think we have to move on, but it would be helpful, Secretary of State, if you could send us those figures—

Michael Gove: Yes, of course.

Q251 **Chair:** Broken down by how much is from Government funding, how much is from council tax and what the real increase is as opposed to—

Michael Gove: The CSP? Yes, absolutely.

Chair: We will move on now to one of the issues that is really challenging for local councils at present—children's services. Kate.

Q252 **Kate Hollern:** We heard from Councillor Graham Chapman that the market for children's services is "broken". What are the Government going to do to fix it?

Michael Gove: There are so many challenges here. My colleague David Johnston, following on from Claire Coutinho's leadership, has been looking at what we can do to deal with a range of problems in the delivery of children's services. One of the most acute is the way in which residential children's homes are to a significant extent—to a greater extent than one would want—owned and managed by private equity firms who are engaging in profiteering. The scale of profit that they make is, to my mind, excessive.

Now, even before you get there, the whole question of when and how children's services are run, the way in which you consider what the right



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interventions are to prevent children from ending up in that particular type of care, need to be looked at. That is a bigger reform picture, but one thing that I do think is problematic is the way, as I say, in which private equity firms operate.

The private equity model is appropriate for the provision of some services, but in many cases I find it disturbing how they are extracting not just the necessary profit in order to make sure that they have a successful business model, but an excessive level from the public purse.

Q253 Kate Hollern: Well, I am pleased that you are on top of that, because in 2021-22, there was something like a £310 million profit. If you think how that money could have been invested to save a service like that of Nottingham or Bradford—can we move on to Bradford? That was transferred to a trust in April of this year, and already they are telling Bradford Council that they are going to have a £45 million gap. Almost 50% of Bradford’s funding goes on children’s services.

I don’t understand how we can expect a council to fund this huge shortfall, because, similarly, Bradford has a very low council tax base. So there are huge challenges coming and there do not appear to be many solutions. Minister Hoare told us: “We will not stand idly by, twiddle our thumbs with some sort of laissez-faire approach to these things and see...public service providers topple over.”

Do you feel that the Government have done enough to protect council services so that they do not topple or possibly end up in a situation like Bradford, where the children’s services were put to an independent trust? Every year, there will be a demand for more money, which will leave less scope for the council to deliver other services and it could end up going bust.

Michael Gove: A number of very good points there, and the first one is about Bradford. My understanding is that the Ofsted inspection of children’s services indicated that Bradford services were inadequate, and the local authority was placed in special measures, hence the trust arrangement. We have had previous such arrangements in other councils in the past. When such an arrangement occurs, it is often the case that the services significantly improve as a result of the trust arrangement.

You raise two very important broader points, however, about children’s services and the pressure financially on local authorities. I think that it is important that we look at what those factors are. For reasons that we know, it is the case that there is more pressure on families, with the risk to children of abuse or neglect increasing over time. Some of that is related to the covid pandemic, some to other factors, but there is more pressure on children’s services departments, on social workers and on the related services—adoption, fostering, kinship care and so on.

Since March, David Johnston has been looking at exactly what we can do, and at how we can improve support and can reform the way in which children’s services departments operate. Again, however, that is a deep,



systemic programme of reform that David is seeking to lead, and it is one that we need to do in partnership with those in local government.

Q254 **Kate Hollern:** In Bradford, there has been a trust for just over six months, but the trust has already identified—despite almost half of Bradford’s budget going to that trust—that it cannot deliver, because it has got a £45 million shortfall. What do we expect either the trust or the council to do?

Michael Gove: I will look, and I know that the DfE will look closely, at Bradford’s specific circumstances in order to ensure that children are not placed at further risk in Bradford. When it comes to the effective provision of children’s services, of course budgets matter and they are under pressure, but it is also the case that management and leadership matter in making the effective use of resources.

There are some model children’s services departments. I may be out of date, but I think Wigan is one such, where even though financial pressures are significant, a high quality of service continues to be delivered. But since you raised Bradford, I will come back to the Committee with more details about what I and the DfE team are doing to deal with the particular situation there. You are right that, overall, children’s social care has assumed a bigger and bigger slice of local government funding overall, much the same as adult social care has, and that is a consequence of broader changes and pressures in our society.

Q255 **Kate Hollern:** Yes, of course. Budget cuts stemming back from 2010 meant a lot of support provision, that early intervention, was easy pickings for councils, which were facing real financial pressures. I wonder whether the growing number of children entering into the care system now is because those early interventions and that support were taken away. That is why they have such a huge problem currently. If councils had had that funding earlier, we might not have been in this position.

But to go back to Bradford, we are four months away from a Budget, and councils will start looking at their budgets in December. Surely we need something urgently, not just in Bradford—that is just an example I am using—but for councils up and down the country, just to restate what Minister Hoare said about not sitting and twiddling our thumbs while councils fail.

Michael Gove: That is absolutely right. There are two things. One is that of course resources matter, but when it comes to children’s services, the quality of social work matters—the quality of social work leadership, and of social work practice. When I worked in the DfE, one of the things that we were anxious to do was to improve the quality of social work practice. We commissioned work on the education of social workers; we changed the regulation of social work; we introduced a chief social worker; and we helped to establish Frontline, the charity that has brought many strong people into social work who will be moving up the leadership ladder.

There are examples of steps that we have taken that should lead to a system-led improvement within social work and within children’s services.



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That is not to take away from the need to ensure that there are appropriate resources there as well. Again, one of the things that I have concluded—the Committee may disagree—is that it is the local authorities that are responsible for children’s services and adult social care that are facing the greatest strains at the moment.

Kate Hollern: I am sure that, being Scottish like myself, you will understand the saying, “Spend a penny and save a pound.”

Michael Gove: Certainly true.

Q256 **Kate Hollern:** That is the situation that councils are in. The loss of those resources over the years has left them almost at crisis point.

But I will move on to the next point. What is the Department for Education doing to address the causes of deficits, yet again, on SEND?

Michael Gove: Ms Coutinho and now David Johnston have both been leading work on SEND reform. To take one step back, one of the particular challenges that we face has been the growth in the number of children presenting with particular conditions. The proportion of children presenting with the most severe neurological conditions, or with other conditions such as a severe learning difficulty, a hearing impairment or a visual impairment, has remained broadly static. However, we have seen more children presenting with behavioural, emotional and social difficulties, and more children presenting with the manifestations of being on the autistic spectrum. In those circumstances, one of the questions that we have to ask is “Why is that?” That may be uncomfortable research for this Government or for any Government, but it is only by understanding why there is growing demand that we can also appreciate what we need to do to deal with that.

Q257 **Kate Hollern:** The letter from Minister Hoare referred to a significant increase “partly driven by the increasing numbers of unaccompanied asylum-seeking children entering the care system.” Do you have a figure on that?

Michael Gove: I don’t, but I can definitely write to the Committee. I do not have the exact figures; I know it has been a particular issue for Kent, and I think also for Essex and other local authorities broadly, but not exclusively in the south-east. I will come back with the figures in as much detail as I possibly can.

Kate Hollern: That will be interesting, because that must put additional pressures on councils. If you have early identification of pressures coming for the future, they can be addressed before it gets again to that crisis point.

Michael Gove: Exactly.

Q258 **Chair:** Secretary of State, in 2026, when the period of being able to run deficits on SEND services ends, what happens to those deficits? Are they written off?



Michael Gove: I don't believe so.

Nico Heslop: We set out last year that we would, as you say, extend the statutory override for three years. That comes to an end in 2025-26. As the Secretary of State said, lots of work under way with the Department for Education on both children's services and on SEND. As a Government, we will need to set out a position. That is where we are, but we have given as much certainty as we can on those deficits for the next two years.

Q259 **Chair:** For the deficits that exist in 2026, local authorities may still have to find the money to cover them.

Nico Heslop: That would be a decision for a future Government, after the election and into the next spending review, as the Secretary of State has said.

Q260 **Chair:** That is another position of great uncertainty going forward, I think. Do you not agree, Secretary of State, that it would be a very strange position if in the end you sent in commissioners to run the finances of a local authority, where the local authority could not deal with the spending demands on the money available because of the spending plans that come from a children's trust run by commissioners sent in by the Secretary of State for Education? It's a bizarre world, isn't it, where one Secretary of State sends commissioners in and they demand money, which means that another Secretary of State has to send in commissioners to manage the situation?

Michael Gove: I take your point, and I will look particularly at the Bradford issue overall. Having sent in commissioners in a different role, when I was at the Department for Education, I recognise that close co-ordination between our Departments is necessary. It was always the case before I sent commissioners in at the DfE that we would engage closely with CLG, as it then was, as DfE does with us now. But I absolutely take your point that we need to ensure effective co-ordination, and, very much in respect of Kate's point, we need to ensure that we do not unnecessarily destabilise Bradford.

Chair: Okay. Let's move on from children's social care to adult social care. That is the other big challenge.

Q261 **Nadia Whittome:** In oral evidence to this committee, Abdool Kara from the NAO said of adult social care, "It is hard to move away from the idea that there is not enough money in the system. Even the Care Quality Commission—a non-departmental Government body—said that in its annual report, so I do not think it is controversial to say that." Do you agree?

Michael Gove: I think you could say that of so many areas.

Nadia Whittome: Including adult social care.

Michael Gove: Yes.

Q262 **Nadia Whittome:** Okay. Your Department has announced that the 2024-



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25 adult social care precept referendum limits will remain at 2%. This is below the general rate of inflation, and there was no additional funding announced for adult social care in the autumn statement. How are you expecting local authorities to respond to deliver adult social care services under these circumstances?

Michael Gove: You are quite right about the precept, of course, but as you mentioned earlier, because of how council tax operates, we want to mitigate the impact of council tax increases. I think we have delivered £8.1 billion of additional funding over two years to support social care. Indeed, in the local government finance policy statement yesterday, specific money was also made available to deal with discharge.

Q263 **Nadia Whittome:** More cuts, then, to non-statutory services that have already been cut to the bone. Do you think that will result in more section 114 notices?

Michael Gove: I think that an additional £8.1 billion is not a cut.

Q264 **Nadia Whittome:** There was no additional funding announced in the autumn statement. Given that, and given that the adult social care precept referendum limit is remaining at 2%, below the general rate of inflation, what else is there—unless it is more funding, which hasn't happened? There is no more additional funding.

Michael Gove: It has: an additional £3.2 billion in 2023-24, and an additional £4.9 billion in 2024-25. Now, one can debate whether or not that would be enough, but one can't say it's a cut.

Q265 **Nadia Whittome:** But nothing in the autumn statement and there have been cuts previously—okay. Is your Department still working with the Department of Health on a 10-year plan for adult social care funding? If so, when will it be published?

Michael Gove: We are working with the DHSC and with the new Secretary of State not just on adult social care funding, but on improving the process at every stage.

Nadia Whittome: When will it be published?

Michael Gove: We continually update the House of Commons on the steps that we are taking to improve adult social care, but I would not want to pre-empt any decisions that the new Secretary of State would wish to take.

Q266 **Nadia Whittome:** Is there no 10-year plan for adult social care funding that you are working on with the Department of Health, then?

Michael Gove: I mentioned the increases in funding that we have, and there may be more increases in funding to come, but I wouldn't want to pre-empt those announcements.

Nadia Whittome: Okay. Sounds like a no. Thank you, Secretary of State.

Q267 **Ian Byrne:** I have a small question. Secretary of State, new immigration



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measures have been announced. Has the Department done any economic modelling of the impact of the new measures on local government finances, given the cost of providing adult social care? As we have heard, the pressures are extreme, and obviously these new measures may cause issues around employment. Has there been any modelling in the Department?

Michael Gove: We are looking at what the impact on the adult social care sector will be. If we look at the overall numbers of people who have come in to work in the adult social care, that has been one of the largest percentages of people who have taken advantage of visa freedoms. We anticipate that there will be a reduction, but not a dramatic reduction, in the number of people who are coming in to work in the adult social care sector, but it is also important, as I think the DHSC Ministers—

Q268 **Ian Byrne:** May I ask where you are getting those figures? How are you certain that it won't be catastrophic?

Michael Gove: I can't be certain of anything, but the figures that I have examined were from modelling that was conducted by the Home Office. The particular changes that have been made will have an impact at the margins, undoubtedly, but not a significant impact. We can share our modelling with you.

Ian Byrne: It would be good to get sight of those figures.

Nico Heslop: It is worth saying that in the announcement that the Home Secretary made on the social care workforce, there was an exemption from some of the measures that were introduced. They are not caught by the increase in the salary cap.

Ian Byrne: But there are still going to be some.

Nico Heslop: Certainly.

Q269 **Ian Byrne:** The last thing we need is fewer people to work in the adult social care sector, which is on its knees anyway. Do you understand the consequences?

Michael Gove: I absolutely understand, and it is a very fair point. As Nico said, there are fewer changes overall that apply to those who work in social care than apply to other employment areas; that is why we think that the impact will be less. There are changes to the rules around dependants and so on, which will have an impact. One of the other things is that we would like to ensure that we have a pipeline of talented people entering social care from the current UK population as well.

Q270 **Ian Byrne:** How are we going to do that?

Michael Gove: By making sure that social care remains an attractive destination, that we have well-run care homes and that people appreciate—as you know better than I do—the nobility and importance of this role.

Q271 **Chair:** Secretary of State, can we see the modelling that you have done



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and the assessment of the impact on the social care workforce?

Michael Gove: The modelling was done by the Home Office. As a matter of propriety, I cannot necessarily say that I can share material that has been produced by another Government Department. What I can do is show you what modelling we will now do once that is completed, if that is okay.

Chair: Sorry, but that answer confused me a little bit.

Michael Gove: As part of the policy advice that goes to Ministers, I have seen some modelling, and I am reflecting that in what I say to the Committee now. As the Committee knows, I cannot commit to sharing policy advice, for a variety of reasons, and I certainly cannot commit to sharing policy advice that was prepared by another Government Department, but what I can do is show the Committee what we consider the modelled impact to be.

Q272 **Chair:** That is really helpful. If there is a reduction—even a slight reduction, which I think would be really challenging for the social care sector—has any analysis been done on how much the pay of social care workers would need to rise to attract more UK workers into those roles?

Michael Gove: I have not undertaken that work yet, but it is important that we and DHSC ensure that the whole labour market is working appropriately. I think it is only right that we share not only an assessment of the impact on wages, but a broader assessment of how the adult social care workforce will evolve over the next few years.

Chair: It will be really helpful to have that information, Secretary of State. We will look forward to scrutinising it.

Let's move on to another big issue that is facing councils, which is the issue of homelessness.

Q273 **Ian Byrne:** Secretary of State, until local housing allowance rates are increased in April, 95% of new rental properties will remain unaffordable to recipients of housing benefits or universal credit. It is clear from the evidence that we have received from councils across the country that we are dealing with a humanitarian crisis here, given the huge rise in homelessness.

The public health situation in my own city of Liverpool is so dire that Liam Robinson, the council leader, and Sarah Doyle, the housing cabinet leader, have written to you—twice, I think—to outline the gravity of the situation. On a personal level, I have had midwives in tears in my office because they are being told to expect an increase in sudden infant death syndrome: new mums who are homeless are swaddling their babies to stay warm and are bed-sharing. Many of them are in hotels now, with no facilities to sterilise or cook. This was all on your watch, Secretary of State. What immediate action is your Department taking to prevent further increases in homelessness and to avoid making the situation worse from a humanitarian point of view?



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Michael Gove: Many factors govern the risk of homelessness. On what is being done immediately, the Secretary of State for Work and Pensions and I agreed with the Chancellor that we would uprate local housing allowance. That represents an additional £1.2 billion, which helps 1.6 million households.

Ian Byrne: That might not come in January. It might be delayed until April.

Michael Gove: That is just because of the way in which the public spending cycle works, but we have also made other changes. There is £1 billion available through the homelessness prevention grant that is distributed to local authorities. Discretionary payments are available to people at risk of homelessness. To take one step back, the issues you mention are ones of income stress for people who are facing real economic difficulties.

Ian Byrne: It is about lack of supply as well.

Michael Gove: I was going to say that there are two other issues. One is the lack of supply overall. The other is that sometimes you have multiple crises afflicting individuals and families—not just financial problems but mental health and other pressures—that can lead them into a spiral of difficulty. You are absolutely right that, if we are thinking about homelessness overall, we need to think about supply, the welfare system and support for local government. We also need to think about some of the deeper factors that certain families face.

I should say that I am grateful to Liverpool City Council for being in touch with me on this. You, Paula Barker and others have been assiduous in making sure that my Department knows about the particular strains in Liverpool.

Q274 **Ian Byrne:** We understand and we talk about systemic failings. The issue we are dealing with now is deeply ingrained, so why are local housing allowance rates being frozen again in April 2024? Have the Government conducted an impact assessment of the decision to release the funds and then freeze them again a year later? How have you come to that juncture?

Michael Gove: The increase is certainly welcome.

Ian Byrne: It is not simply welcome; it was called for, for a long time, certainly by this Committee.

Michael Gove: We and the DWP will take stock of the impact and look at what is happening on the ground. If more help is required, I will be determined to seek to secure it. But, again, there were other things in the autumn statement. Alongside local housing allowance, money was made available for the local authority housing fund. I would always want more money and freedom to be available to local government to increase the stock of housing both for affordable housing and to help more broadly with the challenge in temporary accommodation and elsewhere. Would I like



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more? Yes. Am I grateful for what we got? Absolutely. Do we need to carry on applying, with care, the arguments for more funding? Yes.

Q275 **Ian Byrne:** We are coming into the depths of winter now. On a priority level, how concerned are you about the situation?

Michael Gove: I am profoundly concerned.

Q276 **Ian Byrne:** Is that concern matched across Government?

Michael Gove: Yes. For reasons that the Committee has scrutinised and that are well known, one of my big concerns is people who are suffering severe financial problems and struggling hard to make ends meet, particularly people in work and people like the constituent you mentioned. They are at the front of my mind. It is tough, and I appreciate the concern. It is very much on my mind, and I was discussing it with Mel Stride just last night.

Q277 **Ian Byrne:** Finishing on the local housing allowance—with it being static—would it be better if it was linked to rents, to provide more certainty to tenants and landlords? Is the Department considering that?

Michael Gove: I think it goes back to the point about council tax earlier. When I arrived, I was not sure that the local housing allowance, as currently constructed, was necessarily the best way of getting the money to those who needed it, but at the moment we are working within the system that we've got rather than uprooting it. But I think it is perfectly legitimate to say that there might be other and better ways of targeting the resource we have at those who need it most.

Q278 **Chair:** Has any impact assessment been done of what will happen as a result of the freezing of the allowance in 2025, once again.

Michael Gove: Work has been done, but I would not call it an impact assessment. Again, I can share with the Committee a range of estimates about what we think might happen but, again, it is difficult when you look at just one—though important—factor in isolation.

Chair: And does that look at what would happen if it was increased in line with inflation, as opposed to freezing it?

Michael Gove: That is not the work that we have yet done.

Chair: Are you going to do it?

Michael Gove: We are now.

Chair: Okay—and we look forward to the Committee receiving that, Secretary of State. I think that is an assurance that we are going to receive it.

Michael Gove: Yes.

Chair: Thank you. Let us move on now to the Renters (Reform) Bill.

Q279 **Mohammad Yasin:** How will the Renters (Reform) Bill ensure that



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tenants are not victims of back-door evictions via unreasonable rent increases?

Michael Gove: Again, there is a tribunal system; if rents are increased dramatically above market levels, the tenant has recourse, of course, to the tribunal system. More broadly, it is the case, I think, that for any landlord, the most valuable thing is to have a long-term relationship with their tenant, where there is security and certainty of rental income for the landlord and security of effective stewardship on the part of the tenant.

Mohammad Yasin: My question is: how is this Bill going to tackle that?

Michael Gove: The Bill specifically, by outlawing section 21, will remove one of the tools that a small minority of unscrupulous landlords have used in the past to seek to impose significantly above inflation rent increases. Indeed, section 21 has also been used to silence concerns expressed by tenants about the poor condition of their accommodation.

Q280 **Mohammad Yasin:** Can you give us a timetable for when section 21 will be abolished?

Michael Gove: It will be abolished when the legislation is on the statute book. It will be made operational when we are confident that the court system can deal with the abolition and we are confident that that should be in a matter of months. We had a recent meeting between the Minister taking the Bill through, Jacob Young, and Mike Freer, the MOJ Minister. As the weeks go on, I hope that we can give this Committee and Parliament more broadly a tighter timeline and a clearer sense, but this is the biggest change—a welcome change, I believe—to landlord and tenant law for three decades, so we need to make sure that the court system is ready for it.

Q281 **Mohammad Yasin:** Turning to another part of the Bill, it is my understanding from a written response from your Department that the requirement for local authorities to consider pets will only apply to temporary, and not emergency, accommodation. Why?

Michael Gove: I have to say that I wasn't aware of that particular factor. The issue about pets is one dear to my heart. I know that there has been a lot of opposition; some people have thought that it is going too far. But we have said that if a request is unreasonable, the landlord has a right to—

Mohammad Yasin: Write back to me if you are not sure about it.

Michael Gove: Yeah—I am not sure about it. I do not know why we have drawn that distinction. Anyway, I will; I just don't know the answer.

Chair: There are blank looks on either side of you as well.

Michael Gove: I will find out from Jacob, who was in the Committee throughout. It is a very good point.

Q282 **Andrew Lewer:** As Conservatives, we often talk about not wanting to



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have the quango state or to over-regulate. The sector, particularly rented accommodation that is rented out through agents, already has a well established and well respected industry redress scheme. Would it not be sensible to allow that to be the ombudsman—the point of redress for rental—rather than setting up a completely different quango? Indeed, if that is still what is intended, would it make more sense to use an existing housing ombudsman or create yet another one in what is becoming quite a crowded market?

Michael Gove: I think that your final point, which is to have one housing ombudsman with a broader set of responsibilities, is the right answer.

Q283 **Andrew Lewer:** What about the redress, because it is well established? That is the private sector getting on with doing something that provides redress rather than the state having to spend a lot of public money doing it in a different way.

Michael Gove: Again, I think that the issue would be that some of the landlords about whom there would be the greatest concern would be those least likely to behave in the responsible way that you have described.

Q284 **Andrew Lewer:** And therefore wouldn't be part of the sector redress scheme, and therefore could be included by this, whereas the ones who are part of a redress scheme don't need to be.

Michael Gove: I take your point, but I think it's better to have uniformity overall.

I'm no fan of bureaucracy, but I also think it's the case that there are far too many tenants who are in horrendous circumstances and action needs to be taken. There are people acting as landlords in this country, some of them based abroad, who maintain properties in scandalous condition. My view is that we need to have tight and effective regulation, just as I have been robust, for want of a better word, with social landlords as well.

The fact is that in both the private rented sector and the social rented sector, there are too many homes that are simply not decent. Once we get to a situation where that number is vanishingly small, then I will consider deregulation and stripping it away. But I'm afraid that on this I am interventionist.

Q285 **Andrew Lewer:** Your intervention point and the point about the low quality of some rented accommodation are well made. In a world of scant resources, I am simply suggesting a way to you where the resources that you have available to you could be more pointedly used and—

Michael Gove: I think that's fair. We will consider that.

Chair: Do you want to move on to the freehold issues?

Q286 **Andrew Lewer:** On leasehold and freehold reform, my first question is whether you plan to introduce a cap on leasehold extension premiums as part of the Leasehold and Freehold Reform Bill?



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Joanna Key: Do you mean getting rid of marriage value, or are you talking about ground rent caps? Sorry—I just want to clarify the question.

Andrew Lewer: Ground rent caps are certainly part of this, yes.

Joanna Key: We have consulted on that. The consultation paper was published a couple of weeks ago with various options for how you might want to place a cap on how those rise in the future, essentially.

Michael Gove: The first thing about this legislation is that, as everyone knows, this is some of the most complex legislation—in legislative terms, complex; in moral terms, straightforward—that one can have.

Specifically on ground rents, my own preference, but we are consulting on it, is that they should be reduced to a peppercorn, but there are challenges to that from some in the financial services sector.

Exactly as Jo says, on marriage value the principle that the freeholder should be able to exploit the fact that the leasehold is a wasting asset, in order to get more out of the leaseholder, goes against the principle of the legislation, which is essentially to transform the leaseholder's position into one where they can transform that diminishing lease—a lease with the time running out—into a 990-year lease, with the least possible trouble.

Q287 **Andrew Lewer:** On the ground rent issue in particular, you just touched upon it—there are concerns that capping ground rents will severely and retrospectively impact pension funds' investment, which is about £30 billion, in the sector. I wonder whether you and the Department are aware of the scale of the impact on pension funds, which are just ordinary people who need their pension income. What assurances can you give us, therefore, that that policy and that very important impact will be subject to proper parliamentary scrutiny?

Michael Gove: Oh, yeah—you betcha. Point one: the proportion of pension funds that have been invested in residential property has been diminishing, and the proportion that are invested in securing income from ground rents is quite small overall—not insignificant, but quite small.

The second thing is that one of the reasons for the consultation is to have a look at that. There are two areas where we need to proceed with care: one is the impact on pension funds, and the other is the impact on some estates that have manifestly kept ground rents at a particular level and invested in the broader environmental good, like the Howard de Walden estate in Marylebone and so on. Those are two areas where I am really sensitive to the concerns, but I do not think it is necessarily right to say that in order to ensure that those who have invested in pension funds get a good return, we have to allow leaseholders to see the amount they are paying continue to escalate in a way that is essentially a transference of income from the leaseholder to the pension fund.

Fund managers often make the argument that it is all about the pensioners, but I think it is only right that you—one, we—also look at the way in which they operate. It is not necessarily completely the case, when



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you look at how investments in freeholds are traded and so on, that people are thinking all the time about the pensioners. They may also be thinking about some other factors.

It is complex and nuanced, and it is important to understand the impact. We want to share that as the Bill goes into Committee.

Q288 Andrew Lewer: That is welcome, given that the projection of ground rents as simply people collecting free cash due to an old legal contract is not necessarily always the case. They do have a useful purpose, in terms of rental properties.

Michael Gove: Yes. I mentioned the Howard de Walden estate in Marylebone—I won't mention any others, just because it might be unfair—and most people would recognise that it maintains its properties, not just residential but commercial, in a way that adds to the value overall of that community, so you are absolutely right that before changing that business model we have to proceed with care.

Q289 Andrew Lewer: In a similar vein, in terms of understanding the wider benefit, is that why the proposals ban the creation of new leasehold houses but don't do the same for flats?

Michael Gove: Exactly. I don't think it is any secret that I would like to move away from the leasehold model altogether, but to do so you need a workable replacement in all circumstances. Commonhold is my preferred replacement, but it creates certain issues where you have, for example, some flats that are shared ownership, or mixed-use developments, where, as is often the case, you have commercial developments on one or two floors and residential elsewhere.

That would be my ideal, but as a general rule, don't make the best or the perfect the enemy of the good. People who know more about this subject than me, like Sir Peter Bottomley, who I am sure would like to move to commonhold as quickly as possible, have been kind enough to say that the Bill does as much as can be done in the time available and with the means available.

Q290 Andrew Lewer: On your point about commonhold, one of the concerns in the sector will be that placing requirements or expectations on residents to manage their own affairs in the complex legal field that you have described may be problematic. The problematic nature of that is enhanced by commonhold. Are you therefore not concerned about promoting it quite so vehemently as a better model, given that the number of commonholds in this country is infinitesimally small and therefore it doesn't represent a well-tested platform?

Michael Gove: It is for that reason that we shouldn't go full pelt automatically tomorrow. We need to work out what some of those issues are, but as the Committee knows, England is an outlier in having the leasehold system. Again, as a Tory, you do not lightly overturn something that has existed for a long time, but it has led to conspicuous abuses and pain and difficulty for leaseholders. It does need fundamental reform. I



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would like to move away from it as quickly as possible but, for the reasons that you very clearly outlined, we do need to make sure that we do not create unintended and unhappy consequences.

Q291 **Andrew Lewer:** Because you and I made arguments that being an outlier—in terms of having a common law tradition rather than a Roman one—was one of the reasons for leaving the EU and therefore a benefit. So being an outlier is not necessarily always a detriment.

Michael Gove: It isn't, but again, and not to disagree, they do not have leasehold in Canada or the US and they are both common law jurisdictions as well.

Andrew Lewer: They are, although the USA model is even worse in some respects.

Michael Gove: Indeed.

Andrew Lewer: But that is another discussion. Thank you, Chair.

Q292 **Chair:** When you look at commonhold and how that might work, is one of the issues that you will have to have regard for the fact that, currently, freeholders are at the bottom of the waterfall in terms of responsibilities on building safety? That would be quite a challenge for commonholders, wouldn't it, if they ended up in that position instead?

Michael Gove: That is a very good point. One would hope that the building safety issues that we are talking about would not arise in new developments.

Chair: We all hope so, going forward. On to another issue of reform—planning reform.

Q293 **Mary Robinson:** Secretary of State. It is a year ago today, I believe, that you announced the proposed changes to the national planning policy framework, which included making local house building targets advisory. Where have we got to with that, and when are we expecting to see the changes implemented?

Michael Gove: I hope that we will publish the NPPF next week. I could say more and, Mary, you may have follow-up questions, but one of the things is that, technically speaking, the targets were always advisory in theory. In practice, the way in which the Planning Inspectorate operated meant that they were very rarely departed from. I think that there were only one or two plans where that happened. What we have done—what we will do—is to provide a clearer basis on which a local authority can argue for a divergence from objectively assessed housing need in specific circumstances, but it is not the case that they can disregard it at all. But, as I say, the NPPF will make that clear.

Mary Robinson: And presumably those will be issues around green belts.

Michael Gove: Precisely.

Q294 **Mary Robinson:** Will any announcement that you make make it clear to



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inspectors that they have to adhere to whatever instructions you are going to give them? Some of the issues are around inspectors and the way that they interpret things.

Michael Gove: Completely, and my intention is that the NPPF should be clear that green belts and other land of environmental importance or aesthetic significance should be capable of being protected by a local authority without having to have new homes built on it in order to meet objectively assessed housing need.

Q295 **Mary Robinson:** One of the issues that we have had over the past year is that the lack of certainty has caused a knock-on effect, really, for local authorities. We heard, and it was in our report, that probably about 58 local authorities stalled, stopped or delayed their local plan processes. It was about a year ago that Stockport Council did exactly that; it was about to consult, and it has not consulted on it yet. Now, there are effects from that because, meanwhile, developers are putting planning applications in for fields, for green belt, for golf courses. Obviously, there has been a knock-on effect already. What should councils such as Stockport, who delayed their plans because of some uncertainty, as they saw it, be doing?

Michael Gove: Having a plan in place. The NPPF will make it clear that that is the best protection that you can give. Indeed, while I entirely understand why some local authorities have done that, we have always made it clear that having a plan in place provides the best protection, and under transitional arrangements we will give significant weight to plans that have been in place before the NPPF but have policies that are, as it were, in anticipation of the NPPF.

Joanna Key: The Secretary of State wrote to councils to set that out really clearly. We can provide a copy of the letter.

Q296 **Mary Robinson:** Yes, thank you for that. I saw the letter; it was a few months ago, as I recall, yet councils do not seem to have taken that up and have carried on.

Michael Gove: No, and one of the things that I will try to do next week, alongside the publication of the NPPF, is make it clear to councils what I consider their responsibilities to be. Like you, I think that the way in which the Planning Inspectorate and the NPPF combined to operate in the past actually created some perverse outcomes. We believe that we have addressed those, and we believe that we have done so by listening to local government. But the quid pro quo, as it were, is that there is now a responsibility on local government to have plans in place and to make sure that planning applications are dealt with in a timely way.

Q297 **Mary Robinson:** Meanwhile, where there has been a pause and an extant local plan has not been in place, applications have been approved and developments have gone ahead. How will that be considered in any future plans that local authorities come up with? For instance, there are the mayoral development corporation plans in Stockport, and thousands of homes are already being delivered in the centre of Stockport, which is



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where it is much needed. Will those be taken into account? Can they be taken into account against any targets?

Michael Gove: I would have to look at each specific situation, but I think there are two relevant things. One is that the requirement that existed in the past—I don't think this will apply in Stockport, but it may be helpful overall—under the duty to co-operate, which meant that urban areas could, in effect, offload some of their responsibilities on to other local authorities, we are dealing with. I believe that it will stress that local authorities in urban areas with an uplift do need to ensure that their uplift occurs within their own local authority area unless there is active co-operation, and co-operation is different from duty.

Again, as welcome as the development co-operation has been—just to take it out more broadly—Stockport Council's failure to have a plan overall will have meant that developers will have been able to use the presumption in favour of sustainable development to build in areas that local people would not have wanted them to build in. So in that sense, the leadership of Stockport Council cannot escape their responsibility for not having a plan. Those developments that have taken place that local people are unhappy with and the council said that they would not have wished to have taken place, are a direct result of a plan not being in place, and Stockport Council will be answerable for that.

Q298 **Mary Robinson:** Thank you for the clarity there. You will have seen all the responses to the consultation. What is your view on the target situation now? Can you give us a glimpse of where you will be going?

Michael Gove: I think the key thing is that, overall, we will meet our target of a million in this Parliament. We did not, last year, meet the other target of 300,000. We do need to meet that absolutely in the future. I believe it is the case that the system that we have put forward, by allowing local authorities to vary, in order to protect those areas, should mean that more plans will be in place. More plans in place gives more certainty to communities and developers and will help us to deliver. Also, in the speech I gave in July, I outlined some of the other work that we were doing in order to increase development on brownfield land. And of course, as the Committee knows, you cannot just say, "Brownfield first," and click your fingers: you need to provide money, you need to empower local government and you need to provide additional infrastructure and so on. That is what we have been seeking to do, and there was some money in the autumn statement for that.

Q299 **Mary Robinson:** People will be eagerly awaiting the Christmas present of the NPPF next week. There have been indications that there would be a further consultation on some elements of it, now that the Levelling-up and Regeneration Act has received Royal Assent. Is that appropriate in light of what you have told us?

Michael Gove: It is specifically, I think, related to national development management policies. The Committee argued—and certainly the House of Commons and the House of Lords thought—that there should be consultation before NDMPs were finalised. It is our aim. Our aim always



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has been that NDMPs should be a convenient way of codifying that which is currently included in local plans, so that in effect you can have a single source of truth in that area. Obviously, when we publish them and consult on them, this Committee and others will be able to see whether or not our intention is actually there. Some folk thought that they might be Trojan horses for particular approaches. If people had that fear, I hope that we can allay it.

Joanna Key: Just to add to what the Secretary of State said, the aim, ultimately, is to have a suite of national development management policies that will provide the basis that individual local planning authorities will need when determining planning applications; they will be able to pick this up and say, "I've got this application, so these are the considerations that I need to take into account."

What would be left in the residual NPPF is the guidance that the national Government give, specifically on local plans, so you have a differentiation between applications and plans. It is about getting that mix correct, so that people really understand what they need to know to make a really good local plan and what they need to know to decide on an individual planning application. That is what we have to get right.

Q300 **Mary Robinson:** Thank you very much for the explanation. So, we will have the NPPF, and that will give certainty. We have seen that there has been a delay over the past year whereby local authorities have not introduced plans and have stalled. Will this consultation give them another reason to delay further? What will you say to them to prevent them from doing that?

Michael Gove: No, I don't believe that it will. I hope to be able to say why I think that and why some of the other concerns that have been expressed, like planning capacity, are being addressed by the Government. The message very much will be that we have listened to local government, that some very fair concerns have been raised, and that we have addressed those concerns; we all now need to get on with delivery. Local councils that do not have plans in place do not have an excuse any more, and local councils that are using a different array of techniques to prevent a development that should be going ahead do not have an excuse anymore.

Mary Robinson: Thank you.

Q301 **Chair:** When you publish the response, will it deal with the urban uplift? If it does, will you give some clarity as to how urban uplifts are being calculated for each authority?

Michael Gove: It will deal with urban uplift, absolutely. I can come back on the other point. It was not our intention to publish, at the same time, how they have been calculated. We can do so as quickly as possible, though, yes.



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I think I have a draft of that; it has not yet been finally completed. I think it is the case that we are going to specify how urban uplift will be delivered, yes.

Q302 **Chair:** In the past, the figure has been 35%, but there has been no explanation as to how it has been calculated.

Michael Gove: Was it 35%? I thought that it was 20%.

Chair: Was it 20%? Oh, it has changed. But there is no explanation as to how it has been calculated for each authority. Will that happen?

Joanna Key: I am sorry; I really don't know the answer. We will have to come back to you in writing, I am afraid.

Chair: Yes, please; if you could. We will move on to housing supply neutrality.

Q303 **Andrew Lewer:** Mary has already touched upon the latest statistics showing that housing supplies remain static. We have obviously talked about having 300,000 versus a million, and about the benefits that having a five-year Parliament, rather than a four-year Parliament, have for delivering those sorts of figures. The Home Builders Federation's latest report talks about all leading indicators showing rapid slides in output. How realistically far forward are we thinking in terms of getting to 300,000?

Michael Gove: I hope that we will do that in the next Parliament, certainly. To be fair, the HBF have well-advertised and very legitimate concerns about the planning system and its operation—not just about planning policy, but about planning capacity. I think that they would also acknowledge—and that everyone would acknowledge—that one of the other things that means there are fewer homes being built than we might otherwise want is access to finance. In crude terms, when mortgages are more expensive, fewer homes are built.

Q304 **Andrew Lewer:** Then when you get to the top and you do not get 300,000, and then you get to the bottom, it is difficult to blame market conditions when you are not getting it up there.

Michael Gove: No. It is not a party political point—well, it sounds like it—but more homes have been built in the last few years than were ever built during the 1997 to 2010 period. Home building was on a downward slope in 2010 as a result of the 2008 financial crisis. With each new Parliament or Government, there is an opportunity to push the boulder further up the hill, and that is what I hope the NPPF will do. However, I think that there are some other things that we need to do. For example, the Competition and Markets Authority is looking at the structure of the housing market overall. One of the problems that we have had in the past is that some of the bureaucracy that Governments have added has made it more difficult for small and medium-sized builders.

Q305 **Andrew Lewer:** They have. I very much agree that. To be partisan, one of the other features we have talked about as a Government was nutrient



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neutrality. I am going to attempt a slightly uneasy mix of piety and partisanship. I asked a fairly robust question of you in the Chamber about nutrient neutrality that was based on my disappointment that the Lords and our political opponents had prevented nutrient neutrality being changed in the way we looked at. However, the piety bit is that I got an answer from you saying that we will absolutely legislate to remove nutrient neutrality rules at the moment, but that was not in the King's Speech.

Michael Gove: That is correct.

Q306 **Andrew Lewer:** So is that going to happen?

Michael Gove: No, I lost the argument. I very much wanted us to introduce primary legislation to deal with it, but points were made about the timescale under which we were operating and the risk of primary legislation being amended. I had to accept—to use the phrase I have used before—that I was making the perfect the enemy of the good. If there were an opportunity for me to influence or shape the manifesto, I would hope that I would be able to persuade people that we should put in a commitment on primary legislation to deal with this. In the meantime, we have to work the system as it is. As you know, £110 million was made available for mitigation schemes, but it is my fault for being a bull at the gate.

Q307 **Andrew Lewer:** I am naturally disappointed, but I will certainly join you on that manifesto quest. As for the best being the enemy of the good, I would like to know how good you really think the local nutrient mitigation fund will be to make up for this? What would that actually achieve in the short term, ahead of more substantial change?

Michael Gove: I think it can. Again, there are willing buyers and sellers. There are developers who want to make sure that money goes to those who can provide appropriate mitigation and there are land managers who are willing to provide for those schemes. And there is in Natural England a willingness to act as an agent and a broker to make sure that works. So, I hope it will. I believe the situation will improve. Would I have preferred primary legislation? As I said, yes.

Q308 **Andrew Lewer:** Do you have any concerns about the fact that biodiversity net gain is within another Government Department that does not share the housing imperatives of this Department? How are these two additional burdens going to not prevent access to more house building, which we are seeking?

Michael Gove: I have to be careful here, because biodiversity net gain was a policy that I introduced when I was at DEFRA, so I am the author of it; but I am a big fan of it. My aim was always to try to extract the maximum benefit for nature in the simplest possible way. So there is a big question about the way in which you make sure that you have a process that should be relatively simple for the developer and for the local planning authority, where some of the value from land value uplift is directed to nature. That is what biodiversity net gain was meant to



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achieve. I have a quibble, which you know about, with the way in which the habitats directive is applied to residential development. There will be some people who will say that it is all bad, but I think that, introduced in the right way—I believe it will be, though there are one or two small changes that perhaps should be made to the SI—biodiversity net gain is a good thing.

Q309 **Andrew Lewer:** My quibble—it is more than a quibble—with biodiversity net gain is that it penalises people who have done the right thing in the past by establishing a baseline that means that those who manage their land responsibly don't have any opportunity to uplift it because it is in good order already. I wondered if there is any way of mitigating that, I hope, unintended consequence.

Michael Gove: I will talk to Steve about it.

Andrew Lewer: So will I. Thank you.

Q310 **Chair:** Let's move on to a couple of finer points. The trailblazer deals have generally been very well received.

Michael Gove: Thank you.

Chair: How many authorities now look as though they might be eligible to receive similar deals going forward?

Michael Gove: I would hope that a good half dozen of the existing mayoral combined authorities should be able to move towards trailblazer status/level 4 status. Again, it is not an exclusive or exhaustive list, but it includes the North East—there are certain specific circumstances there—West Yorkshire and South Yorkshire, and I would hope that we will be able to move beyond that. It is very possible that the Liverpool City Region and others will be included. It all depends on mutual enthusiasm on both sides.

Q311 **Chair:** Right: so they have to get approval from you.

Michael Gove: Yes, but I am super-keen. At the autumn statement we had a significant step forward in terms of devolution. There was an acknowledgement of the success, certainly on the basis of what we have seen so far in the trailblazer deals. There is an appetite for extending it to other mayoral combined authorities at level 4, with Lincolnshire and East Riding and Hull all soon coming forward—and Lancashire and Cornwall. We have seen a wider embrace. Will it be enough? Who knows?

Q312 **Chair:** Right. On the trailblazers, which you are now hoping to extend to other combined authorities, will those combined authorities be eligible for exactly the same powers that have been devolved as part of the trailblazer deals in Manchester and the West Midlands?

Michael Gove: Again, I would not want to pre-empt each individual case, but overall that is what I would like to do. I would like to see them move towards a single pot.

Q313 **Chair:** In terms of levelling up generally, when are we likely to have an evaluation of the outcomes to date?



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Michael Gove: January.

Chair: Thank you.

Q314 **Mary Robinson:** A lot of the issues around the trailblazer schemes that get mentioned are about accountability and having the right scrutiny arrangements. Clearly, when a single pot funding settlement is being made, it gives a great deal of power to local authorities and Mayors. How will you ensure that the focus is on getting the scrutiny of those powers right?

Michael Gove: We have discussed with both Andy Burnham and Andy Street how we can improve scrutiny. Both of them have said that whatever forum would best equip scrutiny to proceed, they would be happy with. There could be—I know there are conflicting views about this—all Members of Parliament within the geography of the mayoral combined authority exercising some form of scrutiny, or other means or tools for doing so. Again, we could make sure that within the mayoral combined authority a scrutiny function is exercised by someone from a different political party. Making sure that that scrutiny function is effectively resourced is critical as well.

When it comes to scrutiny of any elected official, a lot also depends on the healthy media landscape around them. Local newspapers and local news websites play a critical role, too. So far I have not found any desire on the part of Mayors to evade scrutiny. It might be the case that they use their political skills to accentuate the positive and diminish the negative, but it is important for other elected politicians to hold them to account. They are both big beasts who are happy to do so.

Q315 **Mary Robinson:** We know that, currently, scrutiny arrangements are different in some of the devolved Administrations, anyway. Who is going to make that judgment on what the scrutiny model looks like? Will it be yourself?

Michael Gove: Ultimately, yes. We had a protocol that was published, which I think the Committee had a look at a wee while back, but yes, of course, that can change. Parliament can change it as well.

Q316 **Chair:** There was a particular issue that the Home Affairs Committee looked at the other day with officials from the Home Office. It is welcome that asylum seekers' applications are now being processed more quickly, but one of the concerns is that that means quite a lot of people who have their status accepted as that of a refugee then end up having their Home Office accommodation withdrawn. The notice period apparently is 28 days from the decision being made, but often the decision is not given to people for some days afterwards, so it can often be a week's notice, and then they are out on the streets and local authorities have to pick this up. Would you make representations to the Home Office to try to get the period from a decision to someone having to leave Home Office accommodation extended to the 56 days contained in the Homelessness Reduction Act as the period of time in which homelessness applications should be considered?



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Michael Gove: Yes. I can't commit to 56, but I do think that seven is tight and tough. Can I come back to the Committee with a view on that? It was the case, I think, that 28 days was assumed to be good practice. I can't remember the exact detail of it. But I agree with you: seven days is something that local government has told me does create particular problems.

Chair: Yes. If it's 28 days, it really ought to be 28 days from getting the notice in their hand to actually having to—

Michael Gove: Yes, exactly, but again, it's Home Office policy. I don't want to bind their hands, but I do want to faithfully reflect the concerns that you are raising and the concerns that I hear from local government as well.

Joanna Key: I think it is correct to say that at the moment the protocol is 28 days. It is also correct that some local authorities have made representations to us, and I am sure to you as well, that they feel that that has not always been adhered to. We have made representations to the Home Office to that effect—explaining that—and they are looking again at their systems and communication with local authorities. It is worth saying that we also agreed with the Home Office, at the behest of our Secretary of State, that when the cold weather protocol is activated, they will pause those hotel evictions.

Q317 **Chair:** Is there any extra help that can be given? Some councils are much more adversely affected by this than others, and a lot of pressure is coming through. Is there any extra help that can be given to those councils, which are now under real pressure? As you know, Home Office accommodation is simply emptied overnight.

Michael Gove: It is something that we have been looking at in detail because, again, while it is welcome overall that hotel accommodation is being wound down—it saves the taxpayer and also it is better for the individuals concerned not to be there—it is, as I have said in the past, a cost shunt from the Home Office to local government. It's a cost reduction overall, but a cost shunt. We want to make sure that is fairly reflected, and conversations are ongoing.

Q318 **Chair:** That is helpful. To go back to our original conversations, Councillor John Fuller, who is the Conservative leader of South Norfolk District Council, has on behalf of the LGA said that "there is a general understanding that if not this year, next year, about half the authorities will be in distress." That's a pretty large statement.

Michael Gove: Again, I didn't want to give—what's the word?—momentum to some of the headlines and some of the speculation that I don't think helps local government overall, but neither did I want to deny that there are real difficulties and challenges. Distress can mean different things in different circumstances. John is a friend and also someone who has a vivid turn of phrase. I think John is right to say that the situation is tight. There are many local authorities that have built up reserves over time that mean that they are in a robust financial position. There are other

local authorities that are pioneering reform. The overall position that I think Oflog would show is that some people in local government have been crying wolf, but that doesn't detract from the fact that, as we have been discussing, in children's social care, in special educational needs, in adult social care and in relation to homelessness and the pressure from asylum seekers, there are real pressures. I wouldn't want the Committee to think that I was in denial about those.

Q319 **Chair:** That is helpful, Secretary of State. There is one final thing. Local finance officers are now starting to look at the future, and they say all the time, "We can't look just one year ahead; we have to look a bit further ahead."

Michael Gove: Yes.

Q320 **Chair:** Should they now start planning on the basis of what they have been told about the next Parliament and, on a prudent basis, make reductions on the grounds that that is what is so far in the Government's programme?

Michael Gove: Again, I wouldn't want to issue an edict about how council leaders and officers should operate—it is for them. But within that, what I would say is that the OBR figures are there. We can read them; we can draw conclusions. I wanted to be careful earlier because, again, growth can fluctuate. There is a big economic package that we introduced at the autumn statement and that is intended to see growth increase. However, my own view, for what it's worth, is that any organisation looking ahead should prepare for a range of scenarios. Were I a council leader, I would say, "Let's plan for a more challenging scenario, a slightly better one and a more hopeful one. And within that we can begin to think about what may be required."

Q321 **Chair:** Secretary of State, thank you very much. I am not sure whether we should be reassured by that or not, but I'll leave it to councils to come to their own judgment, because they are the ones that, at the end of the day, of course, have to take these terribly difficult decisions.

Michael Gove: Exactly.

Chair: Thank you for coming this afternoon and talking to us about a range of issues, all of which are very relevant to our constituents. They have ranged from the funding of local services to housing supply and devolution, which are all really crucial issues, so thank you very much. That brings us to the end of our public proceedings for today.

Michael Gove: Thank you very much.