



Built Environment Committee

Corrected oral evidence: Secretary of State for Levelling Up, Housing and Communities 2023-24

Tuesday 6 February 2024

3.15 pm

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Members present: Lord Moylan (The Chair); Baroness Andrews; Lord Bailey of Paddington; Baroness Eaton; Lord Faulkner of Worcester; Viscount Hanworth; Baroness Janke; Lord Mair; Lord Mawson; Baroness Miller of Chilthorne Domer.

Former members: Lord Berkeley; Lord Best; Baroness Cohen of Pimlico; Earl Russell; Baroness Thornhill were in attendance.

Evidence Session No. 1

Heard in Public

Questions 1 - 28

Witnesses

I: Rt Hon Michael Gove MP, Secretary of State for Levelling Up, Housing and Communities (DLUHC); Joanna Key, Director General for Regeneration, Housing and Planning; William Burgon, Director for Planning Reform and Housing Quality.

Examination of witnesses

Rt Hon Michael Gove MP, Joanna Key and William Burgon.

Q1 The Chair: Welcome to this public session of the Built Environment Committee. It is the first meeting at which we are able to take evidence from the Secretary of State for Levelling Up, Housing and Communities, Michael Gove. He is accompanied by Joanna Key, the director general for regeneration, housing and planning in that department, and by William Burgon, the director for planning reform and housing quality.

We are very grateful to the Secretary of State and his officials for giving us this time. We look forward to a session in which we hope to question him principally about a number of reports that we have written over the last two or three years on various topics that fall within his remit.

The first question will come from me, but I say before I ask it that my name is Daniel Moylan and I chair the committee. I do not intend at this stage to introduce every member of the committee, but their names are on nameplates in front of them and will become apparent as they ask questions, because I will mention their name as they come forward to ask a question in the course of the session.

My question is about our most recent report, which was a short inquiry into modern methods of construction. We set out with the view that this was a means of construction that should introduce greater efficiencies and lower costs and address demographic structural issues in the construction workforce. Therefore, in a sense, the product should fly off the shelf, but at least as far as what is referred to as category 1 MMC—which is volumetric modular housing—what we have seen over the last six months or so has been the withdrawal of a number of firms and the financial distress of certain other firms in that sector. We wanted to find an explanation for that, and, at the end of our inquiry, we did not feel we had a satisfactory explanation. So, my first question to the Secretary of State is: does he have an explanation for what has been happening over the last few months in this sector and does he think it is important and that something should be done about it?

Michael Gove: Thank you very much, Chair. I do not have a perfect explanation. I think it is impossible to look at modern methods of construction—the MMC sector—without looking at the overall housing landscape and the challenges that builders and developers are facing at the moment. If I were to essay an attempt, I would say that in order to succeed economically using modern methods of construction, companies in that sector would—given, as you have quite rightly pointed out, the benefits—need to have a pipeline of demand, a volume of orders sufficient to ensure that the benefits that can accrue do accrue. It is a classic example of new products on the market which, if they are ordered or if they are being produced in sufficient numbers, if there is sufficient demand for them, can be a worthwhile investment but without that demand the landscape is inevitably more challenging.

Q2 The Chair: Homes England has a policy, at least with the affordable

housing sector, of requiring the use of MMC as a condition of grant.

Michael Gove: Yes.

The Chair: Do you think that that has been insufficiently focused on the more advanced categories of MMC? It appears that companies can satisfy the seven categories of MMC by using the less challenging ones and avoiding the volumetric, larger, more advanced ones. Do you think that argues for some sort of further action on the part of your department?

Michael Gove: It is an open argument. Against those who would say that we need to be tighter in how we govern how the affordable homes programme is spent, would be the desire to ensure that the money is spent as quickly as possible to ensure the maximum delivery of affordable homes at a time when housing need is acute. It is also the case, I think, that we will see the revival or growth in MMC only when the private sector and the non-subsidised element of housebuilding grow at the rate that we would all like to see.

The Chair: Earl Russell has a question.

Q3 **Earl Russell:** Yes. Secretary of State, could I ask you about the MMC Taskforce? Specifically, why has it never met, to date? What has happened to the money that was invested in it? From your point of view, what is the future for the task force?

Michael Gove: I do not believe that a task force, per se, is necessary. A commitment to set up a task force was made under the last Prime Minister but two in March 2021 and there was a welcome interest in and focus on the sector from No. 10 at that time. Since then, changes—both of Prime Minister and of the ministerial personnel in the department for which I am now Secretary of State—have meant that other issues have loomed larger, but it is not the case that we have neglected the sector.

There are two things I would mention. First, there has been a greater degree of leadership demonstrated by individual firms and others within the sector, with the establishment of the Off-site Homes Alliance. There has been a greater level of grass-roots leadership.

Secondly—as the Chair mentioned—not only have we a mandate for Homes England within the affordable homes programme but we have done some things which, while I would never claim were momentous, I do believe help. So £15 million has been lent to TopHat, one of the actors in this field, and we also have a PAS—a publicly available standard, one of the means by which we make building standards more intelligible and easier for the industry—that has been broadly welcomed so far. But, again, the fundamental challenge here is that, while modern methods of construction can provide many advantages, for it to work we need to know that there is a pipeline of future demand for this particular style of building.

Finally—and I think this is a point that the Chair has made in other areas—an inquiry into the housebuilding sector is currently being

conducted by the Competition and Markets Authority and it may well be that that draws some conclusions that will inform this. Without criticising the main volume housebuilders, my observation is that they have pattern books and ways of operating with which they are comfortable and that means that some of the innovation here does not perhaps have the attractions for them that it might.

Earl Russell: To be clear, from your point of view, you do not particularly see the task force as the way forward to unlocking the future use of MMC?

Michael Gove: I do not believe that it is necessary in and of itself, but good people can differ.

Q4 **The Chair:** On an administrative matter, Homes England tells us it has a strategy for promoting MMC but when we asked for a copy of it, it said it was too difficult because it is distributed across a number of documents, which suggests that Homes England probably does not have a strategy, or at least not one it can set to music and present to the world at large. Has that been your experience when asking Homes England for its strategy?

Michael Gove: Just because it is spread across several documents does not mean it does not exist. The constitution of the United Kingdom is spread across several documents and yet—

The Chair: I was going to say that myself.

Michael Gove: We come from the same philosophical starting point. Again, it is a fair point to make that, of all the priorities that Homes England has, stimulating the sector is not in the top three. I think it is fair to say that. If the committee would want to make recommendations about why it might be, of course we would consider them, alongside other recommendations the committee might make.

The Chair: If there are no further questions on MMC, we might move on. Of course, we realise that the Government still have a few weeks' leeway in which to respond formally to the letter we wrote to them at the end of their inquiry. We look forward to that and it may result in further correspondence.

We come now to some questions on our more substantial recent report on the impact of environmental regulations on development, which you might want to know is being debated on the floor of the House on 19 April. That is a date that has been found for that. We will start with a question from Lord Mair.

Q5 **Lord Mair:** Secretary of State, during its inquiry, this committee heard that there is insufficient clarity from the Government on the balance between delivering housing and improving or safeguarding the environment, and that these two objectives seem to be viewed as being in competition. Can you clarify that position?

Michael Gove: I do not believe that they need to be in competition at all, but there are two things to say. The first is that if we are thinking about environmental regulation—whatever one thinks about the existing suite of regulation and the extent to which it is fit for purpose—environmental regulation, as your report quite clearly brings out, serves a variety of different ends: everything from species protection to the quality of water and air, to making sure that we can safeguard biodiversity.

In each of those areas, over time, both within the European Union and subsequently, different tools have been developed. There was a philosophy behind environmental regulation, which I sympathise with strongly, which is that one needs to have—as I think Richard Benwell shared with the committee—the principle of a backstop, because a justification for departing from environmental protection can always be provided and, ultimately, environmental protection can die a death by a thousand cuts. So it is important, even as we may wish to reform how we look at environmental protection, that we make sure that there is a strong network of law and regulation that flows from that and policing of government activity, as well as individual actors' activities.

In terms of housebuilding and the priority that we give to it, I would argue that we have been beating the drum for housebuilding and have delivered significantly more new homes, particularly in the last five or six years, than many people might be inclined to believe, given the broader commentary, but ultimately the balance between housing and environment depends on location.

One of the points that I have sought to make while in this job is that we can build much more, and much more intensively, in urban and brownfield areas in a way that is good for the environment overall, and that, if you have the right overall strategy, there is no necessary conflict between new homes and not just protection but enhancement of the environment.

Lord Mair: Are you saying that, apart from brownfield sites, there is still competition between the environment and delivering houses?

Michael Gove: I think it depends on the specific context and literally the specific landscape. Some sites outside urban areas where the environmental externalities, if any, will be low would be right and appropriate for development. Other areas, sites of special scientific interest, Ramsar sites and so on, where there are clear protections. Then, of course, there will be intermediary sites where housing or other development would lead to environmental externalities, but they can be captured through things such as biodiversity, net gain and other metrics.

Q6 **Lord Best:** I take your point, absolutely—brownfield first—but we are going to have to develop some greenfield sites as well. That is for sure. The environmental change, the measure that has made the biggest difference, is the moratorium on nutrient neutrality. Can you just tell us where we have got to? The House of Lords threw out option 1 for

achieving a change using mitigation rather than simply carrying on with the moratorium, and you did at one point promise legislation but that has gone on the back burner—or has it gone altogether? What is next?

Michael Gove: You are absolutely right, Lord Best. First, we sought to introduce an amendment in the Lords to the Levelling-up and Regeneration Act, and I can run through what our thinking was behind that if the committee would like. Of course, it was rejected in the Lords, and I understand why. I was keen that we should bring forward primary legislation but, in a congested King's Speech at the end of this parliamentary Session, we simply could not find time in our legislative timetable for it.

There are at least two very significant pieces of legislation that the department is responsible for, which your Lordships will have a chance to scrutinise—our Renters Reform Bill and the Leasehold and Freehold Reform Bill—as well as two other Bills that come from the department that are not to do with housing, the Holocaust Memorial Bill and the Economic Activity of Public Bodies (Overseas Matters) Bill, so there simply was not room in the bag. But that does not mean that we have been idle in this area. We have been working to ensure that we can provide more extensive mitigation, both to ensure that a market in mitigation can become more mature and using public money to help that.

Lord Best: Thank you very much. The housebuilders told us that what was at stake was 140,000 homes that would not be built. I do not know whether the department feels that was an exaggeration, as some people have told us, or whether that is the kind of measure that would actually happen in real life.

Michael Gove: It is difficult to be precise. We use the figure of around 100,000 because, again, with no disrespect to the HBF, we thought that it was better to be cautious in that estimate. The work that HBF has done reflects the direct experience of its members so there is no reason to believe that it is anything other than pretty robust, but we wanted to err on the side of caution.

Q7 **The Chair:** I am interested in whether government departments are working together or against each other on this. One example of how they appear to be working against each other—from my, sadly curtailed, time as a member of the Ebbsfleet Development Corporation Board—is the Swanscombe Peninsula. Your department—before your time—created a national planning policy statement promoting a resort there and Natural England then turns up and declares it is an SSSI several years into that development, when private sector money has been spent, and these things appear not to be co-ordinated in any sense at all.

You mentioned that the environmental regulation has a robust legal framework inherited from the European Union, with enforcement mechanisms and so forth. Is it not the case that housing will always lose out in this contest, precisely because there never has been European Union legislation mandating the building of houses or controlling the

planning system and, therefore, when it comes to the courts, Defra will always win and that is where it has been? The latest nutrient neutrality stuff is all driven by legal opinions derived from a European Court of Justice finding relating to a Dutch case. Even though we have left the European Union, that has been applied here, carried over by Natural England and applied with no reference to housing targets.

Michael Gove: There are a lot of very important points there. First, can I place on the record my thanks for the work that you did at the Ebbsfleet Development Corporation Board? Thank you.

The first point to make is that Natural England is an arm's-length body. Defra is the sponsor. By definition, Natural England, while some of its activities—I know because I was a Defra Minister—happen at the behest and the direction of Ministers, also has a specific set of statutory responsibilities. Natural England will take legal advice on whether or not it should act in certain areas, whether it should designate certain landscapes, whether it should, as in the case of the nutrient neutrality rules, say that the condition of a particular catchment requires particular steps to be taken.

I even remember, much to my discomfort, Natural England changing some of the rules on general licences for shooting. I was very unhappy with the decision, but I respected the integrity of that body. Natural England's role is different from the role that Defra Ministers play. Defra Ministers—I have to praise the new Secretary of State, Steve Barclay—have worked very hard to try to help here and it is the case that recently in a number of locations, in Poole, in Stodmarsh in Kent and elsewhere, he has moved to ensure that we can take the steps necessary to promote development.

On your broad point, it is the case that we have housing targets, which bite even though we have sought through the new NPPF to make it easier for plans to be developed. If local authorities fail their housing delivery test, if they do not have plans in place, there are sanctions and we have sharpened them. Therefore, it is not the case that there is no parallel government mechanism to encourage and facilitate housebuilding. There are both the lower and upper sets of teeth to make sure that things happen. One can argue that one set might be sharper than the other, but they both exist.

Q8 **Baroness Eaton:** One of the natural concerns that people have on the back of the whole issue of nutrient neutrality is that other issues could arise: air pollution, recreational impact, and so on. People worry that there might be moratoria arising because of them. Could you tell us what you are doing so that that does not happen, ensuring that we do not have those situations again?

Michael Gove: Well, there are three things. The first is that Natural England will look and take legal opinion. It is open to Parliament, and obviously to the Government, as the principal generator of legislation, to change legislation here. But, as we saw with our attempt to change the

position on nutrient neutrality, we have to be canny. We have to tread carefully because we do not want to have either the accusation or the reality of genuine environmental degradation.

So you and I can agree—I think we do—that the current application of neutral neutrality rules is inflexible. It hits development and it does not deal effectively with the real problem, which is with water companies and with some farming practices. To get to the right outcome there, it is tough going and, as the Chair quite rightly pointed out, other European countries are having a tougher time in this area. We have the freedom outside the European Union to change that but, in the broad debate about how we can improve environmental regulation, it is sometimes the case that people accuse the Government of using any change to water down protection.

When Liz Truss was Prime Minister, she floated some interesting ideas about how things might change. They were at a very broad level. There was no opportunity to look at the close detail of what Liz might or might not have wanted to do, but there was a strong backlash from a variety of organisations—many of which I have worked with, and all of which I respect—because they feared that this would be the Trojan horse for reduction.

I do think we need to look at the direct application of these regulations, think about how we can improve them and, where we can, make the case, and we have to demonstrate good faith in doing so. I think the approach that we are taking towards environmental outcome reports shows that, where we can move away from an overly bureaucratic process towards a simpler process, the Government will. We are often accused of acting in bad faith. I think that is profoundly unfair, given the Government's record on the environment, but it is a political reality that we have to grapple with.

Baroness Eaton: Communication and anticipation obviously have to play into that, do they not?

Michael Gove: Absolutely.

Baroness Eaton: Thank you.

Q9 **Baroness Thornhill:** I want to pick up on something the Secretary of State said on urban versus rural, if he does not mind. I am absolutely clear that the Government want to concentrate development in urban areas, even though I also understand the consequences of suddenly having to accept 28-storey buildings in your town centre, and so on. What I am also concerned about is giving a message to rural communities that they do not count any more, because you know better than anyone that housing in rural areas is a big issue, affordability in rural areas—all those problems are well evidenced and documented.

There seem to be plenty of solutions around. There does not seem to be a long-term strategy for actually getting hold of what is happening in our villages and small towns. I feel that the current rhetoric of "It should all

happen in towns” might let off authorities which are in rural areas from stopping that village from declining by just accepting a dozen houses on the outskirts of the village, and I particularly wonder what your thoughts are on rural exception sites. There is not a lot of take-up on that, yet that is obviously an answer to some of those villages surviving.

Michael Gove: Yes. I think you make a very, very important point. The first reason for thinking about cities first is that, both environmentally and economically, it makes sense to have more development in cities to densify them. The argument that we have made is that if you look at our cities, overall they occupy far more space per head of population than European cities do. That means that everything from commuting times through to the agglomeration effect that comes from having talented people working close together is worse for us in other cities outside London than in comparable European jurisdictions So for the environment and for growth and for opportunities for young people, it is a good thing.

You are also right that we need more homes—particularly affordable homes—in rural areas. One thing we want to do is to ensure that, whether through rural exception sites, community land trusts, or the requirement in the NPPF for local authorities to find more small sites, there is room both for the organic growth of villages and small settlements and for more opportunities for smaller artisan builders, and we think that is a double benefit. It is also the case that if local authorities are not fulfilling their responsibilities, we take action.

One of the local authorities that has been most conspicuously failing in its planning responsibilities is Uttlesford. We have been very clear with Uttlesford that that is not acceptable. Uttlesford contains the beautiful historic town of Saffron Walden, but it is primarily a district with very attractive villages in it that need housing growth.

Q10 **The Chair:** And a very large airport—not to be missed. As a follow up, Secretary of State, you mentioned small builders, artisan builders, and so forth. The evidence we have heard is that the nutrient neutrality regulations in particular are having a devastating effect on small builders which are located in the areas where the moratorium applies because they cannot easily diversify. If you are a traditional, family-owned Gloucestershire builder you cannot suddenly spring up in Northamptonshire or somewhere in a way that the large national housebuilding companies can reallocate resources, to some extent at least.

If this figure is correct, we note that over the last 20 years, the number of new homes built by small builders has fallen from 40% of the total to close to 10%, so we are close to extinction for the small building sector, despite the valuable contribution that in principle they are able to make. Do you take cognisance of this, and does it give you cause for concern that it might be one of the outcomes of the policies the Government are pursuing?

Michael Gove: Yes, it does. That is one of the reasons why I asked the CMA to conduct an inquiry—not because I wanted to hit anyone over the head or have the CMA hit anyone over the head, but precisely because I was concerned about the variety of factors that have led to a reduction in the number of small and medium-sized enterprise builders in the sector. I think there are a host of factors.

After the downturn following the 2008 crash, there was a significant fall-off. But you are broadly right. If you have a big capital pool, if you have lots of sites, if you are a big-volume builder, you are automatically going to be more resilient, automatically going to be able to pay more for the sorts of people who can help you through the planning system and, as you quite rightly point out, automatically more able to find mitigation sites and to pay for them. That is one reason why I was so keen that we tackle the nutrient neutrality moratorium through primary legislation, and it is one reason why we have made money available to local authorities and why working with Defra in some areas, as I mentioned—Poole, Stodmarsh and others—we have taken steps to help.

Finally on this, I had a lot of sympathy with a very good builder, CG Fry & Son, based in the West Country, that has historically built to an incredibly high standard. It played a role in Poundbury and elsewhere. Fry was concerned that nutrient neutrality considerations were being applied at the reserved matters stage of the planning process when they might properly have been considered earlier.

The law took its course—and we have to respect the law—but that case made me think that we should tackle this. It reinforced my view that we should tackle this problem because, as I say, the builders of which I was aware, which produced things to exceptionally high quality, which was precisely the sort of model artisan builder that one would want to see flourish, was being hit by this in a way that I felt we needed to address.

The Chair: We noted this. We thought it was somewhat legally dubious of some local authorities to introduce nutrient neutrality at reserved matters stage. Do I understand from that answer that you have prevented or stopped that now from happening?

Michael Gove: No. It was precisely because this was a case: Fry was taking Somerset to court. Looking at that case, irrespective of the wisdom or rightness of introducing the issue at reserved matters stage, I looked more closely—we were already considering nutrient neutrality—and I thought, “These people are being thwarted here. I would like to change the law in order to help them, and others of course, but it is only by changing the law that I believe that we can do that”, because the courts found against Fry in favour of the ability to introduce reserved matters.

There is a lively debate within legal circles about whether or not that judgment is correct, and there have been some very authoritative planning silks—people such as Charles Banner KC—who have argued that the reasoning in that judgment was wrong. I do not have the planning

law expertise to deliberate on that, but what I want to do is to try to cut the Gordian knot.

The Chair: Do you propose to do that in the foreseeable future?

Michael Gove: Well, when the Government are re-elected later this year, then, whether I am in the Government or on the Back Benches, I will be agitating for the introduction of legislative means to improve things.

The Chair: My Lords, you may have heard the Conservative Party's first manifesto commitment. We will just park that there. I should say I had not realised there was possibly a live case, so I should withdraw my extremely ill-qualified legal opinion about the reliability of—

Michael Gove: I do not think it is a live case any more.¹

The Chair: Oh, that is all right, so it is not a live case?

Michael Gove: No, you can reinstate it.

The Chair: The policy was also in a written statement. It is not a live case, so I can have any legal opinion I like about the finding of the court.

If there are no further questions on our report on this topic, since you mentioned housing targets we thought we might move on to ask some questions on that subject as well. The first one is going to come from Lord Mawson.

Q11 **Lord Mawson:** Secretary of State, there are three parts to my question. When will you successfully deliver 300,000 homes and why has this target not been reached? That is number one. Number two is that last week I was speaking to a director of one of our largest housebuilders. He told me that they normally buy 120 sites a year. He told me they bought none at all last year. Why do you think that is and what are the implications of that? Thirdly, our witnesses agreed with the Office for Environmental Protection that the Government are not on track to meet their environmental obligations. Do the Government recognise this?

Michael Gove: Yes, let me try to answer all three. When do we expect to meet it? I would hope that we meet it in the next Parliament or certainly when interest rates get back to a more normal level. The principal cause of the slowdown in the housing market has been inflation and interest rate rises, and you can see that across the developed world. The situation might be slightly worse or slightly better in comparable economies, but the big reason has been accessing mortgage finance, the cost of materials, tightness in the labour market—all the different manifestations of either causes or symptoms of inflation. That has been the big blocker, as it were.

Now, one can always improve the planning system and I believe that our _____ changes to the NPPF will do that because they will most strongly

¹ CG Fry & Son Ltd v Secretary of State for Levelling Up, Housing and Communities and Somerset Council will be heard at the Court of Appeal on 19 March 2024.

incentivise plan-making, and it is local authorities with plans that deliver more homes. That is an arguable case, but I strongly believe that is so.

Even before the changes that we made to the NPPF, even with a number of local authorities not having plans in place, it was the case that we were getting closer and closer to that target. In the 1990s we were building around 150,000 houses a year and then, between 2000 and 2015, it broadly went up. Obviously, there was a dip after 2008. Net additions were around 200,000. Since 2016—to choose a particularly significant year—we have had more than 200,000 every year and the four highest years for housing delivery in the last 30 years. It is not enough, but it is important to recognise that we were on an upward curve before Covid, the war in Ukraine and the other factors that have hit inflation.

To your second point: why might a developer not be taking forward sites? Again, a number have, and a number are, but different developers will face different challenges. It may well be that the build-out rate overall, in order for a VAT developer to maintain the business model that they have, would mean that it already has enough sites and building out at a particular rate on those sites is the right thing to do in terms of the shareholders and investors in that company. Without knowing or without looking at its balance sheet, I could not be sure.

On your point about the Office for Environmental Protection, I think the OEP is right to say that we may not meet all our environmental targets at the moment but it also, in a balanced scorecard, indicated that there were some areas where we had made real progress. Again, while it is right that we are held to an objective standard by the OEP, it is also right for us to look at how elsewhere in Europe, for example, some progress on environmental protection may be going into reverse. If one looks, for example, at what President Macron said last week in the wake of farmers' disputes, it is likely to be the case that the European Union—and certainly France—will be going slower than us in environmental enhancement in the months ahead.

Q12 Lord Mawson: Can I just come back? As we listened to the evidence, the overriding impression of our recent inquiry was of fragmentation, a lack of joined-up working across government departments, machinery of government not really fit for purpose and very little real learning going on. Do you think it has anything to do with that, the present housing situation?

Michael Gove: No. I do not, no. To take a case in point, Defra, the department that will obviously have environmental protection at its heart, in all my recent conversations with the Secretary of State for Defra, we have been talking about how we can increase housing numbers. First, he has been very helpful in dealing with the nutrient neutrality problem within the constraints that we all have. Secondly, he has been very energetic in making sure that we can extend permitted development rights in rural areas, because he wants to make sure that agricultural buildings or other sites can be used more appropriately for housing or, indeed, for commercial activity. He has been very energetic in that.

I would also cite the work that we have been doing in Leeds, where the Department for Culture, Media and Sport has been supporting us in calling for anchor investments—such as British Library North—to go ahead so that housing around there can flow. In Cambridge, where the Department for Transport, Defra, the Department for Education and others have been helping us develop ambitious plans for additional housing. So, by definition, you will always find in government that you sometimes have to arbitrate between competing interests and the Prime Minister and the Chancellor will decide but, overall, I have found in this role that other government departments have been nothing but helpful.

Q13 The Chair: There is a two-part follow-up to that. This first question might be slightly semantic, but do you regard the 300,000 figure as a target or merely a sort of aspiration and, in that light, how is it arrived at? I note that this week the Office for National Statistics is forecasting that the population of Britain is going to grow by 9.9% between 2021 and 2036. That is nearly all from projected immigration rather than a natural demographic increase. I do not know whether that figure came as a surprise to you or not, to your department, to your officials, but to what extent will that lead to an adjustment in any target the Government should be setting?

Michael Gove: The target-setting process is, like so many things, complex. First, there is a process by which we arrive at what is considered to be the appropriate number of houses within each particular local authority area, and this process, the standard method, involves both population projections and calculations about affordability. In the past, the way in which those numbers have been calculated has been criticised. The phrase “mutant algorithm” was used to describe the process, but we have to find a way—as long as we have a plan-led system, there are alternatives—of trying to work out what we would say was the indicative number of homes for which a local authority should plan.

In a plan-led system the local authority can of course push back, produce alternative evidence, and say, “We actually think that we should build more or fewer”, depending. The NPPF helpfully clarifies those areas where a local authority can say, “We actually think that the calculated number, whatever the methodology, is not right for this location”.

Not quite by coincidence, the numbers that the standard method argues that we should produce come to around 300,000. Separately, the Conservative Party committed in its last manifesto to 300,000. These two numbers are often thought of as interchangeable, entirely understandably, but our 300,000 home manifesto commitment was a commitment. Like our commitment to increasing the number of police officers, it was a target that we were setting ourselves as a Government to achieve, using all the tools at our disposal. We have not met it, for the reasons that we have discussed, but we aim to. I would argue the principal reason why we have not is inflation. Others might take issue with that. We do, however—and you are right—recognise that most informed critics are concerned that even 300,000 new homes a year would not be enough to deal with additional demand.

I have made the point—not particularly loudly, but I hope clearly—that we cannot have levels of net migration at the levels that we have had recently without such pressure on housing, that it would be very, very difficult to meet and, therefore, even as we need to increase the number of homes, we also need to reduce net migration. This is a conversation for another day. I think that the steps that the Government are taking have and will do that, but it is a live debate about whether or not this 300,000 figure could or should be revisited in the next Parliament.

The Chair: Thank you very much. We have some questions about how the department manages its budgets and spending in this area. I turn to Lord Faulkner of Worcester.

Q14 **Lord Faulkner of Worcester:** Secretary of State, can I ask about the affordable homes programme and particularly why your department is still unable to spend the full allocation?

Michael Gove: In essence, the answer here is very similar to the answer about 300,000. You can lead a horse to water. You can provide pump-priming, but if there are a number of factors that make construction and building more difficult: if costs have risen as a result of the increase in the price of materials, if there is a shortage of skills, if there is a tight labour market in construction, the capacity to increase the number of homes reduces.

Housing associations, often our partners in the affordable homes programme, are facing a variety of pressures. Not only in many cases do they have to maintain and improve housing stock that is reaching the end of its natural life, deal with damp and mould and improve safety for residents, but they have to retrofit for energy efficiency. They also have to—and they have recently—keep rents at a level slightly below what they would otherwise charge in ordinary terms in order to help people through the cost of living crisis.

The majority of it comes down to inflation, but one thing that I have sought to do with the team in the department is to say, “Are we as efficient as we should be in the allocation of funds?” One of the things that I asked the lead non-executive director of the department, Alison Nimmo, to do a little while back is to look across the range of all the funds that we have, the housing infrastructure fund, the brownfield investment fund and so on, and ask: are they all optimised for the delivery of the right homes in the right places?

Lord Faulkner of Worcester: But there is no diminution in your determination to use the affordable homes programme?

Michael Gove: Absolutely not. To be fair, the Treasury has allowed us—it does not always do this with departments—to reprofile some of that spending and say, “Okay, you may not be spending it now, but you will be able to spend it in the future”. Joanna is a former Treasury official. The Treasury has a tendency, whenever there is an underspend, to claw it back. On this occasion, while it has clawed a little bit of it back, it has

also allowed us future flexibility. It is also the case that in the natural process, running up to a Budget, I will make representations and you can infer that I will be making strong representations about future spending in this area.

The Chair: Lady Cohen of Pimlico—Janet—may I make a small administrative announcement, with an apology? We are expecting a Division in the House of Lords, believe it or not, on the Automated Vehicles Bill—which is a subject that grips us all—in the next hour or so. It is possible there will not be a Division but if there is I do not want people to be surprised that we will have to suspend for about 10 minutes while Peers go and cast their vote. I wanted to apologise in advance for any discombobulation to our witnesses that this might cause if you hear the Bells ringing. We have now started the debate on that, I see, in the Lords, so it is possible the Division could happen in the next hour before we finish. I am sorry for interrupting you, Lady Cohen of Pimlico.

Q15 **Baroness Cohen of Pimlico:** Not at all. As a sort of supplement to programme underspend, how did we manage not to spend two-thirds of the housing infrastructure fund?

Michael Gove: Here I think there is a bigger issue. My view about the housing infrastructure fund is that we overcommitted it and that there were a number of projects that we should not necessarily have backed that we said we were going to back, and I think there are flaws in the design of HIF that I have asked the team to look at. It can be, and has been in some areas, extremely valuable in unlocking development, but of all our programmes, I think this is one that is more poorly designed.

Q16 **Baroness Cohen of Pimlico:** The other thing that rather dazzled me—I am an ex civil servant, I do not think I met a situation where the Treasury had taken away the delegated spending powers. What have you been doing to cause the Treasury to do that?

Michael Gove: Trying to spend more money on levelling up, housing and other projects. The Chief Secretary to the Treasury felt that I was being too energetic, determined and committed to spending money on levelling-up projects and he thought that the right thing to do would be to ensure that he could curb my enthusiasm.

Baroness Cohen of Pimlico: Oh, like that?

The Chair: Is there any date on which it is likely that normal service will be resumed?

Michael Gove: Having gently remonstrated with me on my enthusiasm, normal working service was resumed, and generally it has been the case that, even though the delegation has not been restored, that for which we have sought permission, we have secured permission. But I hope I might be out of the maison du chien by Budget time.

The Chair: By Budget time?

Michael Gove: I hope.

The Chair: I think Lord Hanworth had a question.

Q17 **Viscount Hanworth:** Yes. The question of affordability has been raised. Might I ask the Secretary of State to clarify two of the Government's programmes and how they intersect? The first is the affordable homes programme and the second is the Help to Buy programme. It seems to me that, whereas the first of these is intended to increase supply, the second, at least as originally proposed, would have stimulated demand, thereby increasing prices and making houses less affordable. How is this conundrum resolved in your mind?

Michael Gove: One thing about the Help to Buy programme—and it had many critics but also many supporters and beneficiaries—is that it did also help to increase demand. I think many of the major developers would have said that Help to Buy helped to stimulate supply, as well as stimulating demand, obviously, but Help to Buy was aimed at one segment of the market.

I think that it is right to say that the affordable homes programme is there partly, of course, to make sure that you could have shared ownership and other homes. That may also overlap with some of the families and individuals who have benefited from Help to Buy. It is also the case that the affordable homes programme is increasingly tilted towards the provision of more homes for social rent. I have deliberately said to Ministers that that should be our priority.

I think that Help to Buy was a success and earned money for the taxpayer as well. Again, the principal critique, entirely understandably, is that if you have an intervention on the demand side and that you do not also take steps to improve the supply side, it will have an inflationary effect, yes.

Viscount Hanworth: The Help to Buy programme—at least in my perception—was rapidly modified. Can you comment on that?

Michael Gove: Yes, I think it went through a number of evolutions and changes, but I do not know, Joanna, having been in the Treasury, whether there is anything more that you would want to say about it. As I say, the Help to Buy programme emphatically helped to stimulate an increased supply of houses from a variety of developers.

Joanna Key: That is right. Something like Help to Buy has been around for some years now and it has gone through different iterations. I think the one that finished in March last year was the third iteration of Help to Buy and some of them have been focused entirely on new-build, for example, so there have been different rules and things that have applied to them over the years.

Viscount Hanworth: Would it be right to suggest that whereas at inception it was stimulating demand hugely, it has now moved towards stimulating supply somewhat more?

Joanna Key: That has definitely been the intention, exactly.

Viscount Hanworth: It seems that in the first instance it was somewhat, if I may say so, misconceived.

Joanna Key: I do not think it was misconceived. As with all these things, you develop, evolve and improve them over time. That has definitely been a criticism of previous iterations of the scheme that we sought to correct.

Michael Gove: The other thing that I would say is that the housing market, like all markets, is a system and there is a variety of different levers, interventions and pressures. I think all of us would want to make it easier for young people to secure access to mortgage finance. The easier it is, the more demand for new houses there will be. That places a responsibility on us to free up or to improve the supply side at the same time, but simply because something will increase demand for housing, or make it easier for people to get the finance required, that is, in and of itself, not a bad thing.

One of the other challenges that we have is that, particularly over the last two decades, housing overall has become a very attractive investment asset for a variety of people, particularly in London. The price has been bid up not because you have householder A and family B competing for the house, but because you have had investment fund C or overseas investor D competing for that property as well. My own view is that we need to look at ways in which we can deal with that question without killing the goose that lays the golden eggs.

Viscount Hanworth: That indeed seems to have been a major factor. Thank you.

Q18 **Lord Bailey of Paddington:** Good afternoon, Secretary of State. When we talk about undersupply and underspend, London generously receives almost more than half of all grants to help provide social rented accommodation. Are you concerned that the Mayor of London has not built a single home using that money when you are two and a half years into that programme?

Michael Gove: I am deeply concerned, Lord Bailey. You are absolutely right to draw attention to some of the weaknesses in delivery.

The first thing to say is that, if we look at housing targets as they cover regions, the region of the country that has performed worst against targets, in terms of new housing—and that includes delivery of social housing—is London. The area that has performed best is the West Midlands and of course that area has a Conservative mayor.

During the time that we had a Conservative mayor in London, we had very healthy housing delivery numbers, including affordable housing. Those numbers have not been matched by that Conservative mayor's successor, the current Labour mayor. Some local authorities are working incredibly hard to try to deliver appropriate housing, but they are not

helped by the mayor's London Plan. I have sat in hours of meetings with developers concerned about the way in which the London Plan operates and about killing the goose that lays the golden eggs.

There is also concern that sometimes there is a performative element to the mayor's requirement for a certain percentage of social or affordable homes to be delivered, in that the mayor knows—or certainly he should know—that by asking for so much he makes development unviable; the development does not go ahead that might have gone ahead and so there are no homes at all, never mind social homes.

Lord Bailey of Paddington: Is there anything that the Government could do, your department could do, to help councils then deliver? A big part of the delivery in London has been through councils. Look at Tower Hamlets or Barking—they have been very active, let us use those words. For instance, am I right in saying that you do not let them keep 100% of the right-to-buy receipts? Could that be changed?

Michael Gove: Yes, this year we have allowed local authorities to keep—

Lord Bailey of Paddington: Can I just add the word “permanently”?

Michael Gove: No, you are absolutely right. It is the permanent thing. I would like to move more in that direction but, as ever, there is a balance because the Treasury takes a slice, and I would like that Treasury slice to go to the local authorities to encourage them to build more. You are absolutely right.

There is also more that we can do to help those borrowers who want to do the right thing and that is why I asked Christopher Katkowski KC, and others, to look at the London Plan and make recommendations to me and to the mayor about how it could improve. I completely agree with you that if we were able to make permanent 100% retention of right-to-buy receipts that would definitely help.

Q19 **Lord Bailey of Paddington:** Will you relax the grant rules for the affordable homes programme to help support estate regeneration because much of the London stock is hideously old—to use a term that a councillor used to me a few days ago? Could you make that change as well?

Michael Gove: Yes, and you are absolutely right. In the, I think, 2015 Conservative manifesto, there was a commitment to estate regeneration. Sadly, we did not follow through in the way that we might have done. I am very keen that we do so and my colleague Lee Rowley, who is the Minister of State, is looking now at everything we can do to promote estate regeneration, using all the tools available.

Joanna Key: Could I just add one thing? We have just made a recent change to the affordable homes programme, so that actually you can do replacement stock through something like estate regen under the AHP when in the past you could not do that. We have made that change recently.

Q20 Lord Bailey of Paddington: Chair, maybe I should declare an interest that I chair housing in the London Assembly, just to put that on the table. That is why I have a slight bias toward London.

Finally, could your department do anything more to help deliver homes, particularly in London and the south-east? It is very difficult down there because of interest rates and ridiculous land values. I have been speaking to councils directly and they all talk about having more flexibility around the grant they give and more clarity from the Government. The mayor would also argue—and I think unfortunately he may have a point here—that there is a lack of clarity over the two-staircase thing. He would suggest it is holding up 34,000 homes. Is there something the Government could do to end that situation pretty speedily?

Michael Gove: On your funding point, which I think is fair, there is always a balance between learning the lessons from the Grenfell tragedy—and I know it is a community that you know better than anyone—and ensuring that we honour the memory of those who lost their lives by improving building safety. That is critical. We are doing that with the Building Safety Regulator, I hope, being able to provide exactly the right level of clarity for the future now. I recognise that there has been some uncertainty for a period and that has been an issue, absolutely, but I think we will get to the right point.

I am always happy to look at a greater degree of flexibility in grant funding. I was talking to the chief executive of Enfield Council about precisely that yesterday.

Overall, there are several things that we can do. In a speech that I gave in July last year, I outlined some of the steps that we are now taking to look at how the London Plan can be improved. I hope that we will be saying more in coming weeks about how we can help, particularly in London but also in other urban areas in the south-east, to make it easier to deliver more housing.

Lord Bailey of Paddington: My final question—

The Chair: Another final?

Lord Bailey of Paddington: It is the final final.

The Chair: Yes, all right, the really final. There are others still—

Lord Bailey of Paddington: A number of London boroughs—Barking, Dagenham and Tower Hamlets—would love for you to come and see what they are doing, and they bid me to ask you that question.

Michael Gove: I was due to visit Barking and Dagenham earlier in the year but was not able to and I would very much like to, yes.

Lord Bailey of Paddington: Thank you.

The Chair: Still on the question of housing numbers, particularly affordable housing, Lord Best.

Q21 Lord Best: Yes, I think you are absolutely right to make the available funding available for the regeneration of our existing stock. The only trouble is that it is the same amount of money so the more we do of that, the less there is available for new-build. I am wondering whether you have an aspiration, never mind a target. Of the 300,000 homes overall, what proportion might be affordable housing? You made the point—and I was delighted to hear you say it—that you would give special emphasis to social renting, but do we have any feel for, within the 300,000, how much might be affordable and how much might be social rent?

Michael Gove: It is not a formal commitment but I have said that we need to aim to have a net addition of 30,000 homes for social rent every year. Some might say that 10% of 300,000 is unambitious, but it is an aspiration. It would certainly be the case that advocates in this area—Shelter and other organisations—would say it should be at least three times that, but it is helpful overall.

Again, without wanting to editorialise too much, in the past Conservatives have been perceived as somehow opposed to the very idea of socially rented homes, council houses or however you might define them. That is not true at all. We need to make sure that there is a healthy stock of high-quality homes for social rent, simply to provide people at the lower end of the socioeconomic spectrum with a warm, decent and safe place to live, and also to ensure that people can accumulate the savings required to subsequently put down a deposit as appropriate. In broad terms, supporting home ownership as an aspiration overall is consistent with saying that there should be a good stock of socially rented homes as well.

The Chair: Moving on now, Secretary of State, to another inquiry that we have carried out in the last year or two, into short-term lettings and their effects on housing supply, particularly in those areas where it is felt most acutely, often in the centres of cities and attractive tourist destinations. We have a question from Lady Cohen of Pimlico.

Q22 Baroness Cohen of Pimlico: I am a bit puzzled by short-term lettings because, clearly, holiday rentals deeply damage local people because they take houses that local people might otherwise live in permanently. Since the principal interest around the table here is housing, I wanted to have a go at this.

The Government have not taken a great deal of interest in it. It was not included in the planning announcements at Christmas and the Government have not responded to the consultation on short-term lettings, which closed last summer.

If the Government decided that short-term lettings were important and a barrier to all sorts of things, what effect would banning all short-term lettings have? Would we get a large and useful amount of housing back into action and away from the holiday market, or not? Does anybody have any idea, if we changed the whole thing, what numbers we would end up with in permanent housing?

The Chair: If I could help there, the question is—and I hope I reflect this

correctly—that the Government have said that they intend to do something. Whatever the something is, which we do not know, can you assess its effect on returning or preventing the loss of homes in particular areas? I grant you, and I am happy to make the point, that of course local communities in tourist areas benefit from tourists. There is some balance. Tourists need places to stay as well because local businesses depend on that trade and need tourists to buy their wares. But does the department have a plan and has it assessed the effect of the plan? That interests us.

Michael Gove: We have given and our colleagues in DCMS have given a lot of thought to this issue. It is a growing issue. The number of homes used for short-term letting, thanks to the growth of platforms such as Airbnb, has significantly increased. We do not know precisely by what level. There is a variety of different data points. But that is why DCMS has been consulting on a register of short-term lets.

It is not just anecdotal. It is obvious. More short-term letting is going on in South Hams in Devon than in Worksop and Ilkeston. It is a factor. We certainly know a lot more goes on in places such as London, Bath, York, Edinburgh, and so on. We want to be in a position to better understand.

The idea behind both registration and some of the changes we have proposed, including creating a new use class for short-term lets, is to allow local authorities better to regulate the growth in this market. Again, one issue is the interaction between a property's designation and whether it is a business eligible for business rates relief or a home on which council tax is paid.

I do not want to eliminate altogether the idea of short-term lets because, as the Chair quite rightly points out, having a mix of tenures and a mix of housing types in particular locations can help the tourist economy. It can also help people make more efficient use of the housing stock and it can help bring money into that area.

But, unchecked, the system incentivises people to use their homes for short-term holiday lets, which undermines local hotels and B&Bs and also reduces, as you quite rightly point out, the stock of housing for the local people who work in the pubs, act as doctors and give that community life.

We will say more shortly in response to that consultation. A legitimate conclusion is that because we have not said more publicly, we have not been thinking hard about this. I can entirely understand why you have drawn that conclusion. I hope that when we come forward with our proposals, whether or not you think they are wise, you will see that we have been thinking hard about these questions.

The Chair: We have a couple more contributions on this topic from Lord Faulkner of Worcester first and then Lady Thornhill.

Lord Faulkner of Worcester: Yes. That was an interesting answer,

Secretary of State. To be clear, you will not oppose local authorities choosing to make Airbnb, for example, illegal in their area because of the effect on the town centre or the village centre?

Michael Gove: It would not be illegal per se. For the sake of argument, if a use class is introduced and if some changes are brought in—I do not want to pre-empt things—and if I already let a property and already have to register, under this new use class I could say it is a short-term holiday let. Fine. I might then be eligible for business rates but it would be an existing business. In an area, we could then have the local authority use this new power to prevent more homes from going in this direction. It would stop the incoming tide rather than reverse it.

Baroness Thornhill: The Secretary of State has partly answered my question. That distinction is important. It will stop the incoming tide but you know that already communities have been hollowed out by this practice. If it will always be more lucrative for people, they will always do it. Can we incentivise a return to having regular local people renting for several years, given that more people will rent for longer?

All I hear is, “Local authorities will do more”. I am fearful for their ability to enforce. Registering of itself will not stop this. We need more people on the ground and that does not seem to be happening.

Michael Gove: Those are two important points. I say again that short-term or holiday lets will have to be registered if they are let out for more than 90 or 60 or 30 nights—there is debate about that. The efficient use of homes and so on gives some element of flexibility. But purely for the sake of argument, if you went over the threshold of 90 and you had to register, some people who may well avail themselves of Airbnb will not want to register because then, as you quite rightly point out, they become open to local authority enforcement.

The other limb of that policy would be making sure that local authorities have the resources to enforce. We are looking at that in the department and discussing it with the Treasury as well.

The Chair: On that topic, my principal job here is to keep an eye on the clock and the Secretary of State has been extremely generous with his time. We have a couple of other topics to cover so I will take one brief question from Earl Russell on short-term lets and then move on to this very question of local authority enforcement. First, Earl Russell, who has been trying to get in.

Q23 **Earl Russell:** Briefly, Secretary of State, I appreciate the answers you have given. What has stopped your department bringing forward a register of short-term lets? Do you plan to bring that in in the near future?

Michael Gove: The Government have consulted on that and will bring forward an announcement. There have been many, many responses to the consultation. The lead department on this, because it is deemed a tourism matter, is DCMS. We are working together on the eventual

conclusion and when it will be announced, but I hope it will be within the next couple of months.

The Chair: Moving on now, Secretary of State, to local planning authorities and their activities, we have an opening question from Lady Janke.

Q24 **Baroness Janke:** Good afternoon, Secretary of State. The cuts to local government in recent years have hit planning departments hard and it is good to see that some money is going in. First, how do you propose to evaluate the impact of the additional funding?

Secondly, RTPI research shows that 80% of planning departments do not have the staff to meet their workload demands. How do you plan to help the recruitment and retention of planners, many of whom have moved to the private sector, where salaries are significantly higher?

The Chair: To be fair, this is an issue we have come up against in practically every inquiry we have conducted since the committee was established three years ago.

Michael Gove: All the points you make are important. First, we have increased the amount that we make available to local authorities specifically for enhancing their planning departments through the planning delivery grant. It has been one of the most oversubscribed funds that we have dedicated. There is always a tension for any Government between providing additional funding for a specific purpose for local government and not seeking to fetter the discretion of local government in response to local demands. But this money is clearly there for that purpose.

Secondly, we have increased planning fees. We do not want to increase them overly but we have increased them. We have also made it clear that statutory consultees and others can have their fee arrangements changed in order to put more money into the system.

How will we monitor it? We have outlined that we will have not just league tables showing how well local authorities are doing—and they already exist on the housing delivery test is met—but more honest league tables. One point that has been drawn to my attention is that some local authorities use things such as the extension of time agreements to mask their performance. We will shine a more pitiless light on local authority performance to see which of them perform well.

However, also in fairness, I will say two other things. First, I have heard from people within the profession that they feel that the profession has been denigrated or underappreciated. In so far as I can do anything as an individual with the words that I utter, I stress how important planning is. I gave a speech just before Christmas outlining some of the reasons why it is so important. Sometimes in some local authorities the expertise of planners is not always appreciated, and I want to change that.

Secondly, the committee itself drew attention to the fact that some local authorities, such as Warwickshire, have played a role in seeking to ensure that a reservoir of deep expertise can help. The committee pointed out that Warwickshire has a team of ecologists that can help to navigate some of these challenges. Again, I have asked that we set up a team—a so-called super squad—of planners, ecologists, archaeologists, lawyers and so on to help local authorities deal particularly with major projects in areas that do not have the delivery they should.

Q25 **Baroness Janke:** Thank you. The 2020 White Paper Planning for the Future promised to produce “a comprehensive resources and skills strategy”, but this has not yet been published. What plans are there for publishing this and how will it be adequately resourced?

Michael Gove: We have increased resource. Whether or not it is adequate—

Baroness Janke: The sums are quite small considering the number of local authorities.

Michael Gove: It is fair to say that every little helps. However, I appreciate that local government expenditure has many calls on it, adult and children’s social care particularly, but we have prioritised planning for additional support.

Also, we have been working with the RTPi and others to ensure that our approach towards skills and education in this area will encourage more people into the profession and enhance the delivery of a pipeline of skilled planners overall.

Yes, more can be done. We have not published a formal strategy on this, but bursaries are available. We want to make sure that we do everything possible to make it clear that in a plan-led system, the role of planners is central. All the issues that this committee has rightly addressed on reconciling the need for new homes with environmental protection can be resolved only by having expertise within the profession.

Baroness Janke: Will a comprehensive plan be produced, as it says in the White Paper, and when?

Michael Gove: I argue that it is better to act and get the right results than to have a beautiful plan that is not acted upon. However, it is entirely fair to ask whether we can bring all our actions together, make it clear how we will hold ourselves accountable for improvement and also show how we support the profession to change. That is a fair challenge and we will come back before this committee with such an outline.

The Chair: Following up on that, Secretary of State, we have heard that small builders have a particular challenge dealing with the planning system and local planning authorities. While it might be tempting—and I understand this—for the additional resources supplied to be directed at facilitating large developments, will you try to preserve and sustain smaller developers by making access to the planning system easier and

cheaper by using those resources as well?

Michael Gove: I hope that we will push things in that direction by making sure that every local planning authority has additional resource and by making clear in the NPPF that they are obliged to find small sites, that we want to support community housing and indeed that local authorities are responsible for maintaining a register of sites and individuals interested in custom and self-build. But I want to review whether or not the experience of small and medium-sized enterprises reflects our hopes. If there is increasing frustration, we might have to course-correct.

The Chair: Thank you. You mentioned earlier that we have a plan-led system. Local plans are crucial building blocks of that. We have some questions on local plans, starting with Lady Thornhill. This will start to bring our session towards a conclusion, you might be glad to hear. You have borne our questions with great resilience, but we are now moving towards the close. Lady Thornhill.

Q26 **Baroness Thornhill:** I want to use my question, Secretary of State, to look at those councils on the naughty step. Certainly, the rhetoric is strong and we all know that councils have either deliberately withdrawn or delayed their plans. The numbers change week on week. We also know that Uttlesford is not alone. The authority adjacent to mine has not had a district plan for over a decade.

You talk about sharper accountability. What does that actually mean? Given that a lot of councils have got away with it in the past, frankly, what actually will be different? Is that fair?

The Chair: It is a fair question. I will add to it. Those of a hostile mentality might say that apart from naming and shaming, which, after all, a lot of local authorities are quite comfortable with when it comes to housing numbers, you have created a system that stimulates the destruction of the local plan system. Kelvin, our special adviser, mentioned some statistics before.

Kelvin MacDonald: From memory, without referring to my notes, last year 12 local plans were put out for consultation, which is the lowest figure since 2012. In the last four months, 19 local plans have been withdrawn. Of course, you and your department are taking steps to prevent some authorities from withdrawing their plans at the consultation or inquiry stage. But 12, the lowest figure since 2012, is quite stark.

The Chair: Large swathes of the country have no valid local plan in place. Apart from a sharp letter—a sharp letter from you is a powerful thing in itself, of course—every incentive for local authorities appears to be to say, “We do not want a local plan. It only gets us into trouble with our electors”.

Michael Gove: That was the case hitherto. There was a perverse incentive for some local authorities not to adopt a local plan. They could say, “We are bravely resisting the imposition of top-down targets”. Of course, they let people down because the presumption in favour of

sustainable development then bites, allowing unplanned development, which is worse for the environment, worse for local democracy and all the rest of it. But the local councillors could say, "The Government are imposing". Some from within particular political parties tended to run this argument particularly energetically.

We have called time on that. Local authorities such as West Berkshire and Mole Valley were attempting to prevent their plans going to examination by withdrawing them. We have said, "We've got your number. That cannot happen".

Some local authorities have plans in place but have consistently underdelivered against their numbers. The two most egregious, apart from Uttlesford, are Chorley and Fareham. We have said, "Unless you can show a plan for improvement, the planning inspectorate will take over decision-making in your area". Some people would say that is an outrageous negation of local democracy. Certainly, the Member of Parliament for Fareham and the Member of Parliament for Chorley, both of whom are formidable Members of the House of Commons, have let me know that they are not entirely happy with this approach, but were pressing ahead.

Then, to the seven local authorities you mentioned that do not have plans in place and have not had them for 20 years, we said before Christmas, "Show us what you are doing within 12 weeks". Most of them have moved, not all of them—Basildon is the outlier. If Basildon does not come forward with proposals, we will draw up the plan in the department. Joanna, Joanna Averley and Will will come up with a beautiful plan for Basildon that will make sure that we get the right houses in the right places.

We are intervening. It is of a piece with the approach that we like to take in the department. If you do well, we want you to have the maximum freedom possible. So West Midlands, Greater Manchester, Tees Valley get more devolution and more flexibility. That is great. If, however, you fail, we will get medieval.

That intervention is of a piece with the approach that we took in education. When schools, local authorities and academy chains do brilliantly, they get more freedom. If they do not do brilliantly, if their Ofsted rating or their exam results require intervention, we will not hesitate to act.

Q27 **Baroness Thornhill:** I have always had quite a thing about the housing delivery test because councils do not "deliver" houses. I understand what you are doing with the most egregious authorities and I absolutely support that, but at times an authority might underdeliver because of the market conditions, as you have said. Making a council responsible for delivery when it has no levers to pull is rather crude. I hope the department nuances the difference.

Would the actual granting of planning permissions by the authority and

how quickly authorities deal with applications be fairer, rather than, crudely, how many houses have been delivered in that area? There is no guarantee even on that that they are the right homes in the right places.

Michael Gove: You are right that one can always look at different ways. One can look at planning permissions granted. One can look at the speed with which planning applications are dealt with. One can look at the percentage of refusals. One can look at the use of extension of time agreements. Just as there are different ways of judging whether or not a school is performing well, there are difficult ways of judging whether or not a local authority is discharging its responsibilities well. That is fair.

The Chair: A quick question from Lord Bailey of Paddington.

Lord Bailey of Paddington: Surely the Government can work on this question of how quickly planning permission is given. Any developer or any RSL will tell you the biggest risk is the time taken and the money spent on planning permission. If you measured that, as the lady said, would that stimulate the market in almost every way?

Michael Gove: Absolutely. One challenge, though, is that if you look at the headline figures, it looks as though local authorities do a great job at delivering planning applications according to the timetable. But that is because the figures mask the reality.

The extension of time agreements that I mentioned earlier are used so that a local authority will say to a developer, "We cannot sort this in the next few weeks. Do you mind if we seek an extension of time agreement?" It is an agreement. The developer might think, "Well, hurry up". Then the local authority, if it were of a particular mind, would say, "If you do not, it might be the worse for you", in which case the developer will think, "Okay, I will accept the extension of time agreement. I would rather be in the queue than be kicked out or off the plane".

In that sense, the reality is worse than it appears from the figures, which is why we want to shine a light on that, along with other underperformance. You are totally right that timeliness is a key index.

But again, we have to be careful when using just one measure. If we use only timeliness, we risk the proportion of refusals going up, with potential appeals and the costs that come from that as well. It is one of the most important measures, I agree, but not the only one.

Q28 **The Chair:** At this stage, we should start to draw to a close. First, we are grateful to the Secretary of State for a formidable and, in parts at least, illuminating set of responses to our questions. We are grateful for that and to his colleagues who have attended with him.

We have a number of questions about the National Planning Policy Framework, which are quite detailed. If I mention a few, I think the best way of dealing with them is to summarise them in writing to you afterwards and ask for a written response. It is a little unfair just to land them on you.

The NPPF made no reference to levelling-up policies such as environmental outcome reports and local nature recovery strategies. We would like to understand why.

In your response to us on environmental legislation and its interaction with development, you set out how local planning authorities should consider wastewater treatment work upgrades when undertaking habitats regulation assessments, but this was not included in the NPPF. We would like to know where the guidance on that will be.

The Government's land use framework promised in 2023 has yet to be published. When are we likely to see that?

Your response to the environmental outcomes report consultation, which closed in June 2023, has yet to be seen. Again, we would like to know when that will be.

Again, in your response to us on that report, you agreed that a review of the cost implications of environmental regulations for housing would be useful and could help balance competing priorities. We would like to know when you will undertake that review.

As I say, unless you want to seize any of those questions and run with them now, I am happy to have them cast in writing if you will kindly agree to respond in writing. It is entirely up to you.

Michael Gove: Of course I will. I will say that the NPPF is intended to be helpful but not exhaustive at this stage. My friend Greg Clark, when he was the Secretary of State in essentially this department, strove to reduce the size of it. It has grown a little bit since then.

Also, the national development management policies, which the Levelling-up and Regeneration Act creates provision for, are explicitly intended to ensure a single point of reference and a single point of truth on areas such as local nature recovery strategies and how they can be integrated. But you are quite right, of course, to say that this is a lacuna at the moment.

I look forward to answering all these questions in correspondence, even if the answer might be, "Coming shortly", rather than, "Here we are".

The Chair: If you could manage to avoid the Government's favoured phrase "in due course", it would avoid creating a sense of increasing pain and insult on the part of Members of their Lordships' House.

Michael Gove: Wherever possible, we shall avoid "in due course" and "at pace" and specifying a season, because, as you know, the governmental summer runs basically until 24 December.

The Chair: With that, I thank the Secretary of State and his colleagues again for the time they have given us, thank members of the committee for the work they have put in preparing for this, and draw the session to a close.