

Housing, Communities and Local Government Committee

Oral evidence: Delivering 1.5 million new homes: land value capture, HC 672

Tuesday 15 July 2025

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Members present: Florence Eshalomi (Chair); Lewis Cocking; Chris Curtis; Mr Lee Dillon; Maya Ellis; Mr Will Forster; Andrew Lewin; Mr Gagan Mohindra; Joe Powell; Sarah Smith.

Questions 97 - 185

Witnesses

[I](#): Matthew Pennycook MP, Minister of State for Housing and Planning, Ministry of Housing, Communities and Local Government; Joanna Key, Director General, Regeneration, Housing and Planning, MHCLG; William Burgon, Director, Planning Reform and Housing Quality, MHCLG.

Examination of witnesses

Witnesses: Matthew Pennycook, Joanna Key and William Burgon.

Q97 **Chair:** Good morning everybody. Welcome to the Housing, Communities and Local Government Select Committee. We are joined by the Minister this morning, looking at our evidence session on land value capture. I will ask the Minister and the two officials to introduce themselves. I am Florence Eshalomi. I am the Chair of the Select Committee.

Matthew Pennycook: I am Matthew Pennycook. I am the Minister for Housing and Planning.

Joanna Key: I am Joanna Key. I am director general for regeneration, housing and planning at MHCLG.

William Burgon: I am William Burgon. I am the director for planning at MHCLG.

Chair: Thank you. Can I ask colleagues to introduce themselves, please?



HOUSE OF COMMONS

Mr Mohindra: I am Gagan Mohindra, the Conservative Member of Parliament for South West Hertfordshire.

Lewis Cocking: I am Lewis Cocking, the MP for Broxbourne.

Mr Dillon: I am Lee Dillon, the MP for Newbury.

Mr Forster: I am Will Forster, the MP for Woking.

Joe Powell: I am Joe Powell, the MP for Kensington and Bayswater.

Andrew Lewin: I am Andrew Lewin, the MP for Welwyn Hatfield.

Chris Curtis: I am Chris Curtis, the MP for Milton Keynes North.

Sarah Smith: I am Sarah Smith, the MP for Hyndburn.

Maya Ellis: I am Maya Ellis, the MP for Ribble Valley.

Q98 **Chair:** Thank you, Minister. It is good to see you again. It is always a pleasure to have you at our Select Committee. You will be aware that, the last time you appeared before the Committee, you mentioned to us that the trajectory for the 1.5 million new homes will be clearer after the spending review. It is good that we now finally have the spending review and the new boost in the affordable homes programme, which I think the selector, on balance, welcomed. I know that that has been well received, so that people can actually get on with bringing forward those proposals. Are you now able to set out what that trajectory looks like?

Matthew Pennycook: Thank you, Chair, for the invitation to give evidence this morning and for that opening question. It is the case that the path to meeting our hugely ambitious target of building 1.5 million new homes in England in this Parliament is clearer than it was the last time I gave evidence to you in late November last year. As the Committee will know, the main public forecast of net housing additions is produced by the Office for Budget Responsibility. Its projections inform the Department's own work.

Prior to the changes we made to the national planning policy framework in December last year, the OBR had estimated that 1.1 million homes would be delivered across the UK during this Parliament. As the Committee knows, in its March 2025 outlook the OBR estimated that the planning reforms incorporated in the revised NPPF, which we published on 12 December and which apply only to England, could increase net additions by 170,000 over the forecast period, or 120,000 in this Parliament—the forecast period slightly extends over the parliamentary term—taking cumulative net UK-wide additions to 1.2 million.

In assessing that this Government, on the back of those NPPF reforms, will deliver the highest level of UK house building in over 40 years, the OBR was accounting only for the changes we made in the NPPF. That means that it has not yet estimated the impact on net additions of the



HOUSE OF COMMONS

further reforms we have undertaken since. That includes, but is not limited to, the Planning and Infrastructure Bill, which is in the House of Lords as we speak, or the spending review allocation that we secured, including our new £39 billion 10-year social and affordable homes programme and our new national housing bank, backed with £16 billion of financial capacity. Nor could it account for the further reforms to which we are already committed, including, for example, a new suite of national policies for decision making that we will consult upon later this year.

We will of course continue to engage closely with the OBR about how those changes will take effect. The 1.5 million new homes target remains a stretching whole-of-Parliament target. I remember our discussion at length at my last appearance as to why we are not going to set interim annual targets. It remains a whole-of-Parliament target, but we are confident of meeting it on the basis of the steps we have already taken, as well as those that are in the pipeline. I hope that the Committee can take some reassurance from the OBR's scoring today of just those NPPF reforms, which shows the increase in net additions that came through just off the back of the NPPF, but there is more to come.

Q99 Chair: On that, Minister, you will agree, even though you are not going to set that interim target per annum, that you need to be building at least 300,000 new homes per year to hit that target over the course of this Parliament.

Matthew Pennycook: No, Chair. Sorry if I am raking over old ground. We have not set an interim annual target of 300,000 homes per year. I do not think that this is complex to understand. The 1.5 million new homes target is a whole-of-Parliament target.

We know that, because of the dire inheritance that we picked up, planning applications are down. Starts and completions are down. We are in a trough. I am more than happy to address those particular statistics, all as expected. We have to turn things around. Our house building requirements to reach that 1.5 million over the whole of the parliamentary period involve a very significant step-up, but it is not a 300,000 per year target. If we wanted to set a 300,000 homes per year target, we would have done so. We chose very deliberately to set the 1.5 million target.

Q100 Chair: How many do you think you will deliver each year, just roughly? Provisional statistics show that around 190,000 were built between the start of Parliament and 15 June. That is data.

Matthew Pennycook: That is data.

Chair: Roughly how many do you think you will—

Matthew Pennycook: I am not going to give you rough interim annual targets or precise interim annual targets. We are not setting interim annual targets. It is a whole-of-Parliament standard.



HOUSE OF COMMONS

On the statistics, the point that is worth emphasising is that the Government inherited a housing market downturn, exacerbated by the conscious and deliberate decision of the previous Government to make a series of anti-supply changes to national planning policy, including the abolition of mandatory housing targets, in a forlorn attempt to appease their anti-house building backbenchers. Because of the nature of the development cycle, the impacts of that inheritance are still showing up in the statistics. It is no surprise to us that completions for 2024-25 are under 200,000. Given the lag between changes in consent volumes and subsequent changes in completions, we would expect them to remain low for some time.

While I am not going to, as I say, get into, inadvertently or otherwise, giving you interim annual targets, which we deliberately chose not to set, we have been very clear that we need to significantly ramp up supply in the later years of the Parliament. That will happen as the full impacts of our changes take effect and feed through into the statistics in future years.

Mr Mohindra: Minister, we had the Deputy Prime Minister here not that long ago.

Chair: It was last week.

Q101 **Mr Mohindra:** We spoke about the 1.5 million homes target. The question I posed to her, and I will pose to you, is this. Our job, as a Select Committee, is to scrutinise the likelihood of you achieving your ambition of 1.5 million. While I understand you are not going to give us an arbitrary 300,000 per year figure, how can we be in a position to scrutinise whether you are going to achieve that target or not? If you are suggesting, which is what you said a few minutes ago, that there is going to be significant ramping up, how do we know you are on course to do that? We cannot just wait until the end of this Parliament to assess whether you have achieved your goal. Our role is very much to be critical friends and, where possible, help you grease the wheels so that you can achieve that mission.

Matthew Pennycook: I absolutely understand that, but, I suppose, point your attention to other long-term targets that the Government have set. Clean power by 2030 is a good example. The Department for Energy Security and Net Zero is not setting interim annual targets for clean power 2030. It is not saying, "We are at 80% clean power by the fourth year of the Parliament". Similarly, we have a 1.5 million new homes target for the whole of Parliament.

In terms of your ability to scrutinise and the confidence you can have, I have just cited the significant increase to net additions that the OBR has forecast off the back of just our changes to the national planning policy framework. We are working closely with the OBR. We would hope, in years to come, that it similarly scores the impact on net additions of the Planning and Infrastructure Bill, which contains a series of very significant



HOUSE OF COMMONS

measures to streamline the delivery of new homes and critical infrastructure. Similarly, there is the impact of the £39 billion we secured for social and affordable housing at the SR, the national housing bank and all the other interventions.

That can give you some confidence that the changes we are making will feed through. You will be able to, by the normal way that we release statistics, track planning applications, starts and completions. It is worth saying that there are some green shoots already visible in terms of the impact of the changes we are making. Planning applications in the first quarter of this year were up 6% on the same quarter a year ago. The number of development sites coming on to the market is at the highest level since early 2017. Minor things such as brick deliveries have increased by more than 20% compared with a year ago.

We know from our engagement with registered providers that the grant funding support and the regulatory certainty and stability we have provided with them off the back of the spending review are allowing them to revisit their business plans with a view to maximising affordable housing delivery.

There are some green shoots going through, but the impact of the changes, because of the nature of the development cycle, will take some time to feed through. The Committee will be able to see, through both OBR forecasts and the data that we are releasing, the impact of our changes as they feed through over time into, first, planning applications, then planning consents, starts and completions.

Q102 Mr Mohindra: There are various media reports suggesting that this Government have a reliance on the OBR. How do you feel about that criticism? That is one method of scrutinising the work of this Government. Do you expect to rely on the OBR for the whole of Parliament, or are you going to change the think-tank or scrutineer if it suggests that you are not going to achieve the 1.5 million?

Matthew Pennycook: We use the OBR forecasts. They are the main public estimate of net additions. They inform the Department's work. You will have qualitative data of what is actually feeding through as we progress through the Parliament in terms of the statistics that are released. As I say, there are some green shoots emerging from that. I do not know whether officials want to add anything, particularly on statistics or reporting.

Q103 Chair: On that data, Minister, are you able to share that with us? The data we have from MHCLG shows that, in the year to 31 March 2025, starts decreased from all previous years in all regions except for the south-east.

Matthew Pennycook: I would emphasise once again to the Committee that, because of the nature of the development cycle, in terms of starts you are seeing the outcome of planning applications that would have



been submitted in the previous Parliament. I could not have been clearer that a series of anti-supply changes were made to national planning policy. They are going to feed through. They are going to show up in the statistics for some time to come. It will take time to turn things around.

William Burgon: It might be worth adding briefly that that is also borne out, for example, in the commentary from Savills recently on the most recent completions data. It reflected that that is, effectively, flowing back from policy positions and changes around two years ago.

The thing that we are looking for first, as the Minister has just said, is the increase in planning applications. That will be the first core sign in the process, as you think through applications to consents to starts to completions. We are obviously pleased to see that initial uptick of the 6% growth compared to the quarter a year ago in the most recent statistics. We now look to see that ramp up further, and that will be the thing to be looking for next.

Q104 **Mr Mohindra:** What if it does not?

William Burgon: If it does not, we would look to assess why and how, and react. We are confident in the steps we have taken and the OBR has projected that we are going to see an increase.

Q105 **Chris Curtis:** This is a similar point to that, actually. It is good news that we have seen the progress in the OBR forecast. I think that you have implied that we will get a new forecast in the Budget later this year, which we are hoping will be positively scored, given the further changes you have made. If that forecast in autumn does not reach the 1.5 million in England over this Parliament, will you look at doing further planning reforms and further liberalisation of the system in order to get us up to the 1.5 million?

Matthew Pennycook: I would say three things in response to that answer. First, and officials may want to add or clarify, we do not get to dictate when the OBR forecasts, but we continue to engage with it in terms of further detail that it requires about our reforms, so that it can accurately estimate their impact on net additions. We would hope that, at the point that the, for example, Planning and Infrastructure Bill receives Royal Assent, it could properly score the impact of that. We have done our own impact assessments as to the impact that that will have on economic growth, which is significant, and other areas of planning reform.

Q106 **Chris Curtis:** Do you have a number on net additions that you estimate from the Planning and Infrastructure Bill?

Matthew Pennycook: No, I do not think—

William Burgon: No, there is not a specific net additions number across the Bill. The impact assessment reflects some of the policy changes that the Bill will reflect and then has a net present value as a result.



Matthew Pennycook: The second point to clarify is that, even at the point when, hypothetically, the OBR brings a forecast forward alongside the Budget, although I suspect we will not have Royal Assent by that point, even if it includes the impact of the Planning and Infrastructure Bill, that still will not be the final measure of reform that we have taken in this Parliament. This is going to be an iterative process, in terms of OBR forecasts, of taking into account all the changes we make as we proceed through the Parliament.

To your central challenge of what we do if we do not see the impact of our reforms feed through, I would simply say that we have not overhauled the national planning policy framework, taken the Planning and Infrastructure Bill forward and then accounted for a period of time where we wait and see. We are already progressing further reforms, including to national planning policy. I draw your attention to a new suite of national policies for development management. We think that the impact of that will be significant. We will incorporate things such as the brownfield passport, which we went out to consultation on. That is just to make the general point that we are not standing still and waiting to see the impact of individual reforms.

As I have said to you before, this is a set menu. It is not à la carte. We have to make a series of changes, which we have been very clear about. We are executing our plan meticulously and those changes will come forward in due course in the right order. At that point, hopefully the OBR will score the impact of all of them, but we are confident that the measures will get us there. As I say, we are seeing some of these green shoots come through in terms of the early indications, such as land coming forward, planning applications, how RPs are reacting to the spending review and even materials deliveries, in terms of bricks and other things. There are signs that the changes we have made are already starting to feed through in terms of the early stages and the early impact of them.

Q107 **Mr Dillon:** You said 120k because of the changes to the NPPF. When you were sat down with officials and designing the NPPF, did you have in mind that those changes would create an additional X number of units? Subsequently, with the national housing bank, the affordable homes programme and the Planning and Infrastructure Bill, you just said there that, in the impact assessment, you have not scored how many units would be delivered by that. Minister, you have said that all of these changes will get you to that 1.5 million, so you must, with civil servants, work out what those will all add up to. Why can you not share those aspirations of what each of those changes will deliver, in terms of that journey to that 1.5 million?

Matthew Pennycook: Do you want to say anything on that before I come in?



HOUSE OF COMMONS

Joanna Key: If it was here, I think that the OBR would say—obviously it is a completely independent organisation—that lots of things affect its projections of housing.

Q108 **Mr Dillon:** I am asking about the decision-making process within the Ministry. Why did you push forward this proposal if you have no idea how many units it is going to provide?

Joanna Key: For all our proposals, we have a pretty good understanding of whether they are going to be a pro-supply or not pro-supply measure. We obviously talk to lots of people. The point is that there is an enormous range of things that can affect the estimate of how many homes it might deliver, including the macroeconomic climate, so it is very difficult to be certain on the impact. That is why we always publish an impact assessment alongside these policies, so that it is very clear what assumptions we have made.

Q109 **Mr Dillon:** You do not put the units in there. That is what William just said, that you did not score the unit impact. That is what we, as a Committee, are trying to get to understand. You keep saying that, in totality, all these great changes that you are proposing add up to 1.5 million. Break it down for us as a Committee. That is all we want, so then we can say, “That policy has exceeded its objectives. That one is not working quite as well so, Minister, we suggest you tweak here and put more investment into this one because it is really successful”. I do not know why we keep having this constant battle with the Ministry of just trying to get transparent data on what your changes are hoping to achieve.

Matthew Pennycook: I will have officials comment on this. You are essentially asking for the Government to make transparent their internal forecasts, which no Government have done in the past.

Q110 **Mr Dillon:** Be a better Government, then. Do not do as the previous Governments have done, Minister.

Matthew Pennycook: We have to retain some space for decision making within the Department.

Q111 **Sarah Smith:** To move on to another one of the potential barriers to achieving the target, aside from the reforms, the other big challenge would be skills and making sure that there are enough people with the necessary skills to be able to deliver on a much higher demand on the sector. It takes time to develop the trades and skills that are needed. I would be interested to hear your projections around the work that is happening to make sure that you can meet that, or whether you would agree and perceive that that is one of the potential challenges for you in the coming years, aside from the reform agenda that you are pushing through.

Matthew Pennycook: I will bring Jo in a second, because Jo has been leading on the work on this, which is a cross-government initiative,



HOUSE OF COMMONS

working very closely with other Departments. I would say two things. Forgive me; I recall saying this at the previous evidence session in November. In terms of the series of barriers and constraints to significantly ramping up housing supply, the capacity and capability of local planning authorities is one. Skills in the construction workforce, but generally skills in the built environment sector, are another.

The Government have taken a series of steps already to turn that system around and to expand and upskill the workforce. I would point your attention to the £600 million funding allocation the Chancellor announced a few months back. There is also a lot of work going on with the private sector to focus its mind on what more it can do alongside Government. As I say, Jo might want to comment more. We are working very closely with DFE, DWP and other Departments, cross-government. This is a whole-of-government challenge on skills. We recognise it. We have already taken steps to expand and upskill the workforce.

Joanna Key: To add to what the Minister has said, we started these discussions with the Department for Education last year. Its assessment of the issue was essentially that there was no shortage of people wanting to be trained in these skills. There was no difficulty in finding school leavers who wanted to become bricklayers or anything in the construction trades. The difficulty was the number of places and having the right skilled instructors in order to train them up.

The £600 million that the Minister referred to was very much aimed at making sure that further education colleges—and we were going to create a centre of excellence in every single region, so 10 of those around the country—were geared up to provide the kinds of courses that our young people are desperate to train in. That was the main aim of that announcement.

It is important to say that that work does not stop just because we have made those initial announcements. It is going to be an ongoing piece of work, with private sector or independent organisations, such as the Construction Industry Training Board, to make sure that we are gearing our skills and training for the quite incredible ambition that we have on house building, and construction and infrastructure more generally. This is not just about house building; this is about construction right across the economy.

Q112 **Chair:** Thank you for that answer, Minister. We will continue to push on that. As a Committee, we want to help you achieve that target. It is about having something to essentially assess you and your colleagues in the Ministry on, but it is quite hard when we are working on that blindly.

Matthew Pennycook: It will not be blindly because there are statistical releases.

Q113 **Chair:** It is right that you have set targets for local authorities, but yet the Government do not seem to have their own targets. You have



internal targets that you will not share.

Matthew Pennycook: We have a 1.5 million whole-of-Parliament target.

Q114 **Chair:** With all the conditions you are creating, you are confident that, by July 2029, we will get the 1.5 million new homes.

Matthew Pennycook: It is a whole-of-Parliament commitment we are confident of delivering.

Q115 **Maya Ellis:** Moving on to section 106, the general sentiment of a lot of the evidence that we have heard from witnesses through this land value capture inquiry has very much been that this is not the time to scrap section 106, but that there are significant improvements needed. The NAO did a report last month around improving local areas through developer funding and said that there are significant limitations and it is not reliably delivering the infrastructure we need. As an opener, what are your plans at the moment? Where is your thinking on that and what are your plans to address improving particularly the infrastructure delivery part of section 106?

Matthew Pennycook: That is a really good question. This is a complex area of policy, but, essentially, we think that the existing system of developer contributions has a number of strengths, certainly when compared with the alternatives. It is one of the reasons we decided not to take forward the previous Government's infrastructure levy that was contained in the Levelling-up and Regeneration Act, which we feared in opposition, and took the view again in government, would lead to lower amounts of affordable housing and infrastructure in the round.

In terms of the NAO report, it was published on 6 June and is an incredibly detailed piece of work. I do not personally disagree with any of its key findings. It makes clear that the existing system has a number of strengths, but, as you said, also that it has significant limitations, including that viability assessments can be manipulated by developers.

In terms of how we are working to address those limitations, I draw the Committee's attention to the fact that we are already taking action in a number of areas that are highlighted in that report. For example, the report draws attention to the impact of low up-to-date local plan coverage on the ability of local authorities to co-ordinate the appropriate amount of developer contributions and deploy them in the right locations to meet local demand. We are taking steps to drive up local plan coverage across the board.

The report also highlights the impact that capability and capacity restraints—I have already mentioned that—are having on hampering local authorities' ability to negotiate with developers and deliver infrastructure efficiently. We are taking concerted action on that front, not least by giving local authorities the power to set their own fees locally through the Planning and Infrastructure Bill.



We recognise that the existing system of developer contributions requires further reform. We have been very clear that we remain committed to strengthening it. We will set out how we intend to do so in due course, but the NAO's report is a really useful prompt to our thinking in that regard.

Q116 Maya Ellis: There are a couple of things that have been suggested through some of our witnesses. One was around whether the new strategic planning authorities could take an advisory role. Like you say, a lot of the issues that were raised were around capacity of particularly the smaller local authorities in having even the expertise and the time to hold those developers to account. Is there a bigger role for those at higher tier? There was also a question around, in a similar way, having a national template for section 106 agreements, so that local authorities could tweak that but ultimately have an overall national steer. I was wondering whether there has been any thinking around either of those two things, or what your take on that would be.

Matthew Pennycook: I will take those in two parts, and Jo and Will may want to come in as well. On whether new strategic planning authorities could take an advisory role, it is important to mention that planning guidance already makes clear that local planning authorities can pool resources and skills, and can contract third parties to speed up and secure better outcomes when it comes to section 106 negotiations. As the Committee will know, the Planning and Infrastructure Bill will create these new strategic planning boards to deliver spatial development strategies in sub-regions across the country.

Those SDSs will be high-level housing, growth and infrastructure frameworks that will identify all the locations for development and what the appropriate infrastructure is. There will, I think, be opportunities to achieve efficiencies in the plan-making process across those areas, for example sharing evidence bases and pooling resources. We would not expect, in terms of viability and section 106, strategic planning boards to be directly supporting local authorities with viability assessments. SDSs will have to have delivery frameworks to deliver the infrastructure that they highlight is required to come forward in their areas and those will have to engage with whether projects are viable and how they are to be funded.

In terms of standardised section 106 arrangements, I would say a couple of things. We already have gone out to consultation on proposals in one of our planning reform working papers on the medium sites planning threshold. It advocates a number of changes. We specifically asked for thoughts on standardised section 106 agreements, but also on other things such as commuted sums. We want to hear views on those subjects as to how we can ensure that we are getting more out of the system. In relation to that specific consultation, that is just for medium sites. It is a new category of medium sites that we are consulting on, but, yes, we are looking at these issues.



Q117 **Maya Ellis:** To follow up on that, when you say, “We already encourage local authorities to work together”, is that something that you actively would encourage local authorities to be doing more in order to get some of these things moving, in terms of working together more on section 106 and holding developers to account?

Matthew Pennycook: That is a difficult question to answer, in the sense that it will depend on what the local authority in question and its neighbouring authorities see as their challenges or the gaps they need to overcome. Local authorities talk to each other all the time. If there is a need in a particular sub-region for them to be pooling resources and skills, and having those conversations, we would expect them to do it. I am not sure that they need encouragement directly from central Government to do it, but we would advise and support local authorities generally, as we do across a range of areas, including the local plan-making process.

Q118 **Maya Ellis:** Do you do any assessment at a national level of how much that is happening and how effectively it is happening? Therefore, do you have a judgment on whether it is happening enough in the way that you would like to see it happen, as opposed to potentially holding things back because they are not working together? I am wondering whether you have a national view of how much that is happening and whether it is happening enough.

Matthew Pennycook: Do you mean specifically on 106?

Maya Ellis: Yes, on how local authorities are working together.

William Burgon: We do not hold a definitive assessment as such. We believe that the policy flexibility is there to enable it to happen. Through not just departmental encouragement but also the Planning Advisory Service, the guidance and support is there for authorities to do it. At the same time, I think that we would recognise, as the Minister has just said, which comes out in the NAO report and the evidence you have had from some witnesses, including Will Jeffwitz from the NHF, that there are instances where some authorities definitely struggle on capacity and probably are not necessarily making use of the kind of co-operation and co-ordination that they could with neighbours. There is space to encourage more, but we definitely think that the policy flexibility and the support through PAS is there.

Q119 **Maya Ellis:** Lastly, on dispute resolution schemes, there have been continual calls, and certainly we have heard it through evidence from our witnesses, for a national dispute resolution scheme around section 106 disagreements. Are there any current thoughts around that?

Matthew Pennycook: This is purely from memory, but there is a dispute resolution scheme provision in the 2016 Act. I am dredging up my memory, having been on that Bill Committee many years ago. Successive Governments have not implemented that provision and there is a live debate, to the extent that we keep all these things under review,



HOUSE OF COMMONS

as to whether a scheme of that nature would speed up the process, as opposed to just introducing more complexity and bureaucracy.

That said, as I referred to in a previous answer, we are giving consideration to how we can strengthen the existing developer contribution system in many areas, exploring a range of many options. We would take it very seriously if it is the Committee's strong view that a dispute resolution scheme is the right answer, but we would want to know why you think it is the right answer.

Q120 Chair: At one of our previous sessions, RICS recommended that that could help in terms of the delays. Especially where you are seeing such difficulties in negotiation timelines, that could help it.

Matthew Pennycook: We are considering a range of options when it comes to strengthening the existing developer contribution system. Of course we will engage with external organisations, including RICS, on all these issues.

Q121 Lewis Cocking: When an applicant comes forward to get outline planning permission, they go through the process, set out what they are going to do with the 106 agreement, and councillors vote on that basis. They always come back when they require full planning permission, change that 106 negotiation and say, "It is not viable anymore. You cannot have anything that we promised you". Because the development has been established in terms of planning policy, it is very difficult for councils then to say, "Hang on a minute. You have led us down the garden path. You have essentially lied to us and said you were going to develop a doctors surgery, you were going to have a school, and now we cannot have any of that".

Are the Government looking at what councils can do in that situation? When that goes to appeal, it is very difficult. Because they have established a principle of development by granting the outline, they will not get any 106, or hardly at all, because the developer says that they now cannot afford it. Developers are definitely playing the system in those circumstances.

Matthew Pennycook: It is a good question. You tempt me to expand on precisely what we are looking at when it comes to strengthening the existing developer contribution system, which I am not in a position to do. I am more than happy to come back at the point that we set out proposals to talk through them.

Chair: That would be helpful, Minister.

Matthew Pennycook: It is probably worth saying the principal objectives, in my mind, to achieve the outcomes that we want to seek when it comes to strengthening the developer contribution system are twofold. First, it is to ensure that local authorities are in a position to negotiate more effectively with developers on those agreements. We hear from local authorities all over the country—it comes back to the capability



and capacity problem, and the resourcing skills—that they do not have the expertise to effectively interrogate and challenge viability assessments in the way they would like, so we have to arm them with the capability to be able to do that.

Secondly, when agreements are reached, we have to hold developers to those commitments and ensure they honour them. In terms of general principles, they are the two objectives that I am looking to address when it comes to strengthening the system.

- Q122 Lewis Cocking:** The biggest player that does not get round the table is the national health service. It is very difficult to get it round the table in terms of the negotiation. What does it need when you are planning a new development and going through that local plan process? To plan a new doctors surgery or even get the NHS round the table to talk about what infrastructure the healthcare services need is very difficult to do. Are you giving any thought around how we can get it round the table? Residents are crying out for loads of healthcare services and it is just not getting round the table to get any of that 106 money at all.

Matthew Pennycook: If I have understood the point you are driving at, it is a valid concern. In fact, I have a GP surgery on the Greenwich peninsula that fits this bill. Sometimes it is about the delivery of the infrastructure. Sometimes it is about other issues. For example, a GP practice might come forward in terms of the building being constructed but there is not the workforce to staff it. I take your general point and would agree that there is more we can do to encourage greater co-ordination between the various infrastructure providers to ensure that development comes forward in a timely manner up front. That is one element of addressing that specific problem.

Other things the Government are doing will have a bearing here. We have strengthened the NPPF and the requirements in terms of delivering key social infrastructure. Things such as spatial development strategies—again I come back to them—in a particular sub-region will be a high-level infrastructure and investment framework, so that sub-regions can come forward and say, “We need this much provision. We need roads in these areas. How do we make them viable? How are they going to be funded and delivered, cross-boundary, to account for housing growth across a wider area?” There are changes the Government have made that will already make a difference, but we have to give some attention as we look to strengthen the system. What is a co-ordination problem? What is a funding and viability problem? There are many aspects to this challenge.

- Q123 Chair:** There could be scope to, as the blogger Simon Ricketts said, dust off the disputes resolution to help.

Matthew Pennycook: I will go back and look at RICS’s argument for it. It was introduced in the 2016 Act and successive Governments have not yet been convinced that it will not simply add complexity and bureaucracy into the system, as opposed to genuinely speeding it up. The



HOUSE OF COMMONS

challenges that the dispute resolution scheme was attempting to address are not the wrong ones. They are the challenges we are looking at in terms of options to strengthen the system.

Q124 Chris Curtis: Very quickly on the NHS point, you touched specifically on funding the staff to come in. My understanding—correct me if you think I am wrong—is that, with the education system, for example, when you are building lots of new homes, you get extra funding in the local area to ensure that there are the schools and the teachers for the extra students there will be. When it comes to the NHS, it does not seem like that funding happens. Often you end up with far lower per capita NHS spend in the places that are building or have recently been building the most houses, and the NHS does not catch up, which is effectively a disincentive to building new homes. Are you having conversations with the Department of Health and Social Care about how it can be more appreciative of funding areas that are building significant numbers of new homes?

Joanna Key: It is a really important point. Earlier this year I had quite a series of conversations with the Department of Health and Social Care about this particular issue, because we were looking at housing growth, including in Milton Keynes. The Minister described the process of getting primary care to suit new development, but it is much harder with hospitals because they are so big. You are only going to build a new hospital where you have an area of very significant housing growth expected.

The conversation we were having with the Department of Health and Social Care was about how it estimates those areas of significant housing growth and whether there is any further work that we could do with it to help it get its estimates more accurate in terms of areas that we know are likely to grow very sharply over the next few years. We have been having this conversation for a while and its estimates of how it predicts housing growth are now much more refined as a result. The announcements that it made recently about new hospitals probably reflect the areas that we expect to grow very significantly over the next few decades.

Matthew Pennycook: It is also worth saying that this is not just confined to the NHS. I understand that this challenge in individual honourable Members' constituencies is very real, in terms of ensuring we get the right infrastructure and amenities up front in the development process to ensure we are building sustainable, thriving communities. That is a real challenge. There is not a simple, single, easy answer to it. We are very clear that Government can do more to pull all parts of the system together to work more effectively, but it is not just the NHS. I was in a meeting on water and waste water infrastructure yesterday.

Chair: I was going to say that that is a big issue.



HOUSE OF COMMONS

Matthew Pennycook: The investment cycle for that is out of line with the planning cycle and that is one of the challenges. That situation operates across the board. I make a general point that perhaps gives the Committee an insight into how we see that challenge fitting with the rest of the Government's reform agenda. What is different between this Government and previous Governments is that we have been very clear we are going to drive to universal local plan coverage across the country and that those local plans have to be based on the revised LHN number that is set out in the national planning policy framework.

As a general principle, infrastructure providers know where the growth is coming. This is what is less ambiguous than under previous Parliaments, where you might have just said, "Just account for adopted sites in a local plan". Every part of the country knows that it is expected to, in fairly short order, get a local plan in place that is based, in lots of cases, on that revised LHN number. Therefore, there should not be, in the way that there perhaps has been in the past, any ambiguity about the amount of growth you need to be catering for, whether it is in terms of NHS provision, water, waste water or any other form of infrastructure or amenity.

Q125 **Lewis Cocking:** You said that there is no simple answer, but there is. You could legislate and say that you must build infrastructure first for any new housing that is built. You must build the school, GPs and roads before you build any houses. That is a simple solution. You could choose to do that.

Matthew Pennycook: That is an overly simplistic solution that would have a range of unintended consequences. I would put it no more forcefully than that.

Q126 **Joe Powell:** Minister, when we are looking at improving 106, a key thing lots of witnesses have talked about is the element of uncontracted and unsold section 106 homes. Can you give us your latest assessment of the scale of this problem?

Matthew Pennycook: Again, that is a policy challenge without an easy answer. It is a very complex one. On the general point, the fact that large numbers of section 106 homes remain uncontracted and unsold is undoubtedly a challenge. We recognise that. It is a complex problem. We continue to refine our understanding of it. It is clear, and has become more clear over recent months, the more we build our evidence base, that there is a wide range of factors that are contributing to it. These include registered providers' constrained financial capacity to purchase stock, a dwindling appetite among them to take on the management requirements of section 106 units—there is a leasehold angle to that too—and concerns, which are both perceived and real, about the standard size and price of available section 106 homes.

Following the SR, registered providers are telling us that they are reviewing their business plans and financial headroom. We are seeing an



HOUSE OF COMMONS

increased appetite from them to take on uncontracted section 106 homes. As you know, to help facilitate and accelerate the sale of these unsold and uncontracted homes, we set up the Homes England clearing service in December last year. We have been monitoring the data and feedback from that service. While we have seen some take-up, where we are now is that more action is required to ensure we have clear sight of precisely how many homes are uncontracted or unsold. We know it is a problem.

Q127 Joe Powell: Do you know how many have gone through the clearing process?

Matthew Pennycook: There was new data last week on how many have gone through our clearing service. It was 800 in the early stages. I think we have new numbers.

William Burgon: It is 1,500 now.

Matthew Pennycook: It is 1,500 as of last week, but that does not tally with, for example, the Home Builders Federation telling us that there are 17,400 of these units out there in the country. I wrote to the HBF recently asking for a detailed breakdown of the ownership and location of those 17,400 section 106 units that it references in its communication. We are also engaged with the National Housing Federation and local authorities.

We are making a renewed push for developers to upload information on the specific sites in question to the clearing service. There are, post-spending review, registered providers of social housing coming forward and saying, "We are now in a position we think, post the changes you have made, post that regulatory certainty and the grant funding that has come forward, to look again at uncontracted 106, and we will do so, but we cannot identify where they are". In some cases they are going out to house builders and being told that they are not available. We need to drill down further.

Q128 Joe Powell: The range of challenges you outlined have slightly different solutions. An obvious question would be whether you think it is appropriate to be using AHP money to buy any of these uncontracted or unsold 106 agreements. Of course, if there are quality issues, presumably you would not want AHP money to be spent on them. How do we get to that more granular understanding? The final question would be whether there is some more creative solution around bringing these into use. Is there something that you are thinking of as a department beyond AHP?

Matthew Pennycook: I would say two things. I know about this from a constituency point of view. There are creative solutions to some of this happening. For example, some local authorities are using local authority housing fund funds to take up some of these units and to remove people



HOUSE OF COMMONS

off their TA rolls. That is happening. Local authorities are looking at creative solutions.

In terms of what the Government are doing, there is only a certain amount I can say today at the Committee, although I am more than happy, as ever, to come back and expand once we have fully developed our proposals. Alongside refining that evidence base, work is ongoing within the Department to bring forward a holistic policy package that prevents the further build-up of more of these uncontracted or unsold units, because we do not want any more coming into the pipeline, and to deal with that legacy problem, whether it is 17,400 or a lower number, whatever the evidence eventually turns up, in terms of the existing already built homes. There is a two-pronged approach. We need to stop more coming into the system and then deal with the existing problem. We will think very creatively about all the solutions.

Q129 Joe Powell: One thing we asked the Deputy Prime Minister last week was when we would finally get this plan on temporary accommodation, which we have not seen much progress on. If that is something you think would be a good use of this, and councils are buying this up for TA, perhaps that could be included in that plan, but we have not really seen that strategy around bringing TA numbers down yet.

Matthew Pennycook: Temporary accommodation lies outside my area of responsibilities as a Minister.

Joanna Key: I think that you may be referring to the wider homelessness strategy, which would include how to bring TA numbers down, which is obviously a super important part of that strategy. I think that the intention is to publish something later this year. You are exactly right that these kinds of units are at least a really good short-term solution to bring some of those numbers down.

Your point earlier about having a really good handle on the data is so important. As the Minister said, the HBF has suggested that there are 17,000-odd units or homes in this situation. I think that it would agree that this includes those that are constructed or in the process of construction, but also those where the developer is still in the process of negotiating. They are not yet built, or even partially built, but the developer is in the process of negotiating with a registered provider on exactly the terms of the section 106.

Q130 Chair: Have you been able to verify that figure?

Joanna Key: We have not been. We have asked the HBF for a detailed breakdown. It has not been able to provide that. There are commercial considerations associated with the data.

Q131 Chair: Would some of that not come from local authorities?

Joanna Key: My understanding is that it has come from developers directly to the HBF. We have agreed with the HBF and the National



HOUSE OF COMMONS

Housing Federation that we will encourage all developers. We have about 150 house builders already in the clearing house that Homes England has set up, but we really want to get all developers involved in putting any uncontracted section 106 units into that clearing house. That way we will have a full view of the data. We can really get our arms around the problem and make sure that the policy solution is properly targeted to the problem.

Matthew Pennycook: And proportionate.

- Q132 **Andrew Lewin:** Briefly, before I move on to my main question on viability, I have a follow-up on section 106. I was interested to hear about local authorities stepping in. As a Committee, it would be great to hear of some of those examples, because all of us sat around this table want vacant units occupied. It is a moral imperative and we want to understand best practice. If the Minister or officials were able to write to us with some examples of where this is working well, I think that we would really appreciate that.

Matthew Pennycook: We can do that.

- Q133 **Andrew Lewin:** Fantastic, thank you. We have already touched on viability and my colleague was especially keen to get in and ask important questions. On reform to the viability guidance, two things can be true at the same time. We have had a number of developers in front of us cite inflation having a material impact on their build costs, and there are lots of factors for that, such as the mini-Budget, Putin's invasion of Ukraine and the shock to the economy as we recovered from the pandemic. I take that at face value as being true.

At the same time, we have had a number of people before us, probably most significantly the National Housing Federation, saying that there were "frequent examples" of developers using viability assessments purely to compensate for overpaying for land or to maximise profit. Minister, you said just a few minutes ago that the system can be manipulated by developers. I am really keen for as much as you can share on how you are going to resolve this, because it feels like one of the most important issues we face.

Matthew Pennycook: I understand the concerns around it. Is it worth me detailing to this Committee precisely the problem as I see it? It might be valuable. It goes without saying that private developers require sufficient incentive—profit—to build out schemes. They should, of course, be able to use viability assessments to reduce contributions in instances where genuinely unforeseeable factors arise, for example market downturns, build cost inflations, which affect different parts of the country in different ways—in London, for example, build costs are significantly higher than in other regions—but also the discovery of unforeseen land remediation costs, where that undermines their ability to build out.

It is also the case, though—and, as you say, both things can be true—



that current rules make it relatively easy for developers, particularly large ones with access to expensive legal and planning consultant expertise, to negotiate down contributions without good reason. That also introduces unnecessary uncertainty and delay into the system, because we get a number of site-level negotiations happening. Some developers in addition—not many, but some—have become adept at using a sort of circular logic when it comes to viability assessments, in which past failure to deliver policy-compliant schemes becomes a reason for not doing so again.

I suppose that what I am saying, and I want the Committee to be clear, is that the system as it currently operates, in my view, goes beyond what is required to effectively de-risk private development. Reforms were made to viability guidance in 2018 and 2019 that began to address some of the weaknesses in the system, but it would be fair to say that bad practice has crept back in. There are clearly further opportunities to strengthen the system.

As the Committee will know, we announced at the point we revised the NPPF last year that we were reviewing viability planning policy guidance. I will not pre-empt that today, but we want to ensure that the viability system works to optimise developer contributions, but allows negotiation only where it is genuinely necessary and where local authorities can be confident that that is the case.

Q134 Andrew Lewin: One follow-up issue that is close to my heart is whether you are looking at publishing indicative benchmark land values. I use an example from my own constituency in Welwyn Garden City. I am biased in terms of the appeal of the town, but we are 25 minutes from London. We have had real problems in building out around the station at a site where I would have thought, on face value, the land value is significant and there should be real demand for it. We are interested, as a Committee, in this question of whether you would be interested in publishing benchmark land values and keen to know more about your thinking on that.

Matthew Pennycook: I will give you a few thoughts and then bring Will in, because it is fair to say that we went round the houses on this extensively at the point of the NPPF refresh in December. We have not dropped the policy of benchmark land values, but we are undertaking further work to assess how benchmark land values, on green-belt land in particular, are used. That is part of our review of the viability PPG. We are open to considering the best approach to BLV beyond green-belt land as part of wider reforms.

It is worth the Committee knowing that local BLVs are already used in plan making to establish the viability of policies and in decision making to assess whether proposed developments are financially viable. In terms of national BLVs, you will remember that we asked in our NPPF consultation last summer whether the Government should set an indicative BLV, for green-belt development land only, across the whole country. It is fair to



HOUSE OF COMMONS

say that responses—and there were extensive responses on this point—were split down the middle on whether that proposal was a good idea, and therefore we took a different approach at the point of the update.

We generally recognise that there is some benefit in helping streamline planning applications and suppress excessive profiteering. There are also concerns from others that significant national variation in land values potentially risks disincentivising landowners from bringing sites forward at all. In short, further work is required, but we have not scrapped the policy approach in total.

William Burgon: I have two things to add to that. First, it is obviously the case that now we look to local authorities to use benchmark land values in the plan-making process and to do that at the plan stage of viability assessment. Exactly as the Minister has just said, one challenge we are thinking about is how you provide more guidance on that at a national level. You ultimately need that flexibility at the local level to reflect the right variation in viability that happens not just across the country but even within local areas.

You might aim to provide some kind of consistency and speed of process by having a national benchmark land value, but, equally, you run the risk of distorting a picture that is so variable. There are ways to potentially tackle that, in terms of getting into a regionalisation of that, but that is the kind of complexity that we are thinking through and that came out in the responses to the consultation. On that specific issue, exactly as the Minister has just said, it is still a live thing for us. We think that the benchmark land values have a very important role in the plan-making process. It is just a question of exactly what support to add to that at the national level.

The only thing I would add is that another reason why we fundamentally think that universal adoption of local plans is so important is precisely that things such as BLVs and indeed targets, which can be varied across a local area for affordable housing, for example, and the tenure mix, all sit in the plan and guide the development that comes forward. Some of that came across in the evidence from Will Jeffwitz and others in earlier parts of this particular report. Some of the changes we made in the NPPF to strengthen the requirements on authorities to set tenure targets and affordable targets in their plans, and the push we are doing on plan making generally, should support this, alongside anything further we do on benchmark land values.

Q135 **Chair:** Do you have a date for when you will publish the updated viability planning?

Matthew Pennycook: It will be as soon as possible this year.

Chair: So not by 31 December but as soon as possible.

Matthew Pennycook: Not by 31 December, no. It will be far sooner than that.



HOUSE OF COMMONS

Q136 Lewis Cocking: You seem to be putting a lot of emphasis on local plans and local plan policies. Are you going to change the guidance to the planning inspectors so they do not approve development that is not local plan compliant? There are a number of examples, probably from across the country, where development comes forward, gets approval and is not local plan compliant. It may be in the local plan, but it does not meet the affordable housing policy or a number of policies within that local plan. Because you are putting more emphasis on the local plans, are you going to change the guidance to the planning inspector, so, when things go to appeal, they are not going to be approved if they are not local plan policy compliant?

William Burgon: Clearly there is a difference between where local plans are up to date and therefore those policies hold the weight you would expect them to, which is true currently for just over a third of authorities, and authorities where those plan policies are not up to date or there is not even an adopted local plan in existence. One thing we are making a big push on and want to see is that plan adoption, but I will leave that point for now. On that split, therefore, where a local plan is not up to date or does not exist, national policy has the weight you would expect it to have. The presumption might apply and you would expect to see that development come forward.

Q137 Lewis Cocking: Even if they are, I have a number of examples in my own constituency. We have an up-to-date local plan and things will win on appeal, even though they do not meet loads of local plan policies.

William Burgon: I cannot comment on the specific. It is also true that, where national policy has been updated in the interim, weight can be given to national policy alongside the plan. That is a judgment for the decision maker when it is the authority and PINS if it is an appeal. In those instances it may be the case that the weight of national policy is an important consideration. That is a general comment obviously. I cannot comment on the specific.

Matthew Pennycook: I would add to that in the sense of reinforcing what Will said, in that every planning application decision is a decision by the decision maker, or PINS on appeal, as to planning judgment in the round, based on material considerations where national policy has significant weight.

The other thing I would add is—and we tested this through the working paper we published on modernising planning committees—that it is quite difficult and I recognise the challenge, Mr Cocking, you have thrown out. I have had it in my own constituency. It is harder than you would think in practice to judge whether a particular application is either fully compliant or not with a local plan. It is not, in most cases, a binary where it is or is not. It is far more complex. That was one reason why we eventually took a different approach on that particular issue.

Q138 Mr Dillon: I would like to come on to community infrastructure levies, if I



HOUSE OF COMMONS

may. The Government do not currently publish data on how many local authorities charge CIL. The National Audit Office found, as of November last year, that 52% of LPAs were in fact charging. There is evidence from previous reviews—although I would ask, as those reviews happened so soon after CIL was implemented, how much weight you would add to them—about it not being responsive to market conditions. It is lacking transparency, so people do not know where that money is being spent in their local communities. Developer contributions often do not enable infrastructure that supports cross-boundary changing, which, Minister, you mentioned in part of the wider reforms that could happen.

With all that context in place, will the Government and your Ministry publish a map showing the coverage of CIL and which authorities charge? Do you think that that is something that you would consider in the future? Do you think local government reorganisation can deliver benefits for CIL going forward? Finally, on the infrastructure funding statements, which is that transparency piece locally, are you intending to produce any more guidance to local authorities around the importance of that in that process?

Matthew Pennycook: That was a series of very pertinent but, in some ways, technical questions. Starting with CIL, it is a discretionary charge locally led by local planning authorities. That is why the main data is locally driven and published, including through the legal requirements that are in place to publish infrastructure funding statements and CIL charging schedules.

The Department is continuing to work through best options for any national-level data and publications on developer contributions, including CIL, in line with the NAO's report that recently highlighted this issue and beyond. Chair, I have made the offer, but I would welcome the Committee's views, if there are strong views, as to why a centralised map of CIL coverage should be a priority for the Department among many of the other things we are considering.

When it comes to local government reorganisation, there certainly are opportunities. For example, partial CIL charging authorities that have undergone unitarisation may look to establish a charging schedule for the whole area. There are certainly opportunities there. The Planning Advisory Service was mentioned by Will earlier, but it is supporting some work in that space already. We also expect some efficiencies to emerge from consolidating CIL across larger authorities and the flexibility, in particular, of being able to use CIL receipts across larger areas to encourage implementation. It is worth saying that we are also legislating, through, I think, the Bill that was just published on Thursday—Minister McMahon has responsibility for that one, not me, I am thankful—to give all mayors of strategic authorities the power to raise a mayoral community infrastructure levy once they have a spatial development plan in place.



HOUSE OF COMMONS

Just briefly on infrastructure funding statements, there is detailed guidance already out there. There is an IFS template on the PAS website. We are very cognisant of the fact that not all local authorities have one of these in place. The chief planner recently wrote to all local planning authorities to remind them of their statutory duty to prepare and publish an infrastructure funding statement where they receive contributions via section 106 or CIL. We think that really is important.

I reference infrastructure funding statements regularly in response to questions such as we had earlier about infrastructure provision, but it is really important, we think, for all local authorities to have one of these in place to show how infrastructure in their particular local area is to come forward.

Q139 Mr Dillon: I know that you have had representation from other colleagues in the House around community infrastructure levy refund of charges. I am aware of potentially 11 MPs who have cases similar to that. Are you considering updating guidance on how local authorities should process CIL charges as well, so that councils are not forced into having to give refunds for, in effect, technical errors on documents?

Matthew Pennycook: You are right that some councils have given refunds. West Berkshire is a good example of one that has chosen to take that path. There are two things to say. First, a series of households across the country have been very badly hit by this. It is very clear to us that the CIL regulations in question are not intended to operate in this way. We are giving very serious consideration to amending them to ensure that no one else is affected in this manner. I had the right honourable Jeremy Hunt in to see me recently. I forget the constituency.

Mr Dillon: It was Waverley Council, wasn't it?

Matthew Pennycook: Yes, as an example of a local authority that is not taking the West Berkshire approach to reimburse residents.

Q140 Chris Curtis: Have you got Sir Michael Lyons' report yet?

Matthew Pennycook: No.

Q141 Chris Curtis: Are you expecting that that answer will be yes by this time next week?

Matthew Pennycook: We are expecting them, as we have consistently said, to submit their final report in the summer.

Q142 Chris Curtis: Okay, so what is your definition of summer?

Matthew Pennycook: What is my definition of British summer? Is there not a well-understood, well-recognised definition of summer? I would have hoped so. I understand the appetite for seeing the report delivered to the Department, Mr Curtis, but I cannot give you a commitment here today that Sir Michael will deliver it on Monday next week, Tuesday next



HOUSE OF COMMONS

week or Wednesday next week. They are tasked with submitting that final report by the summer. We expect them to stick to that deadline.

- Q143 **Chris Curtis:** After it does come back to you, is the plan to release that straightaway and respond later? Are you planning on releasing it with a response after a certain period?

Matthew Pennycook: We are planning to release it with a government response alongside, and we will do that in a sensible timeframe after the report is delivered to us.

- Q144 **Chris Curtis:** Will that be pre-conference?

Matthew Pennycook: You tempt me into giving you a timeline and I cannot give you one. We want to see those locations made public, and the Government's response and how we intend to proceed made public, as soon as possible. We have no reason to hold back.

- Q145 **Chair:** Would you commit then, Minister, if you receive it before the House rises, to making a statement in the House so that we and other Members can comment on that?

Matthew Pennycook: I cannot give you that commitment. We intend, as I said, to publish a government response alongside the report. At the point we are able to do that, I am more than happy to come and update the House on both what the taskforce has reported back to us in terms of appropriate locations and all the other issues we asked the taskforce to give consideration to, such as delivery mechanisms and financing. As I think you would expect, we need that government response in place rather than just allowing—

- Q146 **Chair:** From that reply, can we infer that it will not be before the House rises next Tuesday?

Matthew Pennycook: I am not sure I can be any clearer than I have been. We expect the taskforce to submit its final report this summer. When it does so, in a sensible timeframe, we will publish it alongside a government response.

- Q147 **Chris Curtis:** Are you confident, post-spending review, that you will have the revenue spending required to set up new, say, development corporations, or whatever the organisations look like, in order to deliver a substantial number of sites that are recommended by Sir Michael Lyons?

Matthew Pennycook: You are assuming that Sir Michael is recommending a substantial number of sites, as you put it.

- Q148 **Chris Curtis:** It may be that you cannot do every site. I do not want you to commit to a number. I am just trying to—

Matthew Pennycook: This is where it is really important to understand what we tasked the taskforce to do on our behalf, which is to recommend appropriate locations. Government may ultimately accept all the locations Sir Michael recommends. It may take a view that it can accept only some



HOUSE OF COMMONS

of those locations, but we need to see what those locations are, along with all the other activities we tasked the taskforce with delivering.

It is worth going back to the terms of reference of the taskforce. We asked it to evaluate a number of things, including appropriate delivery mechanisms to lead long-term work on planning, land acquisition and engagement with developers, but also to advise on a new towns prospectus, as well as what it would expect the Government's offer in return to be once it publishes its report.

This relates to my previous point about why we think it is important to publish a government response at the same time. We need to see the final report with the high-level recommendations we expect the taskforce to make on how we can deliver and fund new towns. We will then consider the report and, as part of our business planning post-spending review, determine precisely what the Government's offer is on the other side of the ledger.

Q149 Chris Curtis: You are confident that you have enough money post-spending review to be able to do that.

Matthew Pennycook: We will progress a new towns programme, yes.

Q150 Chris Curtis: I realise, again, you are still waiting on the report, but since you last spoke to us has there been any more thinking or conversation across Government about how these can be funded? Have there been conversations with the Treasury about funding, allowing powers to borrow money, looking at infrastructure levies and things like that that can be used in order to ensure there is the money there to do these projects well?

Matthew Pennycook: I might bring Will and Jo in after, but I suppose I would say two things in that regard. This is where it is important not to reify locations brought forward through the new towns programme. There may have been sites that were offered up to us by local areas and communities across the country that Sir Michael does not determine should be appropriate locations, but local authorities or strategic planning boards in those particular areas may think that there is a very good case for taking those forward in any case, outside the new towns programme, as large-scale housing sites that can deliver growth in a sensible way in a particular sub-region.

All of that is to say that, when it comes to the Department and what funding mechanisms we are looking for, we are constantly engaging in conversations, and we were as part of the spending review, on what we can bring forward to deliver more homes, whether it is through the new towns programme or externally. In that regard, I would draw your attention to the national housing bank we announced and all the capabilities it will have, backed by £16 billion of finance, along with the other ways, through grant and other mechanisms, that the Department can support housing growth coming forward.



HOUSE OF COMMONS

Importantly, again, the taskforce will make recommendations as to the best way that it thinks this next generation of new towns can be financed and delivered. We will look carefully at that. We have asked it very specifically to look at land value capture as part of that. Let us see what it says. Then we will issue a government response as to the most appropriate way that that is taken forward.

- Q151 **Chris Curtis:** I suppose the concern coming off the back of that is that it has taken a year for us to get this report. We will get it by summer, and then conversations might start, which will have to run across Government, probably with the Treasury, in order to think about funding mechanisms that might be permitted. That could be a conversation that then takes another elongated period, which keeps pushing back deadlines.

Matthew Pennycook: What deadlines?

- Q152 **Chris Curtis:** I mean pushing back the ability to start these projects. We want to get all of them, I think, started before the next election and preferably to hit the 1.5 million target as quickly as possible. What kind of reassurance can you give us that that further conversation about funding is not going to push back these projects getting started too much, given that we are already a year in and we still do not have the report yet?

Matthew Pennycook: I would say two things. We very deliberately set up the taskforce so that we had independent expert advice as to what the appropriate locations were, which is a complex task for it to come up with answers to. Therefore, our expectation is that, when we see that report, it is a very considered and detailed piece of work, which I think will evidence why that certain amount of time has gone into it.

Absolutely, we have asked the taskforce, and been very clear with it, to have a view as to what sites can be brought forward in this Parliament. It is not just the most appropriate locations over the long term, but what can be delivered early in this Parliament. Again, I draw your attention to the Government's position as things stand that new towns will deliver over and above LHN numbers. You referenced the 1.5 million and there is a live conversation as to whether they contribute to LHN.

- Q153 **Chris Curtis:** It is not a massively fair point, though, is it? The LHN number will not get you to 1.5 million over this Parliament because it is 370,000, which in my understanding drops down to 300,000 when you have just got the mix in the system. In order to hit 1.5 million, we need to deliver far more than 300,000 in the final years of this Parliament in order to compensate for under 300,000 in the early years of this Parliament. I cannot see how that LHA number gets you to 1.5 million without new towns going on top. Is that unfair?

Matthew Pennycook: That is what I just said. Our current position is that the homes delivered through the new towns programme will be over and above LHN. That is partly because many of these sites will not start



HOUSE OF COMMONS

building out until the later years of this Parliament. Some will not start building out in this Parliament at all. We are taking very long-term decisions here about what are large-scale communities to be built in England.

As I said, there is a focus on what can start building in this Parliament. I fully expect Sir Michael and the taskforce to come forward with sites that fit that bill. They may come forward with other sites that will not be able to start in this Parliament, but that over the years and decades to come will significantly add to our housing stock in the parts of the country where it is most pertinent for economic growth, for affordability pressures, et cetera.

Lewis Cocking: Minister, I know you like to reflect.

Matthew Pennycook: I do like to reflect. Do you want a Minister who does not reflect?

Q154 **Lewis Cocking:** You have significantly increased the targets for local authorities. Say a local authority gets a new town as well. Do you think that is fair that it has to do both of those, or, if it is getting a new town, should that not compensate it having to do a local plan and everything else as well? Otherwise, you are going to have a significant amount of development in an area that possibly will not be able to cope. Have you reflected on whether you think that is fair?

Matthew Pennycook: We are reflecting, and it is partly why I say that is the Government's current position, but we are keeping that matter under review. We do want to, in general, incentivise local areas to want to see the new towns that Sir Michael and his taskforce suggest come forward, so we are keeping that position under review. I suppose it relates to the previous point. If some of these new town locations are not even going to start building out in this Parliament, it would not seem fair to me on the other side of the ledger to allow a local area or sub-region to soak up all of its LHN on the basis of that future prospect, rather than getting on with delivering the homes that those areas need in this Parliament.

Q155 **Lewis Cocking:** Just to slightly push back on that, local plans are 15-year periods, so some development that is allocated in the local plan will be at the end of that, so that is not really an argument—

Matthew Pennycook: We are keeping it under review, absolutely.

Q156 **Chair:** Just to clarify again on the new town stuff, when the Secretary of State announced it last year, Minister, she did say, in the terms of reference and in the announcement, that it would be within 12 months, i.e. July 2025. Are you still confident that that will be by the end of July 2025, or the summer?

Matthew Pennycook: I appreciate fully why you are trying, Chair, but I will not be drawn other than to say we expect the taskforce to submit its



final report this summer. We expect it to submit its final report to the Department this summer.

Q157 Sarah Smith: In the context that we know there are over 150,000 children currently living in temporary accommodation in this country, we welcome the ambition to deliver 300,000 affordable homes over the next 10 years, but, for the families who are currently waiting for that to be delivered tomorrow, how many of these do you expect to deliver during this Parliament?

Matthew Pennycook: It is a reasonable question. Again, there are nuances and complexities in these things. When it comes to grant funding affordable homes, it is important to be clear on two things. I am not sure it is always apparent to honourable Members how these things work, but there is an intuitive sense that these affordable homes programmes run discretely, whereas in practice they overlap. The 2021-to-2026 affordable homes programme will run down over the course of this Parliament as our new £39 billion 10-year social and affordable homes programme ramps up, so we will see ongoing delivery from the 2021-to-2026 programme throughout this Parliament. I just think it is an important point.

Accurately forecasting long-term delivery is inherently challenging, particularly on a 10-year programme such as the one we brought forward at the spending review. Our best estimate, as included in the written ministerial statement I issued, is that that £39 billion could deliver around 300,000 social and affordable homes over its lifetime, with about 180,000 for social rent in particular. We have given a renewed focus to social rent underneath that affordable umbrella.

In terms of what the new programme will deliver in this Parliament, I am not in a position to provide you with an accurate estimate at this stage, not least because—and, again, this speaks to how the programme will function—RPs are in the process of revisiting their business cases, as I said, in light of the spending review. They will be looking to submit bids into that new programme when it goes live and we publish the prospectus. It is those bids that come forward and the individual grant rates that are handed out that will determine the ultimate number, so we are not in a position today to say, definitely, we will deliver X number of social and affordable homes in this Parliament through the programme, and there is the tail end of the other programme.

The one thing I would say, because I want to give the Committee clarity on this issue as soon as possible, is that, as we made clear in the document we published on 2 July, *Delivering a decade of renewal for social and affordable housing*, we intend to work quite intensively with housing associations, councils and other providers in the coming months to agree a joint ambition for what registered providers can bring forward in terms of social and affordable homes right across the country. That will include both grant-funded social homes and homes that come through the developer contribution system.



I hope at that point, with the sector, we are able to give the Committee a much clearer view of our ambition for this Parliament when it comes to total numbers. In partnership with the sector—and we do need to work in partnership with the sector—and off the back of the spending review, which was received incredibly positively by the sector, we are seeing a renewed appetite to take up section 106 homes and to look again at delivery pipelines. We have now given them, through that regulatory certainty, through consultation on rent convergence, through the grant funding, everything they need, I would argue, to be able to look again at their pipelines and seek to maximise the number of affordable homes that they can bring forward, not only in this Parliament, but then going forward across that 10-year programme.

Q158 Sarah Smith: Can you clarify, first, by when you think you will be able to give us that greater reassurance or clarity around the numbers you expect to deliver within this Parliament and when that work will be done, so that when you come back to us we can revisit this? Secondly, could you at least give some sense of how much of the £39 billion will be available and be spent in the year ahead, in two years ahead, within, again, the terms of this Parliament?

Matthew Pennycook: Do you want to comment specifically on our engagement with the sector in terms of coming forward with a joint vision for numbers?

Joanna Key: First of all, it is worth setting out the timetable that the Minister referred to. We hope to publish a prospectus for the new programme this autumn and open it up to bids, we say in winter, but probably in January, because it is not very fair to do that just before Christmas, for example. We will then open a bidding window and, when that bidding window shuts, we will know a bit more clearly exactly what bids are coming forward and what timescale for delivery we can expect for the new programme. Then we will get a much clearer idea.

I would say by the end of next year we will have a much clearer idea of what exactly it looks like across the piece, coupled with, as the Minister has just said, the work we are doing with the providers to try to form a much clearer idea not just of what they might bring forward through that grant programme that I just referred to, but also what they can deliver through section 106 and the kind of building that they are anticipating taking forward in partnership with developers. We will have a much clearer view then of what the pipeline looks like.

Matthew Pennycook: It does all depend on bids. The Committee will know that the way the affordable homes programme works is on the basis of strategic partnerships but then continuous market engagement. In terms of our 10-year new social and affordable housing programme, it may well be the case that we get bids through that strategic partnership route for 10-year delivery pipelines.

Joanna Key: Yes, we will.



Matthew Pennycook: Then we would have much more certainty. There will be an element of which bids are coming in under continuous market engagement. It does depend on what comes in after we publish the prospectus and the new scheme is operating, and what registered providers themselves are saying their appetite is, but we are getting very positive signs in that regard.

In terms of the spend this year and next year, the 2021-to-2026 programme averages about £2.3 billion of grant funding capital per year. The spending review policy paper that was issued at that point in time makes clear that our £39 billion 10-year programme will reach £4 billion per year in 2029-30 and will rise in line with inflation subsequently. As such, government spending on affordable housing will have almost doubled by the end of this Parliament.

Mr Dillon may challenge me on whether we should do things differently, but Government, for good reason, do not usually publish year-by-year spend on specific programmes in advance, before those bids have come in, for example. We will continue to publish past expenditure figures in the Department's annual report and accounts, so the Committee will have full transparency as to how much is being spent each year after we know what bids have come in.

Q159 **Sarah Smith:** Moving forward now to the decent homes standard and the work going on there, it has been made public that this might not be enforceable until 2035 or 2037. We have had 72 children die due to their living conditions between 2019 and 2024. Why would there be this delay? Why are we not pushing as quickly as possible to make every landlord responsible for making sure that the homes that families are living in, in this country, while they await the progress of this building programme, are fit for human habitation?

Matthew Pennycook: It is important to say that, as a point of principle, alongside our commitment to delivering the biggest increase in social and affordable house building in a generation, we are absolutely committed to driving a transformational change in the safety and quality of housing. The action that we have taken today attests to that.

When it comes to the consultation that we have recently released—as well as the one on MEES—on an updated and modernised decent homes standard, which will include a new damp and mould standard, you are right that we have sought views on an implementation date of 2035 to 2037. That is not particularly unusual, I would add, just to draw the Committee's attention to the decent homes programme undertaken by the last Labour Government, which had a 10-year implementation timeline. The sector does need time to respond to that.

In terms of your challenge on what we are doing for people potentially living with acute hazards, we have taken urgent action, particularly in terms of damp and mould, in both sectors—the social rented sector and the private rented sector—by introducing Awaab's law, for which we laid



HOUSE OF COMMONS

the regulations on 25 June. Subject to parliamentary scrutiny, that first phase of Awaab's law will come into force in October. That will require landlords to address significant damp and mould hazards and emergency hazards within fixed periods.

We are taking very short-term action, but I think it is entirely right and proper that we give the sector time to implement, as we did with the decent homes programme under the last Labour Government, which had hugely positive effects. There is no way you could ask for an updated standard to be implemented within, say, a year. We need a lead-in time to bring those standards, but we are taking urgent action through Awaab's law, through the regulator, to improve standards in the short term.

Q160 **Sarah Smith:** Perhaps not within a year, but to be waiting 10 years seems extreme, given the money that is being made in this sector and the responsibility every single landlord should have to provide a home with running water, free from damp and mould, and free from rat infestations. Surely there could be greater urgency than 2035.

Matthew Pennycook: I would simply reinforce—perhaps you take issue with this—that we have acted urgently by laying regulations on Awaab's law, which, as I have said, will require landlords to address hazards, including damp and mould, within strict time periods.

Q161 **Chair:** Minister, you will be aware of the emails we all receive.

Matthew Pennycook: I receive them too, Chair.

Chair: You receive them as well. That is not the situation on the ground for many tenants.

Matthew Pennycook: What is not the situation on the ground?

Chair: In terms of the regulations.

Matthew Pennycook: They have not come into force yet.

Q162 **Chair:** Even when they do come into force, local authorities are telling us they do not feel well resourced to carry out those inspections. Do you feel that we will have a situation in October where, essentially, private residents will feel that local authorities are going to be able to come in to inspect these and local authorities, in turn, are going to come back to the Government to say, "We cannot keep up with these inspections"?

Matthew Pennycook: The whole point of Awaab's law is that, if landlords do not meet these requirements, residents will be able to hold them to account by taking legal action through the courts. It imposes a very hard fixed time period for responses to hazards such as damp and mould. This is a significant intervention. We have laid the regs. They are not in force.

Q163 **Chair:** Do you feel that the courts will be able to deal with those multiple cases that are going to come forward?



HOUSE OF COMMONS

Matthew Pennycook: This is precisely why we have taken a sequenced approach to implementing Awaab's law, to ensure that the sector can manage it and that, for example, responding to Awaab's law cases does not completely consume the repairs and maintenance departments of all local authorities. We are confident that the sector can implement this properly. It is a significant change that will deal with hazards such as damp and mould, and will improve quality and safety.

At the same time as we have that emergency measure in place, we are going to raise standards across the board through an upgraded and modernised decent homes standard, on the timelines of, as I said, the previous Labour Government's decent homes programme. I do not think anyone at that point in time would have been saying, "I think you need to get on with it and do it in two or three years".

Q164 **Chair:** Minister, we now have a situation where we have almost 2 million people on the housing waiting list. We have seen local authorities spend £2.29 billion. I do not need to read these figures to you. The situation is getting dire on a daily basis. We cannot compare it to when the last Labour Government were in. We keep saying we are in a housing crisis. There are issues within temporary accommodation. Unless we do things differently, Minister, we are going to keep spending money as a sticking tape on this. That is what we are trying to impress on you.

Matthew Pennycook: We are doing things differently, Chair. I think I have evidenced that we are doing things differently.

Q165 **Andrew Lewin:** Minister, I want to take us back briefly to completions for homes for social rent. There is an important relationship here with the changes, which I believe are welcome, to right to buy. We were talking about new builds and completions, and 180,000 a year. I am interested in the modelling you have been able to do as a Department as to what the implication will be of the changes to right to buy, so the 35-year qualifying period for new builds and the other extensions and restrictions in eligibility. My hope and expectation is that that is also going to result in a greater degree of net additions, but I am keen to explore it a little bit.

Matthew Pennycook: To that point, the further reforms we are proposing to right to buy are set out in detail in the written ministerial statement I issued to the House recently. They are part of how we will ensure that we are net positive on social rented housing supply and in a sustainable way, absolutely. They will help better protect stock, improve council capacity and incentivise councils to build more social rented homes, because they are not losing them in short order.

I am more than happy to write to the Committee with the sort of estimates we have of what that means for sale numbers, if that would be of interest, to give you a sense of the impact of those things. Coupled with the reduction in discounts that we took forward very early in the Parliament, we think those changes will make a real difference to what



local authorities are bringing forward and the amount of stock they are losing as a result.

Joanna Key: The thing that is difficult to estimate but I am sure exists as a positive incentive is the impact on local authorities' building programmes. We can assess how many people you might take out of wanting on that basis to buy their own home, but we cannot estimate the impact on local authority behaviour, and that is a really important part of those proposals.

Matthew Pennycook: Our feedback from the sector is that, if local authorities knew that they were not going to lose these units from their stock, they would have much more of an incentive to build more.

Andrew Lewin: Exactly, and, for me, net additions is the key metric, not just new builds, and I think that is pertinent.

Q166 **Joe Powell:** Just to go back to the social housing sector very quickly, if you tot up everything—and that is why it has been so positive—it has the 10-year rent deal, access to the building safety fund, a new affordable homes programme, rent convergence and a housing bank. At the same time, it does not feel like the direction to the sector on the quality of homes is as strategic and thought through as it is on supply.

The question we have is this. With this model that we have with housing associations, which are not governed in the same way as council housing, how can you give us assurances that you are looking at both supply and the quality of their current homes in the round?

Matthew Pennycook: I would strongly take issue with your assertion that we are not giving equal focus to quality and safety as we are to supply. I think the actions we have taken to date would attest to that. We are consulting on minimum energy efficiency standards and an upgraded and modernised decent homes standard. We are laying the regulations and are on course to introduce Awaab's law in October. We are introducing STAIRs—information access requirements—and electrical safety regulations.

We are taking action across the board to drive that transformational change in quality and standards. I can assure you, Mr Powell, that, for both the Deputy Prime Minister and me, it has equal weight in terms of our focus and priorities alongside new supply, partly because—and I say this to registered providers whenever I meet them—we cannot make the case for a significant increase in social and affordable house building if the sector in the minds of the public is associated with poor-quality standards and hazards of the type we have been discussing. We have to do it at the same time.

There is also a broader point that is worth making. This Government came in on the back of a fairly dire inheritance. I would be challenged on that, but I would say it was an absolutely dire inheritance in terms of supply and the quality of homes we have inherited, particularly in the



private rented sector, where, for example, we are extending the decent homes standard for the first time. We are trying to boost supply, drive that transformational change in decency and quality, all at the same time, in a constrained fiscal environment. This is a significant challenge, but what we have done to date evidences and attests to our determination to make progress on both fronts.

Q167 **Chair:** We will monitor that with interest, Minister, so hopefully we will see some improvements on that.

Matthew Pennycook: I would expect nothing less.

Q168 **Chris Curtis:** In the year to March 2025, we have seen a 73% drop-off in starts in London. You talk to anyone and they will say the Building Safety Regulator is almost certainly the biggest cause of that, obviously set up with really good intentions after the tragedy at Grenfell. Not only has this had a real impact on our ability to achieve the 1.5 million, but it has also meant that people have been almost certainly stuck in unsafe and more dangerous accommodation as a consequence, because we have decreased the number of new properties that we are building. Do you think the changes as proposed are going fast enough, and do we have a timetable for implementation?

Matthew Pennycook: It is a good question. You are right to draw attention to the fact that the Building Safety Regulator, to the extent that it is impacting on the supply of new high-rise buildings across the country, is affecting particular parts of the country more acutely than others, for obvious reasons. There are usually more high-rise applications that go in in London. Manchester is another example of a city that I think is feeling the effect. It is not the only reason that supply in London is below where we would want it to be, but it is certainly a factor.

We have made a series of changes, as you alluded to, not only in terms of resourcing, with an extra £2 million allocated to the Building Safety Regulator, but also the changes we made in the recent package, including that fast-track process. We expect those to expedite and accelerate the delivery of units.

On timelines, we can say, for example, that the BSR is on course to recruit more than 100 members of staff by the end of the year to enhance its operations. I might bring Jo and Will in to add further detail, but we do think “yes” is the simple answer to whether we think it is enough and will have an impact. The feedback we have had from the sector is very positive. Andy Roe is well respected.

This is a fundamental change, not only in operations but we also hope in the culture of the BSR, not sacrificing building safety standards, which remain absolutely essential, but ensuring that in its operation it is not hampering the supply of new homes coming forward. Jo and Will may want to add more.



Joanna Key: I do not have very much to add, just to say that new capacity is focused particularly on engineer and building safety capacity, which is where I think the BSR has felt it has not had enough resource to progress cases really quickly. It is not just about capacity; it is also about discussions with the developers and making sure that they are clear, as a development industry as a whole, on what is causing some of the applications to fail and how to rectify that really quickly so that applications can get back into the system. As the Minister said, it is not about watering down the standards. The standards remain in place. The quality is absolutely key, but it is about trying to get things through in a timely way.

Q169 **Chris Curtis:** Do you think, Minister, in hindsight, given that, as far as I can see, nobody really recommended it, that setting the height at which the BSR is involved in a project at 18 metres was too low?

Matthew Pennycook: I would not fundamentally—let me phrase it differently. I am not going to sit here and propose a new height threshold for the BSR. We inherited many regulations across the board from the previous Government. Our focus is ensuring that the BSR is operating effectively. As I say, it is balancing that requirement to ensure that the buildings come forward safe with not constraining supply. I am not going to reopen—you will forgive me—height thresholds for the BSR and all the other regulations that flowed from the Hackitt review at the time.

Q170 **Chris Curtis:** In the mood of reflecting, we have reached a point where starts are down 73% in London. We hit a pretty catastrophic halt in the London property market before we started trying to address the problems facing the BSR. Have you had any reflection on how you can maybe speed up that feedback loop so that we do not reach this kind of crisis before we start reforming regulators or regulation that clearly is not working in the future?

Matthew Pennycook: Joe and Will may want to come in. On a point of principle, as an incoming Government, we reviewed all aspects of regulation. I think, if the Committee is fair-minded enough to agree, that over the last 12 months this Department has done a significant amount of reform. The package for the BSR we brought forward is just the latest in a long line of changes we have made that will make that improvement. We continue to reflect on how regulators operate to ensure there is a pro-growth focus, balancing that with other considerations that we need to take into account, in this case building safety.

Joanna Key: I do not have very much to add, other than to say that it is a very important question and gives us food for thought. When you have a new regulator, it is quite hard to determine whether the problems are caused by its newness, if you like, or whether there is a more fundamental issue there. That is what we found difficult to determine for some months, but I think now we are absolutely wanting to make progress.



HOUSE OF COMMONS

Chair: Thank you. Next is an issue that is always in the news, leasehold reform.

Q171 **Mr Forster:** Minister, can you commit to ending the leasehold system and implementing the Law Commission's proposals in full during this Parliament?

Matthew Pennycook: Yes, we will finally bring the feudal leasehold system to an end in this Parliament. That is our commitment, set out very clearly in the written ministerial statement I issued last year.

Q172 **Mr Forster:** You will both introduce the law and implement it by the end of this Parliament.

Matthew Pennycook: Yes. What we mean by ending the leasehold system is set out very clearly in that very lengthy written ministerial statement. There is lots of detail in there for the Committee to get their teeth into.

It means implementing those leasehold reforms that are already on the statute book, and we are progressively switching on the provisions of the Leasehold and Freehold Reform Act 2024, but also undertaking that wider reform to bring the system to an end, not least by ensuring that we transition to commonhold as the default tenure going forward. You will have noted the White Paper we published on commonhold. Work continues as part of our plans to introduce that draft leasehold and commonhold reform Bill later this year on issues such as how we ensure that the conversion process is as efficient and cost-effective for leaseholders as possible.

Q173 **Mr Forster:** Why was it necessary to launch yet another leasehold consultation last week before the pre-legislative scrutiny on the draft Bill?

Matthew Pennycook: Forgive me for saying, but you are conflating two entirely separate issues. We were clear in the November WMS that we would look to consult on the 2024 Act's provisions on service charges and legal costs, bringing those into force as quickly as possible thereafter.

The reason we are consulting is that, as you will see if you go and take a look at that 100-plus-page consultation document, this is an incredibly technical area. It is important that we get it right to ensure that the measures work in practice and are of lasting benefit to leaseholders and tenants. You will know that that consultation also proposes further leasehold reforms beyond service charges and legal costs, for example reforming the major works process and the regulation of managing agents via mandatory qualifications, so that is a substantial package.

Chair: What about valuation rates?

Matthew Pennycook: That is not in the consultation, Chair, if that is your question. I can come to that separately.



The draft Bill is separate to that service charge consultation. That is about switching on one of the provisions from the 2024 Act. Our draft Bill includes some of the wider reforms we need to undertake to bring the leasehold system to an end. As I said, it will be published before the end of the year. A central focus of that Bill will be on reinvigorating commonhold through the introduction of a comprehensive legal framework, but it will include other measures, so they are entirely separate issues.

Q174 Mr Forster: Last week, I and probably other members of the Committee got contacted by a lot of leaseholders really worried that they are going to be let down by this Government, like they were let down by the previous Government. This Government came in, clearly saying you would abolish leaseholds. I fully support that. There is a huge fear that last week's consultation is because you are not actually going to deliver the comprehensive reform that you promised. That is why I am asking, because my inbox is full of leaseholders who are really concerned that you are not going to follow through on your promise and it would be another broken one.

Matthew Pennycook: To directly address your point, I do not think there is any cause among leaseholders in the country to doubt this Government's commitment to bring the system to an end by the end of this Parliament. Barring a slight change in our timetable for the consultation on valuation rates, which I am more than happy to address, we are on course to do exactly what we said in that written ministerial statement in terms of progressively switching on the various provisions of that 2024 Act and introducing the wider reforms.

I do not know what the cause is on leaseholders' part to doubt our commitment. We are doing exactly what we said in that detailed WMS in terms of the road map for bringing the system to an end by the end of this Parliament.

Q175 Mr Forster: I appreciate what you said. Trying to understand it from a leaseholder's point of view, they have had promises broken time and time again. They have felt trampled by management companies. You cannot be surprised that there is a lack of trust there.

Matthew Pennycook: No, I do not in any way take issue and I am not surprised by the lack of trust. You are absolutely right that leaseholders have been let down on multiple occasions by previous Governments who committed to far-reaching reform and then did not enact it. Leaseholders should judge us by our works at the end of this Parliament, by which point we will have brought the system to an end, giving those existing leaseholders rights protections that they so desperately need in the here and now—service charges are a good example of that—but undertaking those wider reforms to bring the system to an end, in particular ensuring that commonhold is the default tenure going forward.

Q176 Mr Forster: Finally, do you still plan to consult on the valuation rates



used to calculate the cost of the premiums that you have talked about and, if so, when?

Matthew Pennycook: We do intend to consult on valuation rates. It is really important—again, there was extensive debate on this in the Bill Committee when I was the shadow Minister scrutinising the legislation—that we get these rates right. They are used to calculate the cost of enfranchisement premiums, and they will determine how much leaseholders pay to either extend their lease or acquire their freehold. In terms of financial pressures and cost of living pressures on leaseholders, that is a very important decision to get right.

As the Committee will know, this week the High Court hears challenges to some of the 2024 Act enfranchisement reforms. I want leaseholders to be under no doubt, and the Deputy Prime Minister said the same thing, that the Government are robustly defending those challenges. We await the court's judgment, but we have taken the decision to provide further updates on the valuation rates at the point at which we know the outcome of that hearing, and there is good reason for that. Once that outcome goes live, we want to hear views from a broad spectrum of stakeholders, including leaseholders, to feed in. That is the only part of the WMS that I issued in November last year where we are making a slight variation to the timetable.

Q177 **Chair:** You said by November you would consult. What are you saying now?

Matthew Pennycook: I think we said by the summer. There will be a slight delay to that. There is good reason for that, in terms of awaiting the outcome of the hearing. The hearing is a serious matter, but, as I say, I want leaseholders to know that, while they are not represented in the hearing personally, and I know lots of leasehold groups across the country take issue with that, the Government are robustly defending those challenges. I cannot comment further on that ongoing litigation for reasons you will appreciate.

Q178 **Maya Ellis:** Coming on to future planning reform, we are very over time, so just a quick answer would be wonderful. Last year, when you came to see us, we spoke about national development management policies and you said you were committed to consulting on them. Can you let us know where you are up to on thinking around those?

Matthew Pennycook: I am not able to share my thinking today. We did commit to consult on national policies for decision making this year. We will do so. Going back to our original conversation about the various elements that get us to that 1.5 million new homes target, we think this, again, is another reform that will be incredibly impactful in terms of the changes going forward, but we will consult this year on it.

Q179 **Maya Ellis:** I just have a quick question on getting to that 1.5 million homes in non-devolved areas. I visited Preston City Council last week and saw some incredible investment it is doing in the Harris Quarter there,



HOUSE OF COMMONS

which will improve the night-time economy and hopefully improve the viability of potential city centre house building. One thing it raised is limitations around the brownfield funds and grant funds that we are offering, some of which are limited to mayoral areas. There is concerns that, in non-mayoral areas, we are holding back where there are lots of schemes ready to go, but they do not quite meet the viability yet.

I just wondered whether there is any current thinking, as I ask at any opportunity I have, for non-mayoral areas, about how we make sure that we can unlock house building there that is ready to go.

Matthew Pennycook: It is not the case that non-mayoral areas cannot access grant funding through programmes such as the brownfield, infrastructure and land fund or the housing infrastructure fund. They do have access to apply for those. It will obviously depend on whether the particular application in question is judged to be value for money, but they do have access to those funds. What mayors will have is more autonomy and powers over the funding that is devolved to them. It is not the case, I think, if I have taken your point—

Q180 **Maya Ellis:** It was something they raised that they were suggesting was causing a problem.

Matthew Pennycook: If I understand what you are driving at, I think it is less whether they are able to apply into the funds and more inherent problems about land values and viability, which may be ruling out some of the specific projects people are applying for from accessing those funds. Each bid has to be taken as to whether it offers value for money and whether it is the right project to allocate funds to.

Q181 **Maya Ellis:** Lastly, I have a specific and then a broader point. Last month, we heard evidence about how the NPPF could be strengthened to encourage local authorities to plan for park-site homes to add to those 1.5 million homes because they are very easy to bring off the ground. On that and more broadly, are you planning to conduct any more comprehensive reviews of the NPPF at any point during this Parliament?

Matthew Pennycook: There are probably two things to say here, and I will bring Will in on this point. We made significant changes to the NPPF last year. We are not going to revisit any of the key changes that we made then. There is an exercise in terms of bringing forward this new suite of national policies for decision making about their impact on the NPPF.

Essentially, the NPPF at the moment is a combination of plan-making guidance and policies for decision making. In taking forward that new suite, it will have an impact on the NPPF and we will have to amend and revise it, but we are not revisiting any of those key changes made in December last year.

William Burgon: That is exactly right. There are some areas—and the Minister has already referenced brownfield passports, for example—that



HOUSE OF COMMONS

we intend to give effect to through those changes, so there is at least an opportunity to consider other policy elements. I am not going to comment on that specific. We are not looking to do a wholesale review of the NPPF policies. The Government's view is that those major changes to housing targets, in green belt in particular, plus other reforms, were the major push in that opening six months.

Q182 **Chair:** Just on that, Minister, I was here in the last Parliament—you have been here longer than I have—and what I sensed was a series of that Government making announcements, especially planning announcements, just before we come to the summer recess. Can we expect any planning policy announcements or consultations in the next week?

Matthew Pennycook: What do I say to that question? It would be our intention to avoid making any announcements immediately before the recess. On the other hand, I have been pressed on several occasions during this Committee to get on with it. If there are sensible changes that we can bring forward when Parliament is sitting, rather than over the summer recess, I think the Committee would expect us to do so.

Q183 **Chair:** See, this is why you have to stay Housing Minister for the next Parliament. Finally, Minister, and thank you for your time, you will be aware of the CMA investigation into seven major house builders and the settlement last week on the alleged anti-competitive process. I just wanted to know whether you or your civil servants were involved in the negotiations and looking at that settlement. Do you think that is a satisfactory outcome? It is not really going to act as a deterrent, £100 million between those seven developers, is it?

Matthew Pennycook: Could I bring Jo and Will in on civil service involvement first?

Joanna Key: The CMA is an entirely independent organisation, so we do not get involved in its discussions with the house builders about what was going on with the market investigation or, indeed, in the remedy that it agreed with the house builders. The conversation that we did have with the CMA was in very, very practical terms. It asked us whether, if there were to be a sum of money forthcoming, we had a route for it to go to social and affordable housing. That was a conversation that we had on a confidential basis.

Q184 **Chair:** Okay, so that was the £100 million split between seven developers.

Joanna Key: We did not have a conversation about the amount or anything of that nature. That was entirely a matter for the CMA.

Q185 **Chair:** I appreciate its independence, but did the Department seek any advice in terms of the evidence it has collated to help any policy changes that you would want to make going forward?



HOUSE OF COMMONS

Joanna Key: This was entirely an independent CMA report. The sort of remedies that it has discussed with the house builders are between the CMA and the house builders, not for the Department.

Matthew Pennycook: I would say generally, Chair, as you would expect, with a Government who are determined to fix our broken housing market, of course we are going to reflect on incidents such as this. You will see, for example, in the long-term housing strategy that is forthcoming, precisely the ways in which we want to address aspects of that broken housing market and end our over-reliance on a speculative development model that is not driving good outcomes in many instances.

Chair: Thank you very much for coming before the Committee this morning, Minister, William and Joanna.