

Housing, Communities and Local Government Committee

Treasury Committee

Oral evidence: Affordability of Home Ownership, HC 1208

Tuesday 10 February 2026

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Members present:

Housing, Communities and Local Government Committee: Florence Eshalomi (Chair); Lewis Cocking; Chris Curtis; Mr Lee Dillon; Mr Will Forster; Mr Gagan Mohindra; Sarah Smith; Sean Woodcock.

Treasury Committee: Dame Meg Hillier (Chair); Dame Harriett Baldwin; Chris Coghlan; Bobby Dean; Jim Dickson; John Glen; John Grady; Dame Siobhain McDonagh; Luke Murphy; Catherine West; Yuan Yang.

Questions 148-251

Witnesses

I: Matthew Pennycook MP, Minister of State for Housing and Planning, Ministry of Housing, Communities and Local Government, Lucy Rigby KC MP, Economic Secretary to the Treasury, HM Treasury, Alanna Barber, Deputy Director of Banking and Credit, HM Treasury and Melanie Montanari, Director for Housing Markets and Strategy, Ministry of Housing, Communities and Local Government.

Examination of witnesses

Witnesses: Matthew Pennycook, Lucy Rigby, Alanna Barber and Melanie Montanari.

Chair: Good morning and welcome to our joint session with the Treasury Committee to look at housing affordability. I am Florence Eshalomi, the Chair of the Housing, Communities and Local Government Committee; could our Ministers and guests introduce themselves, please?

Melanie Montanari: I am Melanie Montanari, director of housing strategy and markets at MHCLG.

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

Lucy Rigby: I am Lucy Rigby, the Economic Secretary to the Treasury.

Alanna Barber: I am Alanna Barber, deputy director of banking and credit at the Treasury.

Q148 **Chair:** Thank you for joining us this morning. House building and housing continues to be a key feature for this Government. Obviously, for that to work, we need co-operation between MHCLG and the Treasury, so we are grateful to have both Ministers with us this morning. We have a series of questions looking at some of the issues around your portfolios and briefs.

To start off, Minister Pennycook, looking back to the 2025 Budget a few months ago, there was no new funding for house building or for dealing with some of the issues around housing affordability that we have heard about as a Committee. Obviously the Government have a massive and really good, ambitious target of building 1.5 million new homes. Are you confident that the Government can solve the housing affordability issues when there is no new money coming into the system?

Matthew Pennycook: Thank you, Chair, and thank you for the opportunity to come and speak about this important topic. I am confident that we have the tools we need to drive up housing supply to tackle the other challenges in the housing market. You will know that we got a significant allocation at the spending review: £39 billion for a 10-year social and affordable homes programme; approximately £5 billion for land and infrastructure grant funding; and circa £16 billion of financial support for the new National Housing Bank, which we are in the process of establishing. We therefore do have the tools at our disposal, through the spending review allocation, to take forward the programmes that we have spoken about in previous sessions with your Committee.

Chair: Do you feel that those levers will be sufficient? You have the £39 billion over the 10 years, the national delivery fund, some of the things around the National Housing Bank, and the subsidy from Homes England; will all that achieve the big, ambitious programme you have?

Matthew Pennycook: At the risk of slightly worrying my Treasury colleagues, would I have liked more money for all those pots? Absolutely. But we have what we need to take forward the very ambitious plans that we have set out.

I might bring Melanie in on this, but the new National Housing Bank is a novel public finance institution that will allow us to do things that we have not been able to do before. There is significant financial firepower behind that, if you like, and there is grant funding through those other pots to take things forward. As you know, we will very shortly open the new social



HOUSE OF COMMONS

and affordable homes programme to bids, to start moving that £39 billion out of the door.

Melanie Montanari: The really important thing on the National Housing Bank, as well as the funding, is the flexibility that the financial transaction control framework brings—to use the money flexibly across years and to bring inward investment; we expect more than £50 billion of private investment to come in as well. So that money is to enable the unlocking of wider investment, which is crucial to delivering our objectives.

Q149 Dame Harriett Baldwin: Can I ask the Economic Secretary for her perspective? In terms of the amounts of money that the Housing Minister has just outlined, what is the Treasury expecting those sums to deliver?

Lucy Rigby: Fundamentally, we are expecting them to deliver more houses. That is obviously not the sole element of the Treasury's work; we have been working hard to make sure that there is demand as well as supply by trying to ensure that mortgages are more affordable for people, and helping people to save for deposits. There are a range of ways we are working with MHCLG and across Government to ensure that we get more first-time buyers on to the housing ladder and that houses are more affordable—essentially more people right across the country achieving the dream of home ownership, which unfortunately has been out of reach for too many for too long.

Q150 Dame Harriett Baldwin: There will be questions on that later but, in terms of more housing, have you set specific targets for each year? What kind of metrics does the Treasury have to evaluate how well the housing Department is delivering for the money that you have allocated?

Lucy Rigby: The Treasury does not have a specific target—although my officials will correct me if I am wrong. If there are targets, you would not necessarily expect the Treasury to have them—I think they would be in the domain of MHCLG. However, as I have said, we are working very closely to make sure that we have both supply and demand. Both those things must be in balance, otherwise the housing market becomes overheated and fundamentally we do not achieve what we want to, which is more people on the housing ladder.

Q151 Dame Harriett Baldwin: I am sure that you would not have allocated £39 billion without an expectation of a certain number of houses to be delivered.

Matthew Pennycook: Through the £39 billion we will open the new programme for bids in the coming weeks. When those bids come in, both the GLA and Homes England—respectively controlling the funds—will set target ranges for what is to be produced through that grant funding. Just like the last affordable homes programme—which ultimately had its target revised downwards—we will have targets for what we expect that grant funding to provide for both in London and outside it.

Q152 Dame Meg Hillier: To be clear, the targets will follow the bids—it is about what is possible.

Matthew Pennycook: When we established the programme we set out our estimate that the new programme could deliver around 300,000 homes over its lifetime—about 180,000 of which are homes for social rent. That will become more refined as bids come in from providers, both through strategic partnerships and continuous market engagement routes.

Q153 **Dame Harriett Baldwin:** If I understand correctly, the Treasury has allocated a specific sum, which was set due to affordability rather than to aim for a particular number of homes. Were there any particular areas of contention between the two Departments at the time of the spending review?

Dame Meg Hillier: Just say yes.

Lucy Rigby: I hesitate, because I was not in post, Dame Harriett—*[Interruption.]* Alanna says that my officials did not have sight either.

Matthew Pennycook: I do not remember any real issues of tension. We certainly had a live discussion about, for example, what implementing rent convergence would look like in terms of its practicalities. We have since ironed those out and made that announcement in recent weeks.

Melanie Montanari: The ongoing discussions at official level do not stop with the announcement of the overall amounts of money. We have detailed business cases on the detail, and Treasury officials are closely involved in and provide helpful scrutiny and challenge through that process.

Q154 **Mr Mohindra:** Mr Pennycook, you, your Secretary of State and your previous Secretary of State have been challenged by our Committee about benchmarking and how you are going to get to the 1.5 million homes. Building on the previous conversation about the £39 billion from the Treasury, will our Committee get sight of what benchmarking you are looking to achieve so that we can track whether your Government are on track to deliver the ambitious programme that you have set out? The frustration we have had in previous Committee meetings is that the soundbite of 1.5 million homes is ambitious and we support it, but we have yet to see any detail behind that to challenge and be critical friends on that basis.

Matthew Pennycook: At the risk of relitigating the extensive exchanges we have had on this subject, we have a very clear and ambitious 1.5 million target over the course of this Parliament. Every member of this Committee, every Member of the House and every member of the public can track our progress towards that target in terms of net additional completions. It is the publicly accessible figure that has been used for the past 24 years by Governments of all stripes to track housing delivery, so you will be able to see our progress towards that target.

We have always been clear, as we have gone through before, that we did not set an annual target—not least because, on arriving in Government, we knew we had inherited a housing downturn, exacerbated by the anti-supply changes made by the last Government. We knew we would be in a



HOUSE OF COMMONS

very difficult situation, with starts and completions at a low level, following the constrained supply and reduced number of applications coming through. However, this is a whole-of-Parliament target, and anyone can track it through that well-understood and well-recognised metric.

Q155 Mr Mohindra: For the simplicity of the Committee, can you get your officials to send us where we should be looking to track the 1.5 million?

Matthew Pennycook: The net additional completions?

Mr Mohindra: Yes.

Matthew Pennycook: After this session ends, I will come and google it on your phone.

Mr Mohindra: I am not letting you anywhere near my phone!

Matthew Pennycook: Any member of the Committee can have a go and google it. You will be able to very quickly find where the official statistics are.

Q156 Mr Mohindra: Going back to the question I was meant to be asking, Minister Pennycook, do you have everything you need from the Treasury to achieve what you need to as a Department? If not, now is your opportunity to nudge your Treasury colleagues.

Matthew Pennycook: We now have a really constructive relationship with Treasury colleagues across all the areas we will discuss today, on the demand side as well as the supply side. Let us take social and affordable housing, which you have rightly focused on in these opening questions. Now that we have clarity on rent convergence, on the new modernised decent homes standard, on what minimum energy efficiency standards look like and on the grant funding package, the sector now has everything it needs. I provided a progress update to Parliament in the form of a written ministerial statement on this very issue. The sector now has everything it needs to business-plan over the next 10-plus years and to put in what we hope will be really ambitious bids into the new programme. Then we can start to see spades in the ground and new affordable homes coming through.

Mr Mohindra: So you do not need anything from the Treasury.

Matthew Pennycook: I am sure there will be further conversations with the Treasury on policy matters, and we keep all these matters under live review, as you would expect.

Q157 Sarah Smith: I just want to go back briefly to what you said before and check that I have understood it clearly. You said that the ambition of delivering 180,000 homes for affordable rent as part of the programme was the target, but that it is now subject to the bids that are received. Or is it a requirement of the bids to still achieve that number? Is there a risk that we see a reduction in the number of homes delivered for affordable rent because of the bid process, and what has been learned in recent months?



HOUSE OF COMMONS

Matthew Pennycook: I will try to clarify as best I can, and Melanie may then want to add to that. It is very difficult to estimate the precise number of homes that you will get from a 10-year programme. We made the best estimate we could, which is that the programme, over its lifetime, will produce around 300,000 homes, about 180,000 of which would be for social rent.

Because the parameters of the programme are very clear, we are targeting 60% of that £39 billion for social rented homes, but that will be refined on the basis of the bids. The Government do not allocate every home or make the choices about which bids come in; that is for registered providers of affordable housing, including councils and housing associations.

We have encouraged them to put in really ambitious bids and have given them the clarity they need on the regulatory environment. We will refine and then set, as I have said, published targets for both the GLA and Homes England based on the bids that come in. We will refine those targets as we go, but that was our best estimate based on everything we know about what we can achieve over the lifetime of the 10-year programme.

Chair: Moving on to house prices, you were recently in an article in the *Financial Times*, Minister.

Q158 **Jim Dickson:** Obviously, the dream of home ownership for young people has receded over the last 15 years or so. We have seen house prices consistently rise faster than incomes. As the Chair has said, Minister Pennycook, you have been on record recently in the *Financial Times* saying that, as more units and homes are built, you think house prices will gradually come down. Do you have a target for that? Do you expect them to come down sharply? What are your objectives?

Matthew Pennycook: It would be a fool's errand to have a target for house prices, and there is a degree of short-term fluctuation. I will give the Committee my best sense of what will happen. Two things can be true at the same time: there is strong evidence to attest to the fact that building homes of any tenure, including for private market sale, makes other housing more affordable in the short term and in a localised sense. If you flood a local housing market with homes of any tenure, you will have a positive impact on housing affordability. There is lots of evidence to attest to that; there is an interesting GLA note from August 2023 that makes clear that supply of any kind has short-term, localised impacts by creating chains of vacancies and moves that can reach across an entire housing market area, therefore making available more affordable homes for people, including those on low incomes.

In the aggregate across the country, such is the mismatch between supply and demand over many decades under successive Governments that it will take some time, even if we had high and sustained rates of house building of the kind that we hope the reforms we are making will secure, to see house prices drop—and we would not want them to drop sharply. The best



scenario we can expect is a sustained levelling off of house price growth and then a gradual easing of it over time. Because that is a medium to long-term proposition, it is important to get direct support in the form of the social and affordable housing grant—that is what the £39 billion is for—so that we can make that immediate, up-front difference for people on low incomes who cannot buy private market sale homes.

Our analysis, in broad terms, estimates that a 1% increase in housing stock should, all else being equal, decrease prices by 2%. That is a general rule of thumb, but the mismatch of supply and demand over many years is such that it will take a long time to bend the curve.

Q159 Jim Dickson: Do we expect that to significantly increase affordability for the young people who really need to get that step on to the housing ladder soon, if possible?

Matthew Pennycook: There are a couple of things—I will bring Mel in to add to what I am saying—but we have already started to see improvements in the number of first-time buyer mortgages. They have picked up by up to 329,000 in 2024; that is an increase of 16% on the previous year. The house price to earnings ratio is coming down in a helpful way. There are some positive signs about things improving, but there is more we need to do on that side.

Melanie Montanari: One of the things we track is the prices to earnings ratio, which has slightly improved in recent times, but obviously we are supplementing that through changes on the mortgages side, shared ownership and other interventions to drive that further. These are big structural changes that take time to work through.

Q160 Chair: One of the obvious other issues with regards to some of the help to buys and 95% loans is people falling into negative equity. That could be a big issue, especially for first-time buyers. Is there a risk, and what will the Government do to address that if we see that pattern coming forward?

Lucy Rigby: There are plenty of safeguards in place to make sure that lenders have to act in consumers' best interests, not least the consumer duty. The flow limit is important here, as is the work that has been going on by the PRA, the FPC and the FCA. There are plenty of safeguards in that area, but it all links back to the previous point that was being made about affordability. We have seen house prices gradually rising and very tight mortgage regulation, which has meant that far too many people have been squeezed out of the housing market, particularly the younger generation. The changes that are being made to mortgage rules across the piece make sure that there is a greater variety of mortgage products available, and we are seeing some really good innovation in that area. Importantly, mortgages are becoming more affordable and that is part of what is driving housing to become more affordable as well.

Minister Pennycook rightly referred to the house price to earnings ratio which, for first-time buyers, is lower than the 20-year average at the moment, according to the latest figures from Nationwide. So things are



HOUSE OF COMMONS

heading in the right direction for the purposes of more first-time buyers getting on the ladder.

Q161 Chair: More affordable? An average first-time buyer in my constituency would need a minimum of around £100,000 for a deposit. In what way is that more affordable, Minister?

Lucy Rigby: There is variation in different areas of the country, not least because house prices are different in different areas. Indeed, what constitutes affordability is disputed, or there are different measures of that. There is also obviously a difference between mortgage affordability and housing affordability, but on housing affordability, as I said, the moves are going in the right direction.

In the most basic definition of affordability, I would suggest fundamentally that what we are talking about—I suspect many on the Committee would agree—is people on typical incomes being able to secure a decent home. That is basically it. Are we where we need to be yet? I would argue no, but the point I am making is that things are heading in the right direction because of the changes that we are making, both to supply, which is obviously predominantly the purview of Minister Pennycook, but also in relation to demand and both mortgage and housing affordability.

Chair: We will come back to that.

Q162 Chris Curtis: We are now in an era where a lot of the people who would normally be expecting to buy their first homes are also repaying their Plan 2 loans, their student loans, and often at quite high rates. Has the Department looked at what impact the student loan system has on affordability for people buying their first homes in this period?

Lucy Rigby: That is a very good question. Not that I have come across, but I turn to Alanna.

Alanna Barber: I do not think there is any specific analysis on that point but, in general, if people have less disposable income after they have paid various charges, they will have less money available to contribute towards mortgage affordability.

Q163 Chair: If we were to write to you, would the Treasury look at that, on the back of Chris's point?

Lucy Rigby: It is a very good question, so yes, absolutely.

Q164 Catherine West: Minister Pennycook, you mentioned the impact of new homes and supply bringing down prices. How many homes do you think would need to be built for that to start taking effect? Can you quantify—if not necessarily down to the single home—where you think the balance tips into more affordability?

Matthew Pennycook: I think there is a short-term localised impact, depending on how many homes are built in a particular housing market area. In aggregate, the best analysis we have is departmental analysis,



HOUSE OF COMMONS

based on academic research, that estimates that a 1% increase in housing stock should, everything else being equal, decrease prices by 2%.

When you look at what has driven the worsening of affordability for first-time buyers over the last few decades—Minister Rigby touched on this—it is incredibly complex, but there are broadly two main drivers. First, as a country we have failed, pretty miserably, to build enough homes of all tenures to meet housing demand.

Secondly, and overlaying that, the financialisation of housing has exacerbated that inadequate supply. Over recent decades, homes have become an investment product. They have reorientated the market away from local people looking for a home in which to live towards second homeowners, buy-to-let landlords and foreign investors seeking a safe and stable repository for their wealth. That generally has inflated prices and rents to historic highs, rising faster than wages, and to an extent it has fuelled speculation for land and housing. It has also driven inequalities between different parts of the country and between generations, such as we are seeing, as Mr Curtis mentioned, for young people in particular, who have a real inability to get on the housing ladder. That is feeding through society. We all get it in our postbags in various ways. Lots of people are living at home with parents well into their 20s, sometimes their 30s.

Q165 Catherine West: Moving to the mechanics around builders and developers, what do you think we need to get things going a bit more, because it is a bit slow?

Matthew Pennycook: In general housing supply terms?

Catherine West: The Government's role in trying to get the mechanics going.

Matthew Pennycook: First, we need a planning system that facilitates enough new homes coming forward. That is partly related to the amount of land we release into the system, but also to how the planning system works and the extent to which it is streamlined, effective and provides for timely outcomes. I think the changes that we made to the national planning policy framework to address that are already having an impact. We are seeing that anecdotally, and it will start to come through in a more pronounced way in the statistics as time goes by, due to the nature of the development cycle. We are making more land available in the system, and putting in place a new standard method that is more linked to our 1.5 million target overall, which is based on a housing stock baseline with an affordability ratchet, again to deliberately target the areas of most acute affordability challenge across the country.

We have always been clear—I think I was clear in the *Financial Times* article that the Chair referenced—that planning reform alone will not boost housing supply. We are going to make quite a pronounced turn over the coming months, although we have done lots of work on this before, on what more we need to do to reform the housing system and the market, and to transform the business models of some of the big players where we

can, by encouraging things such as partnership working and more large-scale mixed-use sites.

It is also about how get new entrants into the market. There has been a lot of focus over recent months and in the recent NPPF changes on what more we can do to bring small and medium-sized house builders in, to arrest their decline and allow them to thrive over the years and get into council house building. There will be a big drive towards delivery and market reform.

Q166 Catherine West: On council housing, what is the role for local authorities to speed things up a bit, given that we are already nearly two years into the Parliament?

Matthew Pennycook: We have taken a number of steps through the changes we have made to the planning system to try to modernise the way that local planning authorities operate—I recognise that some people here were very involved in the debates on the Planning and Infrastructure Act 2025, for example. We are modernising planning committees with a new national scheme of delegation to ensure that there is more certainty in the system. All of that will, along with other reforms we are contemplating, shrink the timelines for making planning decisions.

As well as that, councils have a role as direct providers of housing. We know that councils, for a variety of reasons, have not been building at the scale required. We have essentially never met housing need since local authority supply dropped off a cliff in the previous century. We are doing lots more to re-invigorate council house building, and it is all set out in our five-step plan. As well as allowing councils to draw on that £39 billion pot of grant funding, we have allocated £9 million to 44 councils through the council house building support fund to help them accelerate and increase the size of their bids into that grant fund. We are putting a lot of other steps in place—

Q167 Catherine West: The figure of £9 million out of £39 billion is quite a small quantum—

Matthew Pennycook: That is a separate pot, forgive me.

Catherine West: It is still a small number compared with £39 billion.

Matthew Pennycook: It is a support fund to help those councils to bid into that £39 billion pot. We have sustained the public works loan board rates for another year, and we are allowing councils to benefit from the rent convergence policy that we have just announced. There are a variety of ways in which we can get councils back on the pitch in a serious way, but it is from a very low base, so it will take some time.

Q168 Luke Murphy: You mentioned your *Financial Times* interview, in which you criticised the current business model of housing developers. You said that it “does constrain supply” because they “can’t afford to build and sell homes too quickly”. Do you want to expand on that point? How much of a problem is their business model, and how do you ensure that they



continue to build while doing the things you need to do to change it?

Matthew Pennycook: I want to be really clear that it is a systemic problem, rather than the result of bad behaviour on the part of any individual developer. Developers, particularly the volume house builders, are acting entirely rationally in the framework they operate in, in which land is inherently constrained. That is at the root of lots of problems, which is why we are allowing more land to be made available in the system through the NPPF.

But we are overly reliant on a speculative model of house building, and that operates on the basis of developers acquiring land, most often these days from a hugely expanded land promotion sector. Lots of land across the country is already optioned, but in the expectation that they will secure planning permission, cover all their costs, and make a return on the basis of house prices as currently constituted and largely set by the second-hand market.

Developers under that model cannot build too fast or it will affect their margins, and that is an inherent constraint. It leads to bad outcomes in some instances, but it is also an inherent constraint on supply. Lots of studies have attested to this. The Letwin review is very clear on this. The market absorption rate problem is one of the binding constraints in the housing market.

The way that we get around that is partly through transformation, and partly through market reform, as I have touched on. We need to encourage more mixed-use development on larger sites. We have made changes in the NPPF to try and focus on that approach on sites above 150 units. We have put money behind a project called Hestia, which is a Homes England joint partnership with Vistry. That is, again, a partnership model that relies on a type of delivery where there is more affordable being delivered up front to build the site out quicker. The more affordable you get into a site, the quicker it builds this inelastic demand for social and affordable homes for first-time buyers.

But we also need to diversify the house building industry. That is where SMEs counsel that getting more players on the pitch that build in different ways and do not face those constraints will help us. So we need, I suppose in simple terms, the volumes to do what they do and in greater numbers, and to open more outlets. We need some of them to contemplate a slightly different business model, hopefully working in a partnership that gets more affordable and quicker build-out, and then all of those different entrants coming through with a more diversified and healthy house building system.

Q169 Luke Murphy: One of the issues raised is the absence of what they say is a first-time buyer scheme for the first time in 60 years. How much do you think that is true, and what is the rationale for not having one? Is it because you believe it will feed into higher prices?

Matthew Pennycook: Simply, the previous Government's schemes ended. In the Department we are doing a full evaluation of what previous



HOUSE OF COMMONS

rounds of help to buy meant for outcomes, both in terms of supply and price impact. Lots of the studies that have taken place—Mel can provide useful detail on this—do not really provide us with a huge amount of insight as to what were the outcomes of that product.

But we will have live discussions across Government about what more is needed on the demand side. We have already put in place—Minister Rigby can touch more on this—a permanent mortgage guarantee scheme. Lots of the tax changes we are making are having a positive impact for first-time buyers—again, to the point I made about the financialisation of housing, shifting the focus away from investors and second home owners towards first-time buyers. So we are doing things in this space. We have no current plans—just to be clear—for a replacement help to buy scheme or equity loan scheme, but we will continue to have those discussions. The house builders are very clear that they want to see a demand-side stimulus.

Q170 Bobby Dean: I just wanted to touch on the point you made about how we have never really built at scale without the support of local authorities building directly. I wonder if you could help me to step back a bit. If you look at it from a whole-of-state perspective, the maths is very clear. Let us say it costs—I am making these figures up—£250,000 to build a small family home. If you get the rental income over 50 years, it pays for itself. Once you take into account housing benefit going out from the DWP as well, the maths gets even simpler. So from a whole Treasury perspective, allowing local authorities to borrow to build is a no-brainer, but the housing revenue account system is not delivering on that front. Ms Rigby, do you do that kind of whole-of-state perspective when calculating how much you allow local government to borrow to build?

Lucy Rigby: Again, it is a good question. I am afraid I was not involved in the last bit of the spending review.

Alanna Barber: Apologies, but I did not have sight of the last bit of the spending review either, because of where I sit in the Treasury. Perhaps we can follow that up in writing.

Q171 Bobby Dean: Obviously, money comes out of the state via housing benefits to private landlords at the moment, at scale. If you take that into account plus the rental income you could receive from a social housing tenant, does that get taken into consideration when you think about how much capacity local authorities should have to borrow to be able to build more social homes over the long run?

Lucy Rigby: In the absence of any other answer, I would imagine that it does, but I suspect it is probably best if we write to you to confirm exactly how it is taken into account.

Q172 Bobby Dean: Minister Pennycook, do you have anything to add?

Matthew Pennycook: I think I have already mentioned them, but we have made a series of changes that make it easier for councils to build. We have made recent announcements in relation to the housing revenue



HOUSE OF COMMONS

account, including raising the threshold from 200 to 1,000, at which local authorities can take on those responsibilities.

There are fiscal implications of more fundamental changes to the HRA. As I said, we keep these issues under review, but whether it is through rent convergence, that stable 10-year rent settlement, CPI+1%, which gives local authorities certainty, or a series of other interventions, we are making it easier for councils to build again. I re-emphasise that the numbers coming through are so small at the moment that a significant jump—

Q173 Bobby Dean: Is that because of the fiscal point that you just mentioned? Obviously, the interest often comes out of the day-to-day revenue expenditure of a local authority. A lot of them are carrying deficits in their HRA, because of all the increases in maintenance and building safety, and so on. Are those existing debts what is holding them back? Do the Government need to intervene to do something about that?

Matthew Pennycook: There are real challenges with the HRA and significant, quite acute challenges in certain parts of the country when it comes to individual local authorities. We think the self-financing model is the right one. We do not intend to change that, but there are certainly pressures there. As I said, wider changes have fiscal implications. We think that we have given councils enough of what they need to begin at scale again.

But this is not just a financial resource question. There is now a deficit of skills, which is why, again, we have put in place the £9 million, which is significant in terms of direct local authority support for this particular task. There is a whole skillset that was in place in local authorities—Committee members will know that local authorities used to have their own architects, etc.—that is just not there now, so the scaling up of local authority house building is a real challenge. But I think we have put in place some of the things that we need to do to start turning that corner. Alongside other providers being supported in the market—SMEs in particular—we can get that diversity of supply coming through.

Q174 Dame Meg Hillier: On that point, Minister Pennycook, there are some councils, such as Hackney council—my council—that are building council homes, but, as you say, lots of councils do not have architects, departments, the skillset, the direct labour organisation or even the ability to procure. Are you looking at encouraging councils to group together so that you have a lead council with experience that could help to hold the hand of a council that wants to invest the money in developing council housing in its area? Is that on the cards?

Matthew Pennycook: We have not directly instructed or encouraged them to do that. I am extremely interested in that model. I think that is a potential way to bring together the necessary skills and resources across our area and get the benefit of those economies of scale.

Q175 Dame Meg Hillier: They have all got that cue now from you. In response to Mr Dean, Minister Rigby, you could not answer some of the detailed



HOUSE OF COMMONS

questions, but the Chancellor has been very clear that she wanted to borrow to invest in infrastructure. One of the best value-for-money bits of infrastructure is social housing, according to MHCLG's records. In some respects, spending to save is a bit of a challenge for the Treasury over the long term institutionally, but is that being considered at all? Is it on your desk? If it is not on your desk, where else in the Treasury is that being talked about? If people have a stable roof over their heads and an opportunity to live where they can work, that can be very good for the economy.

Lucy Rigby: I agree. You are absolutely right that it is not on my desk. The bits that sit on my desk relate to financial services—so everything around mortgages and, as I mentioned, the piece around helping consumers save for a deposit. But yes, clearly investment in all forms of infrastructure is something that sits in the Treasury.

Q176 Dame Meg Hillier: Under the PSNFL rules and so on that we have talked about on the Treasury Committee, was there, or is there likely to be, any discussion to allow councils to borrow more? Obviously, borrowing is high, and we know there are challenges, but is that a prospect?

Lucy Rigby: Again, you will have to forgive me because that is not directly within my portfolio, but subject to Alanna saying something, we will add that to the letter we will write to the Committee.

Matthew Pennycook: From my perspective, it has already been mentioned that we have extended the preferential public works loan board borrowing rate for council house building. We also made a number of other changes—some quite early on in our period in Government—in co-operation with the Treasury that are having a real impact on councils' ability to build. That includes 100% retention of right to buy receipts and allowing councils to combine right to buy receipts with that £39 billion grant funding.

All those things are pretty transformative for what councils can do, as are the wider changes we are making to right to buy. In particular, the 35-year prohibition on the sale of newly built social rented homes is hugely important to councils in terms of their willingness to build, knowing that those homes cannot immediately be sold. We have seen newly built social rented homes across the country immediately sold to third-party investors, often then—to Mr Dean's point—rented back to the local authority with housing benefit charged on it. It is an absolute travesty. Other types of reforms to the right to buy provide some certainty—we need to bring those forward through primary legislation—and, again, will have a real impact.

Melanie Montanari: On whether the PSNFL arrangements are helping, the National Housing Bank specifically has £2.5 billion for low-interest rate loans to support RPs, which is an example of how we are using the flexibilities in the new fiscal framework to support cheaper lending to the RPs, so they can build social housing.

Q177 Mr Forster: I have a few questions. The first couple are for you, Matthew.



HOUSE OF COMMONS

Considering the Government's commitment to build 1.5 million homes, how many homes need to be built by the end of this Parliament to have a noticeable effect on affordability? To reach your target and improve affordability, do we need local authorities to build homes? If so, how many?

Matthew Pennycook: Forgive me, but I feel like I have answered both of those questions already. We have set ourselves a 1.5 million new homes target. That is the target for this Parliament. We would expect that to have positive impacts in terms of affordability. I hope I have been clear that that we do not want a sugar rush of house building rates and then a huge drop off. We must ensure that the rates are high and sustainable, and we think the reforms we are making will allow that. I am absolutely confident that we will achieve what the previous Government failed to by hitting and getting beyond the 300,000 homes a year target of many previous Governments but then also sustain those rates over time. That will have an impact on affordability, but there is more we need to do, particularly on the demand side and on the distribution of homes. I have spoken about the impact of the financialisation of what second home owners, investors and others have done. I think we covered local authorities quite extensively, unless you have a specific question.

Q178 Mr Forster: The specific is that I think we are after numbers. You said that this is going to have an impact on affordability. Is it going to freeze prices? Is it going to have a 1% or a 10% reduction? What assessment has the Department made on what it will be? For local authorities, what number do you need them to do?

Matthew Pennycook: I have referenced twice now the analysis that the Department has carried out on what we expect an increase of supply to do to house prices, all things being equal. However, there are short-term and localised impacts as well. I think you are driving at an affordable target for local areas. We expect local areas to set those targets in local plans. In our recent revised NPPF, which we put out to consultation, we have also explored and asked for feedback on, for example, setting a minimum proportion of social rent homes. When it comes to an overall affordable target, the Committee has pressed me on this a number of times. We have not set one. We will have a very clear idea of the expected number to come through that grant funding rate once the new social and affordable homes programme opens for bids—to Dame Harriett's question earlier.

Affordable homes coming through the other channel, which is developer contributions, is highly dependent on what section 106 agreements are negotiated and put in place on every individual housing site across the country. We expect local authorities to be setting the tenure breakdown to meet their local housing needs. It is primarily a question for local authorities in terms of what their particular local housing market requires.

Q179 Mr Forster: I suppose a question for both Ministers, following on from Bobby Dean's questions about the HRA. Minister Rigby, you said that you are not aware of that detail. That makes me wonder whether you think



HOUSE OF COMMONS

that the Public Works Loan Board and the monitoring of HRA should be transferred fully to MHCLG to ensure that that Department can fully own and encourage house building. Can you also explain why the discounted rate of HRA borrowing has been extended only for one year, when we know how helpful that will be for building social homes?

Lucy Rigby: From my point of view, it is not indicative of anything other than that it sits within the Chief Secretary to the Treasury's portfolio rather than my own. As I said, I am more than happy to write to Mr Dean, to cover off Dame Meg's question as well.

Matthew Pennycook: We will set out a position for future years at the appropriate point, but I well understand the point about local authorities needing as much certainty as possible.

Q180 **Mr Forster:** You said that councils need certainty to borrow, but that you have not given them an offer. That does not help them plan, and it suppresses their ability to deliver social affordable homes. When will you decide to extend the HRA discount rate?

Matthew Pennycook: We have just announced the extension to March 2027. Any further announcements, you will forgive me, will be made to Parliament in the usual way.

Q181 **Sean Woodcock:** Going back to affordability, there is a slight difference between what the ONS says about what is affordable—less than five times average local income—and what the national planning policy framework says, which is that it should be 20% below market rate. Could you talk to why the NPPF is different to the ONS's version of affordable?

Matthew Pennycook: If I have understood you correctly, we are talking about two separate and distinct issues here: there is general house price affordability, which the ONS tracks, and the OBR has said it expects it to broadly track incomes; and then there is affordable housing, as defined in the glossary of NPPF, which encompasses a range of different products. Affordable rent—up to 80% submarket—is one type of product that may be suitable for some areas. I suppose our focus as a Government has been on ensuring that we get a significant uptick in the most affordable type of affordable housing, which is social rented homes. That is why 60% of the £39 billion new programme is directly targeted at that type of tenure.

Q182 **Sean Woodcock:** My challenge is that the word "affordable" comes up whenever you or I are door knocking and speaking to people; the challenge is often that we are not building the homes that are actually affordable. When councils are responding and coming up with local plans based on the NPPF, there does seem to be a distinction here. Would it not make sense to look at how affordable is being defined in the NPPF, so that it is more linked to the ONS definition? Do you have any intention of doing that, or do you not see the merit of that?

Matthew Pennycook: We revised how affordable housing is defined in the NPPF glossary, specifically distinguishing between social rent, as the most affordable type of product, and other types of affordable housing. But ultimately it is for local planning authorities to say, through their local



plans, and then on an individual site basis through section 106 negotiations, what type of affordable homes they want and need to see to meet housing demand in their areas, as well as the extent to which they need, for example, a significant proportion of social rent. I am assuming that there is a council housing waiting list in your part of the country, as there is in mine; there are many tens of thousands of people on the Royal Borough of Greenwich's housing waiting list. Again, that is where the £39 billion grant funding pot comes in, which councils as well as housing associations can bid for.

Q183 Sarah Smith: An estimated 265,000 homes have been empty for more than six months. There is nothing more frustrating to a street than an empty property; it brings the whole street down and potentially turns into more than one. I am sure we have all had casework on those frustrating situations. I am interested to understand what you are doing to look at the viability of reducing the risk for councils to take on those empty homes and renovate them for social housing?

Matthew Pennycook: That is a really good point. I often get challenged by people—occasionally people who do not want to see house building in their area—that we do not need to build any more houses because empty homes will resolve the issue. I want to be clear that we think bringing more empty homes back into use can make an important contribution to the housing crisis we are facing across the country, but it is not a panacea. As of September 2025, there were 542,000 empty homes, and of those, just over 300,000 have been empty for six months or more.

In terms of the tools that are available, local authorities already have strong powers and incentives to tackle empty homes. They have discretionary powers to charge additional council tax on properties that have been left unoccupied and substantially unfurnished for one year or more. They can also access funding through the affordable homes programme and the local authority housing fund, and they have CPO powers. But we made it very clear, as part of the English devolution White Paper, that we want to strengthen local authorities' ability to take over the management of vacant residential properties, because we think there is more that they can do.

Alongside looking at what other powers local authorities need, when hon. Members often ask me about this, I challenge them: I think there is a degree of councils being either unaware or unwilling—or unable; perhaps it is a resource issue—to use the existing powers they have. Obviously, we want to ensure that they are maximising those existing powers before we introduce others, but we have recognised that there is a case for looking at how we strengthen those to bring properties back into use. As you say, they are not only a blight on communities but could be meeting the housing need in important ways.

Q184 Sarah Smith: One specific area is the onus on councils to prove that they are empty, how high that threshold is and how challenging it can be to get over that. Will that be considered in this consultation, in terms of what you can change to make that easier, notwithstanding the resource challenges



HOUSE OF COMMONS

some councils might have?

Matthew Pennycook: If the Committee has any specific suggestions or proposals in this area, I very much welcome them. It is a live issue; as I said, we are looking at what more we can do to strengthen local authorities' powers.

Q185 **Sarah Smith:** I am sure we will come back to you on that as we progress with the inquiry. Minister Rigby, the Budget promised a consultation on reforming VAT to incentivise land development for social housing. Will the Treasury expand its VAT consultation to include equalising the tax treatment of retrofitting and new builds, as the Environmental Audit Committee has called for?

Lucy Rigby: I am not aware that we have any plans to, but I can follow up. There was one tax point that I wanted to interject with in relation to what Minister Pennycook was saying earlier, which I think is important. Minister Pennycook was talking about how, when new properties are built, they get hoovered up by people other than first-time buyers. One of the changes that we made at Budget '24 was to up the higher dwellings rate of SDLT by two percentage points. At the most recent Budget, we also introduced a new income tax on property income. Both of those measures—more so the former—help the position of first-time buyers relative to landlords, which I think is an important point. I did not want to interrupt Matt earlier, but I wanted to get that on the record.

Q186 **Sarah Smith:** It would be helpful to write to us about whether there is any consideration of that VAT review and, if not now, whether it would be in the future, given the opportunity for tackling this. Although it may be a small number, whether these sit empty or not is still a significant issue in communities.

Back to you, Minister Pennycook: has the Department assessed the scale of residential property accumulation by foreign investors and the specific impact that is having on housing affordability?

Melanie Montanari: I am not aware that there are very good data sources on that. We have market analysts who will look at the key investors and try to understand the picture. There is a difference between institutional investment that is supporting normal families being able to access housing, which we support and which is part of our objectives, versus the ownership of properties that are not being used as dwellings but just as an investment product. We do a bit of monitoring of that but, as I have seen, there is not a consistent data source that gives you a good picture other than essentially monitoring based on individual investors, which we do on an ongoing basis.

Q187 **Sarah Smith:** What would either of the Ministers' messages be to those speculative investors who might be sitting on empty homes because they depend on the return on the capital value? Is there any message you would deliver to those types of, particularly foreign, investors at this time?

Matthew Pennycook: In general, the Government want to see more empty homes brought back into use across the country. That is a very



HOUSE OF COMMONS

clear and simple message. I would draw attention to, as Minister Rigby said, some of the tax changes that are rebalancing the market away from investors of all kinds towards more families looking to buy. We know that that is having an already quite significant impact on first-time buyers.

Lucy Rigby: Just to add to that, one additional point that I should have mentioned is the added SDLT for non-UK residents.

Melanie Montanari: It is worth saying that, for example, in the measure around overseas investors in relation to stamp duty, the Treasury's estimate was that that helped 130,000 additional transactions for first-time buyers. These interventions can be really powerful for tipping the balance in favour of first-time buyers.

Q188 **Chris Curtis:** I have a quick question. Jumping back to the point on social housing mix, Minister Pennycook, you made the point that you could spend those S106 contributions, or all the contributions that you have for social housing, on a smaller number of units with more subsidy, or a larger number of units with less subsidy. It sounds like your push is for—though you wouldn't quite frame it this way—a smaller number of units with social rent with a bigger subsidy. Why have you concluded that that is the better use of money?

Matthew Pennycook: Because social rented homes are the most affordable type of homes, and there is an acute and pressing need for those homes, not least to provide stable and secure homes for the many families that now live in temporary accommodation for whom other affordable tenures would not be affordable. Again, we can go over the reasons why we saw that decline, but we have failed, quite singularly, to build enough genuinely affordable social rented homes over recent years. We want to get to a point where we are net positive in the supply of social homes and that we continue to see that boost, because it has a number of other impacts that are beneficial for the housing market. We might touch on the PRS—the private rented sector—but in broad terms, we want to grow the supply of homes of all tenures. There is a chunk of people at the top of the private rented sector who really should, with the right conditions and support, be able to move into home ownership, and there is a cohort at the bottom end of the private rented sector that really should be in social rented homes, but there has not been enough supply coming through.

Q189 **Dame Meg Hillier:** Minister Rigby, I want to talk about mortgages. Obviously the FCA has loosened the rules on mortgage lending, and that has made mortgages more accessible. Do you have any indication of how that is having an impact on purchases?

Lucy Rigby: As Minister Pennycook noted earlier, we have seen, over the course of the last year, more first-time buyers getting on the ladder.

Q190 **Dame Meg Hillier:** That is first-time buyers, yes. Have you analysed it across the rest of the market?



HOUSE OF COMMONS

Lucy Rigby: There were round about 57,000 year on year in the time period that Minister Pennycook mentioned. With the FCA relaxing its rules following the mortgage review, 85% of the market have now adopted where the FCA suggests that they should be. On average, I think it is about 10% more that borrowers could borrow, which equates to about £30,000 based on looking back on the same income.

Q191 **Dame Meg Hillier:** Sorry, is £30,000 the average across England?

Alanna Barber: It is an average buyer across the entirety of the UK.

Q192 **Dame Meg Hillier:** Okay, that is an average. I represent an inner-city London seat, and a number of us around the table represent expensive areas where you would need more than £30,000 to make a difference.

Alanna Barber: It is 10% for a borrower on the same income, so a borrow who earned more would be able to borrow 10% more.

Q193 **Dame Meg Hillier:** That is helpful. This has made mortgages more accessible, but has it done anything about affordability? You can get more mortgage, but does that mean that you are just over-indebting to buy the same property?

Lucy Rigby: Because of what has happened to house prices and to more supply coming online, the fact of mortgages being more affordable, and in addition to what the FCA is doing, there is also the FPC's relaxation of the rules when it comes to the high loan-to-value lending or the flow limit. As a package, we are seeing houses becoming more affordable—I referred to the nationwide measure of earnings to value earlier. But to the Chair's point earlier, there is further to go.

Q194 **Dame Meg Hillier:** Are you doing any analysis of the length of mortgage terms? I am thinking of people—young couples—with 37 or 40-year mortgages. Is that something the Treasury is analysing?

Alanna Barber: It has been trending upwards over the last few years. Somewhere here I have the latest figure, but it has been trending up; there is about a six-month increase every couple of years. The length of term is in the region of a 31-year average at the moment, but I would need to double-check.

Q195 **Dame Meg Hillier:** That is an average. Have you done any analysis of whether new purchasers' mortgage terms are significantly higher than those of people already on the ladder or people who were doing this 10 or 20 years ago?

Alanna Barber: Yes, sorry: first-time buyers' average terms are trending upwards; new buyers are tending to borrow over longer terms.

Q196 **Dame Meg Hillier:** Is there any analysis in the Treasury of the long-term public policy impact of the fact that people will be indebted longer and sometimes, if they are buying only in their 30s, well into retirement? Is the Treasury looking at that to make sure that we are guarding against any unintended consequences in the future?

Alanna Barber: Certainly the FCA are looking at that as part of their discussion paper; they published their response last year about what they are going to be looking at. They are looking at lending into retirement: retirement products, but also impacts of longer-term—

Q197 **Dame Meg Hillier:** That wasn't quite my question. It was about people who are borrowing now, on their income, over a 37 or 40-year period and so will still have those extant mortgages, potentially, into retirement. Is the Treasury looking at that, Ms Rigby, in terms of the support that the state should be providing? This is not just about your portfolio and those financial services products, but about the impact on people's incomes into retirement and their ability to live off their pension.

Lucy Rigby: I understand the question. Not that I am aware of, no.

Q198 **Dame Meg Hillier:** Is it something you might want to take away and think about?

Lucy Rigby: In addition to some of the other things that have been raised, yes. I have thought about it from the point of view of very long-term mortgages, which I understand are more available—or more common, I should say—in jurisdictions like the US. They are, as you know, available in this country, but as to the long-term impact on financial health, I am not aware of work that is currently ongoing.

Q199 **Dame Meg Hillier:** My point is really that people can buy homes with easier mortgages, but does that mean it is actually affordable for them? Thank you for taking that away.

I want to touch on the mortgage guarantee scheme. My simple question is: why bother? Given that Santander has a 98% loan-to-value offer and many others have 95% loan-to-value offers, why is the Treasury bothering with a mortgage guarantee scheme? I should stress that you made it permanent after an experiment or a temporary pilot by the previous Government.

Lucy Rigby: Yes, we made it permanent in July—halfway through last year. I will explain the thinking behind that. Where the mortgage guarantee scheme becomes useful is in the event of an economic slowdown, where we have seen lenders take high loan-to-value products off the market. That is when a mortgage guarantee scheme becomes useful, because it keeps those kinds of products in the market. You rightly say that we are not in that position at the moment, and indeed we are seeing greater innovation in the mortgage market. You mentioned Santander and there are also other providers bringing lower-deposit products to market, which is a good thing. In those circumstances, an MGS is less useful, but I come back to the point that in the event of a slowdown, it will enable lenders to keep low-deposit or lower-deposit products on the market.

Q200 **Dame Meg Hillier:** What contingent liability is the Treasury carrying on the mortgage guarantee scheme over this Parliament?

Lucy Rigby: As to an exact figure, I am not sure, but I know that—



HOUSE OF COMMONS

Dame Meg Hillier: Or a ballpark figure if you cannot give an exact figure. I expect you could write to us—

Lucy Rigby: It is important to say that where lenders do become part of the mortgage guarantee scheme, each mortgage is subject to the same affordability assessments and everything else. So this isn't—

Q201 **Dame Meg Hillier:** It is unlikely to crystallise, you think.

Lucy Rigby: My point is just that this is not such as to mean that very, very risky loans are being made, because everyone is still subject to the same affordability criteria, but to answer your—

Q202 **Dame Meg Hillier:** So you think there is not a chance of that contingent liability crystallising. Contingent liabilities are normal to see, but you think the risk of crystallisation is limited. You have done an analysis of that.

Lucy Rigby: Obviously, the intention is to keep it as low as you possibly can, because as I said, the affordability assessments still apply. To answer your question directly, I do not have an exact figure for the size of that liability.

Q203 **Dame Meg Hillier:** If you could supply both our Committees with something written, that would be helpful. You will have written, no doubt, to the Chair of the Public Accounts Committee about this, so perhaps Ms Barber could take that back and make sure that we see the same—maybe the Chair saw it, but I did not. It would be helpful to see that contingent liability.

Alanna Barber indicated assent.

Q204 **Dame Meg Hillier:** The other challenge here is that you have this mortgage guarantee scheme, but it does not apply to a lot of private leasehold flats. They are the new builds that are going up, in a lot of inner-city areas in particular. Why is that? Is that something you are going to consider changing?

Alanna Barber: The mortgage guarantee scheme can be used on new build flats—

Dame Meg Hillier: But it is at a lower rate, isn't it?

Alanna Barber: Not the mortgage guarantee scheme, no. It can be used at 95% on new build flats.

Dame Meg Hillier: Okay. Thank you very much.

Q205 **Chair:** That was not the understanding of Pocket Living at one of our evidence sessions. They mentioned that no lender is providing that for new build flats. Are you now saying that the new scheme that the Government are offering will be applicable to new build flats?

Alanna Barber: It is true that not many lenders lend at 95% on new build flats. I believe that Santander is one of the major lenders that does, but it is true that many of them do not and that they will only lend at

lower loan-to-value ratios on those flats. However, if lenders are part of the mortgage guarantee scheme and they choose to lend on new build flats, it applies to new build flats as well.

Q206 **Chair:** So it is if they choose to lend, not that they have to lend.

Alanna Barber: Yes. We do not prescribe what properties or borrowers lenders must lend to, but the mortgage guarantee scheme—

Q207 **Dame Meg Hillier:** Are you concerned that there might be a reluctance to lend on new build flats at the 95% rate? If that is the case, how are you going to assess whether the mortgage guarantee scheme is working, because it would surely then increase the chance of a 95% or higher loan-to-value rate on leasehold flats?

Alanna Barber: As the Minister said, the market failure that the mortgage guarantee scheme is trying to address is an absence of 95% products in the market, so that borrowers can borrow at 95%, rather than making it particularly easier for a given property or borrower, if that makes sense. It is more that those products exist and that there is borrowing at 95% available on new build flats.

Q208 **Dame Meg Hillier:** It seems that there might be dead-weight here. You have a guarantee scheme where they are already being provided but—I hear what the Minister says about future scenarios—we have a situation in many of our constituencies where the properties are blocks of flats, often leasehold, and there is a reluctance to lend at higher loan-to-value ratios. Clearly the mortgage guarantee scheme is not working for those, if that is not happening. Do you have any metrics to measure whether the mortgage guarantee scheme will encourage higher loan-to-value ratios on those sorts of properties?

Alanna Barber: I do not think we have metrics on that. As I say, we are aiming at—

Q209 **Dame Meg Hillier:** You are not collecting data on how the mortgage guarantee scheme is working.

Alanna Barber: We are certainly collecting data on mortgages completed through the scheme, but—

Q210 **Dame Meg Hillier:** Is that by type of property, as well as just raw numbers?

Alanna Barber: I will have to take that away. But the purpose of the guarantee scheme is not so much to encourage lending on new build flats as to encourage 95% product availability.

Dame Meg Hillier: I think there is work that we may want to dig into further there, Chair, but thank you, Ms Barber.

Q211 **Chair:** Moving on, Minister Pennycook, a big issue that we have raised with you on many occasions is shared ownership. You know about some of the issues to do with staircasing and the selling on of properties. Does the Ministry have any proposals in terms of endorsing the shared ownership

code?

Matthew Pennycook: We are supportive of the code as an industry-led initiative, and I recently met the council and Ann Santry to discuss it. As a Government, we are also making changes through the new social and affordable homes programme to improve the consumer experience of shared ownership; to strengthen expectations on landlords, including clearer, more accessible up-front information for prospective buyers and greater consideration of long-term affordability; and to improve transparency and fairness in terms of how rents, service charges and other fees are set. Shared owners will also benefit—we may come on to this as a topic in its own right—from the wider reforms to the leasehold system that we are making.

Q212 Chair: There is a lot of concern among many Members, with shared owners feeling that the code lacks any meaningful teeth without Government endorsement. We know that the Housing Ombudsman is very supportive as well. There is a difference between being supportive and formally endorsing it and saying, “Yes, this is something I would want to see enacted.”

Matthew Pennycook: I understand; there is a difference, yes. We remain at present supportive of it as an industry initiative. We have not formally endorsed the code.

Q213 Dame Siobhain McDonagh: I want to ask about the shared ownership model. What thoughts do you have about, perhaps, decreasing the proportion that somebody is required to buy? Might that allow more people to step into home ownership?

Matthew Pennycook: This product, which we have said should have an ongoing role through the social and affordable homes programme, allows people to buy a share of their property of between 10% and 75%. We are trying to bring certainty to the subsidised rent portion of it, through the improvements we are making, bringing on new leases from October 2023 under the new CPI+1% cap.

But—and this speaks to the Chair’s point as well—I think there is a particular issue for London Members. I face this in my own constituency. We have seen across the country shared ownership working incredibly effectively, and in some parts of the country it being a more problematic tenure, with shared owners facing different challenges. It seems to me, on the basis of all the evidence that we have and the Department has collected, that there are some real regional discrepancies in terms of the consumer experience, if you like.

I will bring Mel in on the particular issue that you raise, which I take to be whether the Government should mandate a lower share.

Melanie Montanari: From speaking to shared owners and providers, our sense is that the 10% entry point does provide the affordability. Some of the issues have been around the service charges and fees that come alongside that. As Minister Pennycook alluded to, our focus has been on



HOUSE OF COMMONS

making sure, through the social and affordable homes programme guidance and the prospectus—there will be more work to do on that—that there is more fairness and more affordability in those fees and charges. Hopefully, the combination of the 10% and more affordable, reasonable fees and charges will mean that people can enter the product.

Q214 Dame Siobhain McDonagh: Most of the problems seem to me to be around the whole issue of leasehold flats in London. Whether it is shared ownership or outright home ownership, the issues of service charges, management and all the rest of it run across that whole type of property. Back in the day, there was a notion of portable shared ownership, where you could identify an ordinary house in an ordinary street and possibly get shared ownership. Given the demand that lots of councils face for family-sized accommodation, is that something that you would consider? With that bit of help, via a portable discount to buy a house, there are families who could get on the first step of home ownership.

Melanie Montanari: My understanding is that that product was a more private-market product, where people were provided a bit of a subsidy. I think that was the predecessor to what then became equity loan products, which obviously are not currently within the portfolio of products that the Government are providing. My recollection of the product is that it was less focused on new supply. Given the importance of building new homes, it feels right that our subsidy is going into new homes and affordable homes.

Matthew Pennycook: The affordability pressures that shared owners face are, broadly, high staircasing and resale fees, which we are trying to get at through improvements to the social and affordable homes programme, and then high and rising service charges. As you know, through a separate stream of activity—through bringing into force the measures in the Leasehold and Freehold Reform Act 2024—we are trying to standardise and increase transparency of service charges. The Committee is looking at the draft Bill and will no doubt come forward with suggestions on service charges and managing agents in due course—very many, I expect.

Q215 Dame Siobhain McDonagh: Sorry, Chair, but I have so many hobby horses that I am able to try out here. Given the reduction in the discount under right to buy, for all the reasons that you have described—there was a product, and I am trying to remember its name, where if somebody left their social housing unit to buy, they would get—

Matthew Pennycook: Rent to buy?

Dame Siobhain McDonagh: No, it was something like portable discount. If that helped you to buy, you could buy in the private sector, releasing the social housing unit. It helped a family to get on the ladder, and a property was made available for somebody else in need. Obviously, you would bend it towards the larger properties, which were what you were really looking for. It helped the type of family who wanted to move to the coast, or who wanted to move to another part of the country where house



HOUSE OF COMMONS

prices were far lower, and where they had family or work. It was a kind of win-win opportunity.

Matthew Pennycook: At the risk of misleading the Committee, if the Committee wants to write to me about a particular product, I am happy to give the Government's position on it, but what the social and affordable homes programme will support, both in terms of sub-market rent and low-cost home ownership, is all set out in the prospectuses. Rent to buy products can still be financed—

Dame Siobhain McDonagh *indicated dissent.*

Matthew Pennycook: No? I would have to have clarity on which exact product we are talking about.

Q216 **Mr Dillon:** Matthew, you just alluded to how, when shared owners are staircasing, they have additional costs. One of those costs is having the property revalued each time they go to staircase. Newbury building society take a pragmatic view on that: they put a value on the property themselves, internally, and back themselves, which reduces the need for a survey. Would you encourage other building societies and lenders to look at that approach to see if it could work for their organisation to reduce that cost for individual shared owners?

Matthew Pennycook: Broadly, I would encourage all providers to look at the changes we are introducing to the shared ownership model through the social and affordable homes programme and roll them out as far as they possibly can. On staircasing specifically, we recognise that it can be complex and costly; it involves valuations and other fees that accrue with it. That is why we are reforming the shared ownership model to provide greater flexibility, including smaller staircasing increments, because we recognise the pressure.

Q217 **Mr Dillon:** But if you are doing smaller staircasing increments, that potentially means more valuations. To get the extra 10%, you are stepping through it five different times at 2% a time and you might need a revaluation at every 2%.

Matthew Pennycook: I take the point. We need to flesh out more detail, and I encourage the Committee to make suggestions if it has them, but we have broadly indicated the direction of travel through the social and affordable homes programme. We are thinking very carefully about what more can be done to improve the staircasing process and the wider customer experience.

Melanie Montanari: And for the very small staircases—the 1% increments—the need for a valuation has been removed, because often that was not cost-effective, but we will continue to look at the options.

Q218 **John Glen:** Turning to the lifetime ISA replacement, I address these questions to the Economic Secretary. Given that the Government committed, in the Budget last year, to replace or refine the existing lifetime ISA, and given the latest UK house price index shows that the



HOUSE OF COMMONS

average price paid by a first-time buyer in London for a house is £477,000, and that we have seen a 35% increase in house prices since the launch of the product, what is the Government's latest thinking on the cap for the lifetime ISA?

Lucy Rigby: To go back to the thinking behind that. As you, Mr Glen, may or may not acknowledge—I am not sure—the LISA is not working as well as it could. From the way the Chair is looking at me, I gather this may have been covered in the recent report of the Committee, but perhaps not.

Stakeholders have criticised the withdrawal charge in particular for being poorly understood, which has led to suggestions of mis-selling. In any event, because it is a dual-purpose product, the thinking is that we need to have something more specific for first-time buyers, so we are going to consult at the beginning of this year on exactly what that product will look like. To your question, I do not want to pre-empt the parameters of that consultation, including in relation to the cap.

Q219 **John Glen:** I recognise the withdrawal penalties issue, but you are not prepared to say anything this morning on the cap, despite the clear evidence of what the average house price is in key areas like London. Surely it is now irresistible. The FSCS deposit limit increased to £120,000 just before Christmas, I think. That reflected inflationary increases over 10 years. Surely it is reasonable to assume that there will be an imminent announcement from the Government.

Lucy Rigby: It is definitely right to suggest that we are aware of what is happening to house prices and of the utility of the current cap, but as I say, we will come forward with the consultation, and all the parameters of the new product will be within the scope of that consultation.

Q220 **John Glen:** Can I focus on the withdrawal penalties? I believe that last year the Treasury took £75 million in withdrawal charges, which effectively tax the primary capital of young people. I assume that a Government like this would want to do the progressive and fair thing, so can we expect perhaps a bonus-only penalty? Would the Treasury be looking at that proposal?

Lucy Rigby: What we are looking to do—I said that we acknowledge the way that the current product works—is to remove the need for the withdrawal charge, meaning that you can withdraw funds without penalty. You referred to the £75 million that HMRC has collected. That is absolutely right, but at the root of the problem—indeed, this is why we are bringing forward a new product—is the fact of the withdrawal charge not being particularly well understood, and people being surprised by it, which is not something we want to see in the design of any product.

Q221 **John Glen:** Lastly, let me refer to the issue of the self-employed. The original design of the lifetime ISA was both as a product to save for a mortgage and then as something to be retained for supplementary savings. For the 4 million self-employed, who do not have auto-enrolment, the lifetime ISA provided a 25% bonus savings vehicle. If that element of it is withdrawn, and the lifetime ISA's successor is only for saving for a



HOUSE OF COMMONS

deposit, does that not undermine the savings culture for that key group of the electorate and country?

Lucy Rigby: No, I do not think so, because LISAs in their current form will continue. What we are saying is that you will not be able to transfer between an existing ISA and a new product, for the very understandable reason that you would get the double bonus, but we are being clear about what the new product will be for.

Q222 **John Glen:** But if people are not already invested in the existing LISA, they will not have the option to have that savings vehicle, will they?

Lucy Rigby: There are many other ways in which people can save.

Q223 **John Glen:** But the self-employed will not be able to get auto-enrolment, will they? If they do not currently have a LISA, and your successor product stops the self-employed using it in that way, what will be the appropriate mechanism, without auto-enrolment, for them to gain that advantage of that aspect of the savings element?

Lucy Rigby: It is certainly right that the new product will be geared towards first-time buyers, but, Alanna, I don't know if there is anything—

Alanna Barber indicated dissent.

Lucy Rigby: I think we will have to take away the question you raise about the self-employed.

John Glen: Thank you very much for your answers.

Q224 **Catherine West:** On mortgage finance limits and regulations, the Building Societies Act 1986 and the 2024 amendment Act gave the Treasury the power to lay secondary legislation to update the funding limit rules for building societies, but the statutory instrument to enact this change has not yet been laid. What is the reason for the delay, and when will the Treasury lay the instrument?

Lucy Rigby: On the mutuals and co-ops piece of work more broadly, we have a clear manifesto commitment to double the size of the sector. That work is not only in the Treasury, but in DBT and other areas of Government, including MHCLG. The reason for the delay on the instruments—they will be coming forward shortly—is that, at least from a Treasury point of view, we have been focused on different areas of the mutuals agenda. We have been consulting on the reform of the common bond, which is important to allow for the strengthening and growth of the credit union sector. We are going to come forward with the proposals for reforming the common bond very shortly. To be blunt, it is a question of resource.

Having said that, we have recently increased the amount of Treasury resource working on the mutuals agenda. I suspect that I may not need to rehearse the list of other work going on in this area, but it is a very important piece of the Treasury's work, not least because we need to fulfil the manifesto commitment of doubling the size of the sector.

Q225 Catherine West: Can we expect that instrument to be laid in advance of the summer recess in July or after the summer recess?

Alanna Barber: We are aiming to lay those statutory instruments before the summer recess.

Q226 Catherine West: Under the Leeds reforms, the Treasury has pushed the FCA to simplify mortgage affordability checks, which is relaxing safety nets and increasing potentially riskier borrowing and debt. How concerned is the Treasury about arrears over the next 10 years?

Lucy Rigby: It is important to emphasise the fact that there continue to be very important restrictions on how much consumers can borrow, and indeed how much lenders can lend. We are not talking about anything that resembles deregulation. As many have acknowledged, mortgage lending has been tightened at the same time as house prices have gone up. As we discussed earlier in the session, that has meant that fewer and fewer people are able to get on the ladder. The Government are very clear in our mandate to the regulators that we want to see regulation for growth across the board. The FCA and the PRA have come forward with ways to relax mortgage rules slightly.

I come back to the point about all the important protections, not least the flow limit, which some people say should be abolished. That is not what is happening; the flow limit continues to exist. We have the consumer duty as well. There are very important safeguards in place. However, there is a fundamental point about a mortgage being a loan. When consumers enter a mortgage, they know that there are risks associated with it. You cannot fully get away from those in any situation. That continues to be the case.

Q227 Yuan Yang: The Government have announced a cap on ground rents of £250 a year, reducing to a peppercorn amount over 40 years. Minister Rigby, how did the Treasury assess the impact of these reforms on leaseholders and on the institutional investors and other ultimate owners of the freeholds that benefit from ground rent income?

Lucy Rigby: You have just set out exactly the decision that has been made in this area. Both groups that you mentioned, including institutional investors and leaseholders, are important. From an institutional investor point of view, there is an extent to which you want to have certainty of income, and indeed everything else. We have been in discussions on this issue with MHCLG for a period of time. You set out the landing that we have got to: going to a peppercorn rent over 40 years and the £250 cap.

Q228 Yuan Yang: My question is more about how the Treasury made that assessment—quantitatively or otherwise—of the balance of impacts. In some ways, you are improving the income stream to leaseholders, who will no longer pay such onerous ground rents. You are reducing it for those investors who hold the ultimate freeholds. What quantitative, or other, assessment have you made of that balance?

Lucy Rigby: As to exact figures, I am not sure. We engaged, as you would expect us to. In my role as City Minister, I particularly did so with institutional investors, who made their views known on the extent and

nature of this policy, where they thought it should land and all the rest of it. As you would expect us to, we had discussions across Government on the right landing for this policy, balancing all the issues and interests, as we have to do.

Yuan Yang: What I am trying to get at is that whenever you—

Matthew Pennycook: If I could help, Ms Yang, we will publish—as I think the Committee knows; I will be responding to your letter in the coming days—a full impact assessment associated with the draft Bill for the Committee to scrutinise as part of its PLS work.

Q229 **Yuan Yang:** Yes. I will just go back to Minister Rigby. Looking at the conceptual trade-offs there, £1 of ground rent to a freeholder could be redirected to the leaseholders paying the ground rent. In terms of striking that balance, were you concerned about systemic impacts, or was it simply a distributional question of who gets the money and relief?

Lucy Rigby: Arguably, it can be both. From an institutional investor point of view—and as I said, we did plenty of engagement with that point of view—the important thing is the certainty of the investment environment. That has been the chief concern, and was the point being made to me. As I said, we had those discussions and came to exactly the landing that you set out.

Q230 **Yuan Yang:** To clarify, was the choice of 40 years, as opposed to a shorter period, an attempt to balance those two considerations?

Lucy Rigby: Yes; that is what Mr Pennycook is saying.

Matthew Pennycook: To clarify, as Minister Rigby said, we took into account investor concerns when developing the policy. We think it strikes a fair balance between the interests of leaseholders, freeholders and those invested in ground rents. Just to be very clear, as I think I was in my statement to the House on the day that we published the Bill, this is a very specific, targeted intervention to deal with well-known harms and provide for a fair and efficient housing market in the long term. Over time, the £250 cap will obviously be eroded away by inflation. The peppercorn after 40 years is broadly to ensure that we do not have huge amounts of very small-value ground rent terms in leases that are frustrating the operation of a well-functioning housing market.

The interaction with housing affordability is pertinent, in that—and this goes back to the 1998 Housing Act—we know that above £250, lots of leaseholders face issues with remortgaging and selling properties, and have real problems around short leases. This is where I think the leasehold agenda interacts with the housing market.

Both the cap on ground rents and switching on the provisions in the 2024 Act to make it cheaper and easier for leaseholders to extend their lease or buy out their freehold ultimately not only have benefits to leaseholders themselves, but make for a more efficient, well-functioning modern housing market. That has been the aim for successive Governments,

which I should give credit for. When the previous Government initiated the reform agenda in this area, this was one of their specific objectives too.

Q231 Yuan Yang: I completely see that government is about making trade-offs, but it is helpful to know how much and in what manner those trade-offs are weighed when talking about the impacts to, say, residents in flats in south Reading who are paying increasingly high ground rents and getting into financial difficulties, versus those institutional and other investors who own those freeholds. It is interesting to see what the weighting is: which side essentially wins out? That is the purpose of this question.

Lucy Rigby: Ultimately, we are one Government. We are committed to addressing unregulated and unaffordable ground rents, so that is what we are doing.

Matthew Pennycook: You will have lots of opportunities to scrutinise: a policy paper that set out the rationale was published on the day, we will provide the response to the 2023 consultation that the previous Government carried out and there will be an impact assessment. The Committee will be able to draw on a range of products for its scrutiny.

Q232 Yuan Yang: Minister Pennycook, an assessment was made by the previous Government in May 2024. The former Minister of Housing, assessing the impact of ground rents on different institutional investors, wrote, "Ground rents represent, at most, a small percentage of total UK pension assets." Is that still your assessment today?

Matthew Pennycook: Broadly, yes. Ground rents are a niche investment. We judge the risk of wider contagion to be low. We will provide further detail but, again, it comes back to what our objective is. It is to deliver on specific commitments made in our manifesto, in the context of those wider reforms, to deal with well-known harms taking place that are frustrating the operation of a modern, well-functioning housing market.

To the extent that we picked this option against others, is because we think, on balance, that it is the right one to benefit the concerns, and strike that balance between leaseholders, freeholders and investors. We realise and are clear that it will have a significant impact on freehold investors but, again, we think that is a justified and proportionate intervention to deal with this specific issue.

Q233 Yuan Yang: I think my leaseholders would agree with that. Moving on to stamp duty land tax, Minister Rigby. I appreciate this is a tax question, so I hope you can answer broadly. The Treasury Committee heard from Professor Tim Leunig that every single person in the country is a loser from stamp duty because it restricts people from moving. Given what Minister Pennycook mentioned about the importance of chains of vacancies making housing more affordable, how does the Treasury assess the impact of stamp duty on mobility and house prices?

Lucy Rigby: The starting point is that stamp duty is a very important source of revenue. It raised in the region of £14 billion last year and will do going forward. I referred earlier to the changes we have made for the



HOUSE OF COMMONS

purposes of landlords, which is the important 2 percentage point increase, which equates to 5%, for additional dwellings. We estimate that change specifically is going to raise £310 million by 2029-30. The Opposition suggested recently that we should abolish stamp duty altogether. Obviously, the Treasury keeps all taxes under review but that is not directly on the agenda.

Q234 Luke Murphy: I have two questions on commonhold. More broadly, Minister Pennycook, I was interested in your view. From my perspective, the Government are making the right decisions on ending leasehold for new flats, making it easier to transfer to commonhold, and the discussion around ground rent. What interaction does that have? Because that is building a very different kind of housing market in the future. What impact does that have on the Government's house-building aspirations? Do you see any tensions there? How are the Government looking to overcome them?

Matthew Pennycook: I am not sure there is a tension but there is a challenge. If we rush in and make changes too fast or that are not well thought through, there would be an impact on housing supply. That is specifically why went out to consultation, alongside publication of the draft Bill, so that we can look at a series of niche questions, such as whether there are any justified exemptions to the ban.

There is a wider point about how the market responds at the point you switch on the prohibitions for leasehold houses. That was in the 2024 Act but has not been switched on. We want to align the two at the point that commonhold becomes the default tenure going forward. We hope to get feedback through that consultation that will help us make the decision about how the policy is designed and how it is introduced.

Q235 Luke Murphy: Specifically, will shared owners be able to embrace commonhold? What about mixed developments?

Matthew Pennycook: The policy is designed to account for mixed developments. I again come back to the wider point and a lesson that I learned in opposition with the 2024 Act. This is an incredibly technical and complex policy area. We saw with the 2024 Act that if you do it in a rushed way, you can make mistakes. We cannot switch on the enfranchisement provisions of the 2024 Act until we make a series of changes through primary legislation. Very bluntly, as I said in the oral statement, that is because the previous Government allowed that Bill through in the wash-up, knowing those floors were in it. We are not going to rush and do that. In terms of making sure that the reforms we bring forward are watertight, we have published a draft Bill for enhanced scrutiny. *[Interruption.]* It is a serious point, Mr Glen.

John Glen: I am not laughing.

Matthew Pennycook: We have published a draft Bill for enhanced scrutiny because we want the Committee—you have a really crucial role here, in terms of the evidence you can bring, but also your own expertise—to help us find any gremlins, although I hope there are none,

that are in that draft Bill, and to make sure we fix them before we get to the point of passing it through Parliament.

Q236 Dame Meg Hillier: In the House, you said you would come back to us on this issue of shared owners who are leaseholders. There will be challenges for them because there will be two owners to their property, basically, because they are paying rent on part of it. Will they be able to embrace commonhold?

Matthew Pennycook: If the Committee has any specific questions about the commonhold legal framework or the commonhold conversion process, I am more than happy to answer them, but it is designed to allow complex, mixed-use buildings to convert in a way that does not rely, as presently is the case, on unanimity across all homeowners in those buildings.

Q237 Dame Meg Hillier: Okay. Finally, a quick one on marriage value. We talked about affordable housing products. Once a lease gets too low, it is very expensive for people. They are losing value. It is expensive. They can't sell. How do you intend to make sure that that is resolved? That is the feudal system kicking in, isn't it?

Matthew Pennycook: The 2024 Act passed by the previous Government was unambitious, in our view, but had a number of limited rights and protections that will benefit leaseholders, one of which is this new enfranchisement process. It will make it cheaper and easier overall to extend your lease or to buy out your freehold.

We need to do two things to switch those provisions on. We need to make these fixes, unfortunately, through primary legislation, and we need to consult on the valuation rates that will be set by the Secretary of State. But at the point we switch those enfranchisement measures on, you will be able to enfranchise with marriage value abolished, your ground rent extinguished at 0.1% of the property price, and the valuation rates set by the Secretary of State. That will give you your premium. But marriage value, at the point at which those reforms are switched on, is what will be abolished. You will have all seen that the High Court comprehensively dismissed the challenge from freeholders to these provisions.

Chair: I am very mindful of time. John, very quickly.

Q238 John Glen: I have a quick question to Minister Pennycook about those people who invested expecting ground rent income that is not capped. Can you clarify what assessment you made of the impact of that? You recognise, and I think you said to me in the House, that you had to make a balanced decision. Could you just say a little bit more about what assessment you did of the reaction from the City, pension funds and others that will be impacted by that?

Matthew Pennycook: I suppose I distinguish between two sets of concerns that we weighed in the balance in the decision. There are the concerns of freehold investors, who have made that investment, although,



HOUSE OF COMMONS

to a degree, since the 1993 Act, that has never been a permanent income stream that one can rely on in perpetuity. But we weighed those concerns.

There is a separate and distinct but related concern between individuals who have invested in ground rent funds. I would like to know a bit more about who was advising those people to invest in those funds. But overall that is a fairly small number of people. Bear in mind—this goes to Ms Yang's point—we are not proposing a peppercorn of all ground rent terms. We are not extinguishing their investment. But there will be an impact there.

Q239 John Glen: What assessment did you do of that? Did you make an assessment of what impact that will have?

Matthew Pennycook: We did make an assessment. I don't know if it will be made available to the Treasury Select Committee as well, but there will be a full impact assessment that will have to go through the usual regulatory process.

John Glen: Thank you very much.

Q240 Chris Coghlan: Economic Secretary, you made an important point that stamp duty raises £14 billion in revenue. However, Professor Tim Leunig testified to the Treasury Committee about a revenue-neutral proposal to reform stamp duty, where payments would be made annually rather than up front, alongside council tax reform. What assessments have the Treasury and MHCLG made about this proposal?

Lucy Rigby: I suspect that, to the extent that it was considered, it would have been considered by my colleague the Exchequer Secretary. I do not know whether this is a long-running proposal, or something that was made pre Budget. I will let Minister Pennycook come in as to whether it was something they considered. Failing that, I shall add it to the letter.

Q241 Chris Coghlan: I believe that the proposal, for properties up to £500,000, was to replace council tax with a proportional property tax, and for properties above £500,000 it was to replace stamp duty with a proportional property tax.

Matthew Pennycook: I am afraid I will have to have my ministerial colleague with responsibility for council tax write to the Committee on that.

Q242 Chris Coghlan: Thank you. That would be very helpful, because of the issues around stamp duty bunging up the economic system.

Lucy Rigby: Understood. Overall, it is progressive, and we have the relief for first-time buyers, in addition to all the changes we have just discussed.

Q243 Bobby Dean: Minister Pennycook, last summer I wrote to you about the buying and selling process. I promise it was not just because I was going through hell myself; constituents had also written to me about the issue. You launched a consultation last autumn, which is closed now. Have you analysed the results? What feedback can you share with us? What are the Government planning to do?



HOUSE OF COMMONS

Matthew Pennycook: I will bring Mel as well, but essentially we are still in the process of analysing a considerable amount of useful feedback. We intend to set out a road map—a plan—for how we will take forward those reforms. We do intend to press ahead with reforms to the process. We think that that will lead to very many benefits for the people involved in the homebuying and selling process, including financial savings, as outlined in the consultation.

Melanie Montanari: That is right; it closed on 29 September. We got a really significant amount of detailed responses—about 1,300—and we are working through all the quite technical detail around that, as well as having more roundtables, including one with Baroness Taylor in the last few days.

Some messages are clear. The case for change is overwhelming in terms of the need for reform, the importance of up-front information and the importance of the professionalisation of estate agents. As we advise Ministers on these things, we will be thinking about those key themes.

Q244 **Bobby Dean:** Minister Pennycook, can I press you on some of the principles, although I know that you have the details to work out. Will up-front information be an outcome of this? What about having legally binding agreements at offer stage?

Matthew Pennycook: If you will forgive me, I am not going to pre-empt the decisions that we are going to make.

Q245 **Bobby Dean:** Can you give us timescales for when we will hear?

Matthew Pennycook: I cannot give you a timescale today, I am afraid. As with all the many reforms we are driving forward, it will be as early as is humanly possible, given the capacity that is available to me.

Bobby Dean: I will give up my now.

Q246 **Dame Meg Hillier:** Minister Pennycook, you said earlier that we could measure you by net additional completions, and you said there would be no annual target. That is a sensible approach, but when will we see a volume of homes built? When do you expect to see net and additional completions go up? I do not mean small bits this year. When do you expect to see a significant jump?

Matthew Pennycook: Towards the end of the Parliament. We have been really clear that meeting that 1.5 million target involves very high rates of house building in the final years.

Q247 **Dame Meg Hillier:** It is always an ambitious thing to put things towards the end of a Parliament.

Matthew Pennycook: Indeed, but as I have said to the Committee before, I could have picked a very unambitious target and hit it easily.

Q248 **Dame Meg Hillier:** I think it is actually very honest not to have an annual target, but there is the challenge that, for every year you are not completing many, you are piling them on towards the end. What metrics



HOUSE OF COMMONS

are you using? You have net additional completions. Are there any other metrics about tenure, location or geography? You can build lots of one-bedroom flats somewhere, but it might be that you need family homes. Are you looking at that within the mix—not just the total number, but metrics of types of property?

Matthew Pennycook: It goes back to my answer to an earlier question: we see it as the responsibility of local authorities to set out which tenures are required, so we are not setting those from a national point of view. The 1.5 million target has a very simple single metric, used by many Governments over many decades, in terms of net additional completions. We obviously monitor—through the official statistics we release and drawing on private sources—what is happening in the housing market, primarily in terms of applications, starts and completions, and there is a lag across all of those. Broadly, what we are seeing now in terms of completions is planning applications that would almost overwhelmingly have been made in the last Parliament, in my view under an NPPF that was anti-supply. We are now starting to see signs of a greater volume of applications coming through, which will, in turn, translate into starts and completions.

Q249 **Dame Meg Hillier:** Just to give an example, a perverse outcome of Help to Buy was that, in Stoke-on-Trent, large executive homes were built in an area where people could not afford them, so they were not very useful to the local population. We all know our own areas and what is needed, and I completely get that local authorities have a very important role in this. However, much as we all want to see devolution and devolved responsibility, there is also the role of central Government, and having a total number of homes may not mean that someone can put a key in the front door of a new home in our constituency if the wrong homes are in the wrong places. Are you doing any evaluation, or is that built into the programme, to make sure that the homes are moving, they are lived in and they are what people need?

Matthew Pennycook: I cannot speak to the site in question, but the question I would ask about it is, why, if the local authority wanted a mix of tenures, it did not seek to achieve that through its section 106 negotiations?

In general terms, we want affordable housing targets to be in place in local plans, with as much uncertainty as possible taken out of viability negotiations on a site-by-site basis, so that homes can be delivered. You may have seen, Chair, our recent reset of the section 106 system, to deal with the legacy problem of uncontracted and unsold section 106 units and, more importantly, to ensure that we have a developer contributions system that works effectively in the future. That is about a number of things: clarity on standards and transparency in various ways. That is what we are driving at, as well as, to an extent, arming local authorities with what they need to ensure that, on any particular site, they can get the mix of homes—

Q250 **Dame Meg Hillier:** New towns are being planned, so it would be helpful

to have a rough timetable for that, but also to know where those new towns are going to be built. That is going to add a lot of volume, but it may not be where people are. My constituents might not be so keen to move to a new town, because it is not local. That may ramp up your numbers, but not necessarily in the right places.

How will you ensure that the new towns programme does not skew delivery? There is always a tendency in Government to hit a target by hook or by crook by the end of a Parliament, but that could mean focusing on homes in those areas, rather than in places—like a number of our constituencies—that need them, but which are more complex, smaller sites.

Matthew Pennycook: The new towns programme is not the only thing the Department is focusing on, and we want large-scale development to come forward outside of it. We are seeing a lot of activity, not least on the part of mayors looking to take forward mayoral development corporations outside the programme, for example.

The locations that the taskforce recommended were chosen on the basis of the objectives we set—that is, to boost housing delivery and economic growth. It picked a set of locations that, *prima facie*, deliver on those aims. We are going through a process of refining the scope of the programme, and we will consult on it as a whole, with the sites identified to be taken forward.

However, I come back to the tools a local planning authority needs to ensure that, on individual sites and across its authority area, it is getting the mix of tenures it wants. There is application to grant funding and what the section 106 system must do to ensure that some of that comes through development contributions.

That is what I would say in general terms. In your instance, I would want to know if the local authority did not want those executive homes and what had happened there.

Q251 Dame Meg Hillier: Finally, in expensive areas, building a social housing unit is very expensive. For example, in Hackney, that means more grant would need to go in, in an area where I have massive overcrowding, with one in two children living in poverty, partly because of the housing situation. That means that the tendency in your Department could be to put more money into areas where it is cheaper to build low-cost housing, rather than into areas—like a number of ours around this table—where it is very expensive. How are you going to resist that, given that you do not have an overall target for affordable housing?

Matthew Pennycook: Mel may want to add, but the fundamental point I would make is that we have, in some ways, done the precise opposite. The new social and affordable housing programme allows for more flexibility in grant rates per unit to ensure that we are getting the right homes in the right places, in terms of social rented housing and other types of housing provision—for example, community-led housing or rural housing—where



HOUSE OF COMMONS

we know that higher grant rates are needed to ensure those homes come forward.

Chair: Thank you. Apologies: other colleagues had questions, but we are out of time. I thank the Ministers and officials for coming to our session this morning. I am sure there will continue to be a lot of focus on this area, and we look forward to the written correspondence you said you would follow up with to both Committees.