

Environmental Audit Committee

Oral evidence: Mapping the path to net zero, HC 497

Wednesday 22 September 2021

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[Watch the meeting](#)

Members present: Philip Dunne (Chair); Duncan Baker; Barry Gardiner; Mr Robert Goodwill; Helen Hayes; Caroline Lucas; Cherilyn Mackrory; Dr Matthew Offord.

Public Accounts Committee Chair present: Dame Meg Hillier.

Questions 108 – 194

Witnesses

I: Eddie Hughes MP, Minister for Rough Sleeping and Housing, Department for Levelling Up, Housing and Communities; Siobhan Jones, Director of Local Government and Communities, Department for Levelling Up, Housing and Communities; The Lord Callanan, Minister for Business, Energy and Corporate Responsibility, Department for Business, Energy and Industrial Strategy; and Selvin Brown, Director of Energy Efficiency and Local, Department for Business, Energy and Industrial Strategy.

Written evidence from witnesses:

[Department for Business, Energy and Industrial Strategy](#)



Examination of witnesses

Witnesses: Eddie Hughes MP, Lord Callanan, Siobhan Jones and Selvin Brown.

Q108 **Chair:** Welcome to the Environmental Audit Committee for our second oral hearing on local government and net zero. We are very pleased to welcome Ministers from two Departments. First, we have Eddie Hughes from the recently renamed Department for Levelling Up, Housing and Local Government—I hope I have got that right.

Eddie Hughes: I don't think local government is in there any more; I think it is Levelling Up, Housing and Communities.

Chair: Ah, I've got it wrong—not a good start. Could you kindly introduce Siobhan Jones, your director?

Eddie Hughes: I think that Siobhan should introduce herself.

Siobhan Jones: I am the director for local government and communities in the new Department.

Chair: Welcome, Lord Callanan—Martin—and thank you for joining us. You are the Minister for Business, Energy and Corporate Responsibility. Could you tell us your responsibilities in BEIS?

Lord Callanan: I have responsibility for all the clean heat, heating and building facilities programmes. I look after the new investment screening unit, a number of BEIS agencies and the audit reform process, as well as, of course, answering for all BEIS policies in the House of Lords.

Chair: You have brought Selvin Brown with you, who is a director with a very long title. Could you tell us what you cover?

Selvin Brown: I am the director for energy efficiency and local.

Q109 **Chair:** I will kick off with a few questions to set the scene for this hearing.

COP26 begins in only five weeks' time, and we have been led to believe by Ministers that the net zero strategy will be published prior to the conference beginning. Lord Callanan, can you confirm that it is the Government's intent to publish the net zero strategy before COP26 commences?

Lord Callanan: It is indeed.

Q110 **Chair:** Can you give any further indication of when that is likely to be or what it might look like?

Lord Callanan: I can perhaps give an idea of what it might look like in outline, but I am afraid I cannot be any more specific on an exact publication date.

Without pre-empting the publication, because some work is still ongoing, the idea is that it will weave a thread across all the different Government



policies towards net zero, trying to pull them all together into a comprehensive strategy.

Q111 **Chair:** Will that encompass roles for local authorities in how they deliver at a local level?

Lord Callanan: It is certainly our intention to outline the role of local authorities in the process, yes.

Q112 **Chair:** Can you tell us anything more about that? Will that mean delegating new powers to local authorities, do you expect?

Lord Callanan: I am not sure we are considering giving any new powers to local authorities at the moment. Opinion in local government varies on whether new powers would be required. We are happy to look at it on a case-by-case basis, and there is possibly some discussion in terms of planning through MHCLG.

Q113 **Chair:** One of the challenges that we have as a Committee looking across government is trying to find people who are responsible for policies across the piece, because inevitably it spreads across departmental boundaries. That is particularly the case when it is spreading across boundaries between the Governments of the nations and local government.

The NAO has made recommendations in its report, which we will be discussing throughout the session today, that for each element of the net zero strategy there needs to be proper responsibility and accountability across the different tiers of government and between different Government Departments. How do you respond to that recommendation from the NAO?

Lord Callanan: We are very clear that BEIS, my Department, has the role in terms of ultimate responsibility for delivering on the Government's net zero strategy. Obviously, within that, there are some key responsibilities for other Departments. MHCLG has a key role in co-ordinating the funding for local authorities, the Department for Transport is the owner of the transport decarbonisation plan, and sitting above all that, of course, is the malign influence of Her Majesty's Treasury.

Q114 **Chair:** Specifically looking at how your Department works with local authorities, do you see any particular areas of difficulty in trying to encourage local authorities to achieve elements of the strategy?

Lord Callanan: No, I think local authorities have risen to the challenge very well. I have regular meetings with them, particularly with regard to some of our grant and assistance programmes. Officials liaise regularly with local authorities. We have the local energy contact group, which is a mechanism we use to engage with local authority representatives, some of the mayoral authorities, the LEPs and so on. There are multifaceted aspects to our co-ordination and liaison with local authorities. We do it in close liaison with MHCLG, which is the Department that ultimately has responsibility for co-ordinating local government and its core funding.



Q115 **Chair:** One of the responsibilities of your Department is energy and energy efficiency; we have talked about that with you before in this Committee, for which we were grateful. I had a meeting last week with my local authority and the housing associations charged with trying to deliver improvements in energy efficiency in their portfolio. They had bid for the latest round of decarbonisation funding grant from your Department.

Lord Callanan: Which one? We have a number. There will be local authority delivery funding or the social housing decarbonisation funding.

Chair: I think it was the former. It was the one that had a round in April. Anyway, something like 65 local authorities were successful in their bids and unfortunately ours was not one of them. It is going to be difficult for local authorities, if it is all allocated on a competitive basis, to get access to funding to improve decarbonisation. If, as part of your responsibilities, you are going to level up those areas that do not have funding, how is that going to work?

Lord Callanan: There have been a number of different rounds of funding. I think we have discussed this between us before. There have been three rounds of funding under the original stimulus scheme, the local authority delivery funding. We have done what we call the social housing decarbonisation fund demonstrator, and we are now moving on; the bids are out at the moment for the main round of funding for that, as well as an additional round of what we called sustainable warmth, which is a combination of the third round of local authority delivery funding and the home upgrade grant, which may be the one that your authority was referring to. Maybe we could check that. Do you have the figures, Selvin? I will come to you in a second.

It is always difficult, of course, when you have a limited pot of funding, to work out where it should be allocated. I certainly believe that in most but not all cases, the sensible way to do it, bearing in mind the responsibility we have for delivering the best value for public funding, is to do it on a competitive funding basis. But I am very clear that we have also asked officials to work closely with those local authorities whose funding applications were not successful, perhaps due to some deficiencies or otherwise with the bid, and make sure all authorities have access to technical assistance and have an opportunity to apply and be successful for funding in this or in future rounds.

Eddie Hughes: I would just add that I think a number of authorities—in fact, many authorities—will be using their core funding to allocate to the work that they are doing in terms of achieving net zero. They will be assessing the normal tasks that the council provides and then investigating ways to do that in a more carbon-efficient manner.

One of the trailblazers, for example, would be Bristol City Council, which I think now employs a team of 10 staff. It was the first to really commit to this project back in 2018 and it is putting resource behind it from its core



funding. It is not necessarily about grant funding; it is about councils using their existing funding envelope to tackle this.

Q116 **Chair:** Although in most cases much of the work of the councils, due to statutory responsibilities they have, is fully committed. There is not a lot of surplus cash floating around in local authorities that I am aware of. Most of it is being absorbed by the social care pressures, which are getting more acute every year. I hear what you say—that they have a general responsibility—but you now have a specific responsibility in your Department for levelling up, as we were just touching on. How do you see that responsibility sitting with the responsibility to deliver net zero targets? Is it going to play into the climate agenda or is it going to be directed at more traditional activities, which may not—

Eddie Hughes: I am not necessarily sure that those are either/or options. For example, the levelling-up fund is a significant commitment with billions of pounds' worth of funding but with the obligation on councils that the work that they do through that fund, the things that they bid for, be aligned with our net zero strategy.

It is important that they take that perspective and try to ensure that any of the work that they do has the net zero strategy in mind. Lots of what the councils do is not necessarily about the power that they have or the money that they have; it is also about their power to convene. They are a great conduit through which information flows. The public regularly communicate with their council, so it is a good way of delivering messages and setting expectations.

We have seen that with councils up and down the country, with things like recycling: we now have a number of bins collected outside all our houses because we have taken recycling seriously and councils have led on that. That is the leadership role that they will be taking locally.

Q117 **Chair:** Do I understand from what you have said that you will be attaching conditions to levelling-up grants to ensure that they meet net zero commitments?

Eddie Hughes: It is part of the prospectus that they are aligned with our net zero strategy. What we would not be expecting people to do is apply for levelling-up funding to build a new coal-fired power station, or something like that.

Q118 **Chair:** That might be a bit extreme, but you might be building roads, for example, and many of them will be putting in proposals to build roads in order to unlock housing and to ease logjams at particular pinch points.

Eddie Hughes: That is quite possibly the case, but we could well imagine, could we not, that those roads would have electric vehicle charging points at some point along them, because more people are going to be driving electric vehicles and we are going to be at the forefront of leading that technology in this country?



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Q119 **Chair:** We are very encouraged to hear you say that there will be commitments to meeting the strategy. The recent track record of the Government in allocating large amounts of money through the covid loans was that they were completely unconditional, unlike in many other countries that did attach net zero conditions to their funding to corporates. Is this representing a shift in opinion from the Treasury's grant of levelling-up funds for your Department?

Eddie Hughes: I am not sure it is a shift in opinion. It feels like this has been the direction of travel since the Prime Minister came out with his 10-point plan.

Lord Callanan: Certainly, from a BEIS point of view, we try to include the achievement of net zero as one of our core objectives, and we try to include it in most of the conditions for many of the grant programmes that we have.

To refer back to your earlier question about your own local authority, Chair, Shropshire County Council received £2.3 million under phase 2 of the LAD schemes. We are currently evaluating the bidding, so we have not yet finally allocated the amounts for the latest round of sustainable warmth funding.

Q120 **Chair:** I think it was the third round that it missed out on, but maybe I have the wrong scheme.

I have one more question for you, Martin. I am aware that the Minister in the Chamber is winding up and we may have a vote coming shortly, in which case I am afraid we will have to suspend, but I will pose a short question. Several of our witnesses have called for a national delivery framework to be incorporated in the net zero strategy, and for it to include local authorities. Do you have a view on that?

Lord Callanan: Certainly in the net zero strategy we will want to say more about the role of local authorities. I am not sure I would want to go as far as a detailed framework, for a number of reasons. First, opinion is mixed from local authorities as to whether that would be useful. Secondly, of course, we do not yet know the final make-up of our decarbonisation strategies. What would be the role of hydrogen, for instance? It is clearly going to play a role, but the hydrogen strategy envisages us making a decision probably in the middle of the decade as to what sort of role hydrogen will play in building heating or whether it would be more useful to use limited hydrogen stocks for heavy goods vehicles, buses or trains and so on.

Yes, certainly we will want to liaise closely with local government and we want it to play a role, but pinning ourselves down to a detailed strategy at this point does not seem to me the most sensible thing to do, particularly given the multiplicity of different opinions that you quite rightly get from different local authorities in different regions.

Q121 **Chair:** Would a framework not facilitate that? A framework does not



impose a single structure; it allows different approaches to be taken within a general framework.

Lord Callanan: Of course—that is the value of local government. Urban authorities are very different from rural authorities: they have different needs, different problems and different approaches.

Chair: I am going to take a risk and move on to the next set of questions from Cherilyn Mackrory.

Q122 **Cherilyn Mackrory:** Good afternoon, panel. I think we are all agreed that local authorities are key to delivering net zero—I just want to put in a shout-out for Cornwall Council, which has won an award for a climate emergency programme this week, the MJ Award.

The Government memorandum lists a number of contact groups, forums, panels, workshops and ad hoc bodies, and they all co-ordinate the engagement of different Government Departments with local authorities on their net zero policies. Could you comment on whether you think this is the most effective way to ensure that local authorities can deliver net zero?

Chair: Could I park that? We now have to vote. We may ask you to repeat the question in a quarter of an hour when we come back.

Sitting suspended for a Division in the House.

On resuming—

Chair: Cherilyn, you have posed your question, but it might be helpful to our witnesses if you asked it again.

Cherilyn Mackrory: I was talking about the key role of local authorities and their role in delivering net zero. One of the complaints that we hear from local authorities is that there are a number of contact groups, forums, panels, workshops and ad hoc bodies that co-ordinate the engagement of Government Departments with local authorities on net zero policies. Lord Callanan, do you think that is the most effective way to ensure local delivery of net zero outcomes?

Lord Callanan: I think it probably is. We are talking about a multiplicity of different issues here. In BEIS, we are very happy to have the local energy contact group that I referred to earlier, with representatives of local government, mayoral authorities, LEPs and so on, to talk specifically about energy efficiency issues. I have separate meetings and separate contacts, as do officials, on the delivery of some of the grant programmes that we referred to—LAD, the social housing decarbonisation fund demonstrator and so on.

Of course, there are other Departments—MHCLG has a lot of engagement, and the Department for Transport will have liaison with local government on specific transportation issues. Where you have a variety of different Departments looking after a lot of different issues on



different aspects and parts of local government, I think it probably makes sense not to have one rigid, overarching structure.

Q123 Cherilyn Mackrory: Minister Hughes, the National Audit Office proposed a single lead for central Government to develop how Departments should work with local authorities. Could you comment on whether you think that is a good idea?

Eddie Hughes: I can see the appeal of something like that, but I am just not sure how it would work in practice, given that councils are used to dealing with multiple other bodies. You would not be able to have one Department or one person who was sufficiently expert across all the range of Government policies to be a single point of contact. But I understand the idea in principle, and I think it is our job as the Government, particularly in our Department, to be the conduit through which information flows and ensure that there are very smooth lines of communication between national and local government. In the main, I think we do that pretty well; there is always room for improvement. We would be happy to consider options, but it does not feel to me that that one would be easy to make work in practice.

Q124 Cherilyn Mackrory: In that vein, one of the National Audit Office's recommendations is "to establish a few simple standards for local authority reporting on net zero." Do you think that that would be a useful addition?

Eddie Hughes: I do not want to steal Lord Callanan's stuff—well, I am going to, whether I would like to or not. BEIS has a platform called SCATTER. If you want to know more, when you go on the front page there is a 10-minute podcast by a guy from Nottingham City Council. That helps councils understand the complexity of the problem, the various challenges and the various targets and so on, and it helps them to start to set targets for themselves.

Lord Callanan: It is a reporting mechanism that is used by about 20 local authorities to enable their reporting requirements under the Paris agreement. I think that it was developed by Greater Manchester—credit to them for doing it. It is one of the excellent examples of collaboration across local government.

Q125 Cherilyn Mackrory: If this is the gold standard, what are we doing to encourage all local authorities to follow it?

Eddie Hughes: Events like this. We are drawing attention to it through the power of this Committee. *[Laughter.]* Barry, it's because of your presence that there is such a power.

The point of local councils is that they have that autonomy to decide what is best for them, and the disparity of areas that they represent in terms of demographics means that some will think it is a good idea, in the same way that some think it is a good idea to be part of the UK100, and others do not. I do not think that it is our job to be too prescriptive centrally,



because we take away from what councils do best: understanding their local area and finding appropriate local solutions based on local needs. It is great that we make sure that these tools and opportunities are available, but it is down to councils to decide how they engage with them.

Q126 Barry Gardiner: Can I address both Ministers about the way in which the Government have responded to the NAO report? A number of recommendations were made, which I have no doubt you will be familiar with. Has a clear lead in central Government been developed for how Departments should work with local authorities on net zero? If so, who is it?

Lord Callanan: As I said, BEIS has the overall responsibility for the delivery of net zero.

Q127 Barry Gardiner: Who is the lead? Is it you?

Lord Callanan: Yes. Well, not me personally, but the Department.

Q128 Barry Gardiner: That is what I am trying to get at. Is there a person who everybody knows has clear responsibility for this?

Lord Callanan: No, because local authorities will want to be involved with different aspects of policy. If it is on some of the grant programmes, energy efficiency or buildings, then it would be me. If it were something on renewable energy, say, or maybe nuclear, then it would be the Minister who is responsible for that, Greg Hands.

Q129 Barry Gardiner: What you are saying is that there are a number of people who will lead on various things, but there is no single unitary lead for that co-ordinating role with local authorities on net zero?

Selvin Brown: The Department for BEIS clearly owns the lead for net zero and, as the Minister said, we will be setting out our plans across government in relation to net zero. The Secretary of State is responsible overall across government for net zero.

Q130 Barry Gardiner: With respect, Mr Brown, you are just restating the Department's responsibilities. I am asking you specifically about the National Audit Office's recommendation and whether it has actually been implemented. I presume that if there is a unitary single Minister who is responsible for that co-ordination, the answer is yes, but if there is not, the answer is no.

Selvin Brown: As I said, the BEIS Department is responsible for net zero. The Secretary of State leads the Department.

Q131 Barry Gardiner: Let me move on, then. The NAO also recommended working with LA representatives and with the authorities to separate out national, regional and local government responsibilities for key actions and decisions overall and in central net zero delivery strategies. Has that been done?



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Lord Callanan: In terms of clarifying to them which parts of government are responsible for different areas and different strategies, I think it is.

Selvin Brown: We will set out our plans in detail in the net zero strategy, which will be out before COP, imminently.

Q132 **Barry Gardiner:** So it is the answer that Lord Callanan gave to the Chair earlier: wait and see?

Lord Callanan: We will set out more details in the net zero strategy, certainly.

Q133 **Barry Gardiner:** What about the pathway for how the planning system is to be further aligned with net zero in the proposed reforms?

Eddie Hughes: Obviously we do not have a planning Bill at the moment, but we know that it is in the pipeline, and we know that as part of the planning reforms we will also be doing a full review of the national planning policy framework document. I am sure that we will be ensuring, as part of that review, that there is further alignment. However, the policy framework document already makes an assumption with regard to sustainable development, so there is already good stuff in it.

Q134 **Barry Gardiner:** Indeed, but there was a specific recommendation from the NAO and, again, what you are saying is that it will come when ultimately that policy is announced. To carry out an outline analysis of local authority funding—I will come to that later, actually.

The NAO recommended a “working group to establish a few simple standards for local authority reporting on net zero.” Minister, have those simple standards been negotiated with local authorities?

Lord Callanan: We talked about the SCATTER system earlier, which is a tool for local authorities to report their emissions under the Paris framework. Further developments, in terms of the way they want to report into Government, we would be happy to discuss with local authorities.

Barry Gardiner: Was that a yes?

Lord Callanan: It was the answer that I gave. It is a yes in the sense that SCATTER exists now, but if there are any future reporting mechanisms that would be useful, of course we would want to discuss that with them.

Q135 **Barry Gardiner:** There was also the challenge to set a point to review how local authorities have in practice used economic growth and pandemic recovery levelling-up funding in ways that would align with net zero. What is the review point that has been set?

Eddie Hughes: I am not completely sure I understand the question, I am embarrassed to say.

Barry Gardiner: It is never an embarrassment to say you do not



understand the question.

Eddie Hughes: You are very kind.

Barry Gardiner: One of the recommendations made by the NAO was that within 18 months there should be a point at which a review is conducted of how local authorities have in practice used economic growth and pandemic recovery levelling-up funding in ways that align with net zero. I am not asking you how they have done it; I am asking you whether that review point has been set and whether it has been notified to local authorities.

Eddie Hughes: Unless Siobhan is going to tell me any different, I don't think it has been done.

Siobhan Jones: We have not determined a review point. There is the commitment to regularly reviewing, and that will need to align with the work on levelling up as well, as the Minister said earlier. There has not been a communication to local authorities for a specific review point, in answer to your question.

Q136 **Barry Gardiner:** My point in going through this is that it would appear that a number of the challenges that the NAO posed to Ministers have not been taken up and fulfilled. Certainly, the consciousness of what it has asked does not seem to have been particularly deep.

Eddie Hughes: I might be about to get myself into a little bit of trouble, but there is an element that says—

Barry Gardiner: You and I often do.

Eddie Hughes: I was just thinking that—no better man to have this discussion with.

Given that the recommendations have been made, there are a lot of moving parts at the moment. With regard to the Government's legislative programme, which has clearly been knocked because of the pandemic, perhaps the planning reform Bill will come later than we had originally anticipated. In order to do that properly, we need to review the planning policy framework document. The levelling-up fund prospectus has been launched and bids are being reviewed.

There are lots of things that are in progress, and it is perhaps unfortunate that they do not align perfectly with the timeframe set out by the NAO's report, but substantial work is in train and we are going to start to see those reports landing very soon in advance of COP and then subsequently follow through as the Government's legislative programme moves. The commitment is absolute, but the timing is delayed slightly.

Q137 **Barry Gardiner:** Let me put to you something that a number of local authority witnesses have asked for. They have said that they need some sort of climate taskforce with Ministers and local authority representatives



working together to drive that local net zero delivery. Would you accept that that is actually a pretty good idea, because then as a taskforce you are able to bring in all those strands that you have talked about? The communication is there through the local authority representatives and they are able to give you feedback on where they think the things that you are suggesting may or may not work and may or may not be efficacious. Can you give an assurance to the Committee that you will take away that idea that witnesses have given us and look at establishing such a taskforce with them?

Lord Callanan: I can certainly say from a BEIS point of view that we are happy to look at future models for co-operation. We are not in favour of creating committees just for the sake of creating them or as a talking shop, but if there is genuine value in improving our liaison or our working with local government, of course we are very happy to look at it.

Q138 **Barry Gardiner:** Thank you. They certainly believe that there is: I know that there is a huge desire at local authority level to engage with Departments, and I think that they would benefit hugely from having that point of contact where things could flow both ways.

Lord Callanan: The problem that I always come across with this is that there are 300 local authorities in England—400 with the devolved Administrations as well. There are a variety of Greater London authorities in your region that are very different from north-eastern authorities in my region or some of the rural authorities in other areas that have very different needs, very different responsibilities and very different ideas on what should happen. Getting a representative sample, if you like, of local authorities for one absolute view is difficult. That is the beauty of local government: that is why it is as it is, and that is why local democracy produces different outcomes and different results.

Barry Gardiner: I heard a launch of that taskforce, and then I heard a huge rowing back, so let's just stick with the launch—okay, Minister?

Lord Callanan: I am happy to say that we will look at it.

Q139 **Dr Matthew Offord:** I welcome your acknowledgement that local authorities are very diverse, and the Widdicombe committee did say that the strength of local authorities was in their ability to tackle issues according to local needs, but in this inquiry we have heard from UK100, which said that it felt that there is a need for a net zero powers Bill to clarify the powers of local authorities to meet the objectives. Do you think that local authorities are supported enough? Are they equipped enough to tackle net zero responsibilities? Do you think that there is a case for legislation, as UK100 does? I ask the two Ministers that question.

Lord Callanan: I would like to know in what areas they are thinking that additional legislative powers would be helpful to them. Again, we are always happy to look at what improvements we can make that will aid them in their jobs.



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Eddie Hughes: We see a variety of activity from different councils. Some of them exercise the powers that they have to the absolute maximum. What we would need to do before we introduce any further powers is make sure that all councils are using all the legislative tools that are available to them already before we start looking at anything else. I, personally, do not feel that we are at the point where they are all maxing out the powers that they already have.

We speak regularly to UK100; I spoke at its event about two months ago. I am a huge fan of the work that it does, not least because it is combining not only local authorities but mayoral combined authority areas. It seems like quite a powerful force and it probably covers an area that represents over 20 million people. It is clearly a good group that is committed to delivering on this agenda.

With regard to the power, as I say, I would want to know exactly what it is that they were expecting to be able to do that they cannot currently do. Maybe that is an element of misunderstanding, or maybe for some reason locally they might not want to exercise all the power available to them, because in some cases they might find that they get challenged and perhaps do not feel equal to the task of resisting that challenge. We have to make them feel confident to use all the powers they have.

Q140 **Dr Matthew Offord:** That is one of the issues that I have with local government. I wrote a PhD on local governance and local government and what I found was that the Local Government Act 2000 was not implemented uniformly across the country; different local authorities interpret it in different ways. I am not here to speak on behalf of UK100, but I presume that it is saying the same thing: that they act in different ways.

Sometimes it is down to local authorities simply not believing that something is suitable for them, so they want to do things in a different way or not do anything at all. We did receive evidence from two people from the South East Climate Alliance who had undertaken a desktop study of local authority websites to see what actions they were taking and what they were reporting. They saw massive discrepancies between local authorities.

What support would you give those local authorities that have been identified—if by no one else, by the South East Climate Alliance—that are not taking the necessary measures to achieve net zero? What support can you give local authorities?

Eddie Hughes: From the point of view of our Department, our job is to make sure that the information flows around the system and help to pass information from the councils that are exemplars in this field, to make sure that those who are not doing as well are aware of the best practice being carried out elsewhere. That is one of the things that I think as a Department we do very well. I do not know whether BEIS has expert advice that is available to councils as well.



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Lord Callanan: We certainly offer technical advice and technical facilitation for accessing some of the grant schemes. There is a technical assistance facility that we have funded, delivered by the Greater London Authority, to help local authorities across the country.

Q141 **Dr Matthew Offord:** Would you publish guidance or seek the involvement of organisations like the Local Government Association?

Eddie Hughes: We now have a landing page on the gov.uk website for councils for the disparate information that is available on this topic to help them to find that in a single place. That is going to be a helpful development for them.

Selvin Brown: What we have found in the last year, as the Minister said, in the grant programmes that we have offered is that 100% of local authorities have volunteered and participated in either the LAD scheme, the social housing decarbonisation scheme or the public sector scheme. We have also offered a technical assistance facility in relation to putting bids together of technical sufficiency that we could fund, and we have learned to support local authorities in setting up the delivery and procurement and getting the supply chain ready to gear up. We will continue to support them in those programmes in the longer term.

Details of how that support will flow through will be in the spending review, but 100% of local authorities in the last year have participated. I think that is very encouraging.

Lord Callanan: Another thing I could add is that we are also building a tool within the Energy Systems Catapult to help share best practice. Local authorities themselves are helping to contribute towards that.

Dr Matthew Offord: Ms Jones made a sudden movement when I mentioned the LGA guidance—

Eddie Hughes: She was helpfully prompting me because otherwise I will get a kicking afterwards from the LGA, and from James Jamieson in particular, for not giving it a shout-out for the great work that it does in this field helping councils to access the information, advice and guidance that they need.

Siobhan Jones: The Department does contribute some funding to the LGA to support its sector-led improvement work as a whole, with some of which it does some really good stuff on climate change, as the Minister has said.

Q142 **Chair:** To follow up on that point, a large number of councils have declared a climate emergency. Does the best practice material you put on your website help them to define what that might mean and how they are going to tackle it?

Eddie Hughes: It would certainly help them to find ways of achieving it. I feel like we are constantly saying, "Wait for this document," but the net



zero strategy is going to be the tool that helps us to understand, across the country, where responsibility lies and what the path to it is.

Q143 Helen Hayes: Minister Hughes, the Government are currently consulting on reforms to the planning system—we have maybe seen a slight change in direction on those reforms in very recent times—and they plan to clarify the role of local planning authorities in setting energy-efficient standards for new developments. What contribution do you think local planning authorities can make to reaching net zero?

Eddie Hughes: Lots. They understand their area far better than we will centrally and will therefore understand how to make best use of the infrastructure and land that is available to them. They have the opportunity to set perhaps higher standards locally, depending on what they want to achieve in planning terms. They have that flexibility.

Q144 Helen Hayes: Well, they cannot at the moment, because planning policy operates as a hierarchy from national policy through regional and down to local and very local, and those policies cannot contradict each other. That leadership on the maximum standards that local authorities can set absolutely has to come at the moment from central Government. Are you indicating that you might give flexibility to local authorities that does not currently exist in planning policy?

Eddie Hughes: Fortunately, they will not need any flexibility because the future homes standard that we have coming in, in 2025, is going to set that ambitious target for carbon emissions from homes in the future. As an interim measure, we have the part L uplift in the building regulations that will ensure that properties built are more energy-efficient and appropriately ventilated. We are going to be making those achievements through the new future homes standard very soon.

Q145 Helen Hayes: On aspects of planning policy that are not to do with the building of new homes—for example, permitted development rights, policies concerning the wider urban environment, public buildings, education buildings and so on—do you have plans to increase the standards that are required in order to help us to reach net zero?

Eddie Hughes: Through the publication of the heat and buildings strategy, which BEIS will be publishing soon, we are going to see new standards set out.

Selvin Brown: And indeed we will be consulting on a number of standards as part of the publication of the heat and buildings strategy.

Q146 Helen Hayes: The Government have certainly not, until recently, been considering very substantial reforms of the planning system. As you begin to reconsider that process and bring forward whatever the next agenda for reform looks like, is there a plan to align the overall objectives of the planning system much closer with the objectives of delivering net zero? Given that you have acknowledged the important role that the planning system has to play, is there a plan to bring those things into



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very close alignment with each other so that planning can maximise what it can deliver around net zero?

Eddie Hughes: I think that that is going to be a natural consequence of the various plans that we are going to be seeing in advance of COP.

Can I just go back to a couple of points? With regard to those standards, I am told—although I have not verified this—that Leicester City Council has committed to building new A-rated homes that exceed emission targets in part L by 70%. It is definitely the case that local authorities are able to exceed the targets that are set out.

Q147 **Helen Hayes:** They would struggle with a judicial review if they were not aligned with Government. They can set an aspiration, for sure, and that is good to see, but if an applicant did not want to do it, I do not think that they would have to.

Eddie Hughes: Sorry, the applicant would not have to—

Helen Hayes: It would be open to challenge. Planning policy works as a hierarchy. You cannot have local planning policy contradicting Government planning policy. That is why the leadership role of local government is so important on planning. That is just how it is.

Barry Gardiner: The point is that it is a threshold.

Eddie Hughes: Bear with us a second.

Siobhan Jones: My understanding—I confess that planning is not my area—is that technically the local authorities can go beyond and in some areas they have done so, but you are absolutely right to flag that many local authorities choose not to because of the risk of judicial review. I am very happy to take that away and talk to my colleagues who are experts.

Q148 **Helen Hayes:** That would be really helpful, because the question of how far central Government is driving the planning system to maximise what planning can deliver for net zero is critical to the whole net zero strategy and policy—understanding exactly how that works and what leadership you have in mind as you consider planning reforms and how that is going to filter down to local government. Indeed, if you are going to give additional flexibilities to local government in law that protect it from appeals and from judicial review, that might be a good thing. There would be many local authorities that would want to push further, but I am not sure that that is how it works at the moment and it would be helpful to have clarity on that.

Eddie Hughes: Understood, but I refer back to the point that I made with regard to the heat and buildings strategy and the future homes standard. Between those two documents, we are going to be covering the building of houses and commercial properties as well.

Q149 **Helen Hayes:** It is good that there are higher standards coming in the future for new build development, but the planning system covers many



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other aspects that are about everything that is not homes—about public spaces, green spaces and all those things.

Eddie Hughes: Which is why, as I said, the national planning policy framework document will be reviewed as part of our review of the planning process generally.

Chair: As is clear from that exchange—we might be about to come on to a similar exchange—this Committee is very interested in the changes proposed in whatever review of the planning Bill emerges, and I am sure we would be interested to talk to the relevant Ministers from both Departments. We have had some difficulty in the past getting Housing Ministers to come before this Committee in particular, and we do not want to repeat that.

Q150 **Duncan Baker:** Building on what has just been said and taking it a step further, we heard in a previous session that the leader of Wiltshire Council has suggested that the planning system needs to be changed so that there is no option but to build zero-carbon housing. That plays in quite nicely with one of the Select Committee inquiries that we have ongoing at the moment, which is looking at the sustainability of the built environment. I would go so far as to say that the Government are infatuated with operational carbon, but they are paying lip service to embodied carbon. That is missing an enormous trick, in my view, because we know that 10% of carbon emissions are coming from embodied carbon from the built environment. If you take that view, why should local authorities not have the absolute power to insist on new builds being zero-carbon?

Eddie Hughes: There are probably a number of reasons for that, not least with regard to the problems that that might cause in the supply chain in terms of developers being able to source the products that are necessary to achieve that. For example, at the moment I think we fit or install about 36,000 heat pumps per annum and the target in the next 10 years is going to be 680,000 to 1,000,000 per year.

Lord Callanan: Eight hundred thousand.

Eddie Hughes: Eight hundred thousand. We have a substantial target in terms of gearing up for that sort of thing. We need to make sure that the market, the availability of products and so on allow us to do that. It seems reasonable that we set a trajectory with regard to reducing carbon. The future homes standard is going to help us to achieve that, so that subsequent properties built after 2025 will only need the decarbonisation of the power supply in order to be net zero.

Q151 **Duncan Baker:** You say that, and you say that the supply chain might create issues, and I appreciate that there is a transition period here, but any transition period that is being talked about at the moment is far too long. We have to get on with this now. If you talk to the industry, it says that it wants regulation. It wants to see this change come through.



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That leads on very nicely to the next question, which is that if our move and our push is with retrofitting, all that that is doing is storing up a problem for the future. We need to deal with the first question, which is ensuring we build net zero, carbon-neutral housing now, and we need to legislate it. As we said before, it has to be pushed down from Government. You cannot have planning authorities going off and doing all their own things nationally; it needs the push from central Government to put those regulations in place. In 10 years' time, we are going to find that we have built houses now that need retrofitting by then. That is completely counterproductive, because if we go on with the task now, which is to ensure we deal with sustainability of the built environment, and if we stop completely worrying about operational carbon and we level up and talk about embodied carbon as well, we will build houses now that do not need all this retrofitting in 10 years' time.

Eddie Hughes: I do not want to disagree too heavily with a member of the Committee—that might be problematic—but as somebody who has spent a substantial part of the past 25 years building houses, I think the houses we are building currently are fairly efficient. You say “all this retrofitting”; I would say that the retrofitting required will be minimal. We are building efficient properties at the moment. We are taking that a step further when we do the part L uplift, and we will go further again when we go to the 2025 future homes standard. I think that the direction of travel in terms of energy-efficient housing construction in the UK is pretty good.

Q152 **Duncan Baker:** With respect, I am not a house builder, but I have worked for a business that ran a chain of builders' merchants. We are still building houses constantly out of brick, steel and cement, which is absolutely terrible for the environment. We should be building properties out of engineered wood; it is 10 times stronger than steel, it is not combustible, and it embodies carbon for a lifetime. We should be installing natural fibre insulation into our walls; it has worked pretty well for sheep, for goodness knows how many millennia. We are not doing that, with respect, and we have to start doing that.

Eddie Hughes: It is a very interesting point, which is why the affordable homes programme has said that new strategic partnerships are going to expect 20% or 25% of homes to be built using modern methods of construction, which I imagine will use many of the technologies that you have just set out. That is a £12 billion programme, and a substantial part of it will be committed to new, modern methods of construction.

You make a point that I think is fascinating in regard to the direction of travel. You can build a house out of whatever you want, but if members of the public do not want to buy it, you are not going to have a product that is saleable. We know that members of the public still have a degree of hesitancy because we have been building houses out of bricks and slate for a very long time. They know it, they trust it, and that is what the market is drawn to. There is a very good reason we have not moved on to other materials quicker.



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Q153 **Duncan Baker:** But it is also very expensive.

Eddie Hughes: You can only build houses that people want to buy. We are trying to educate the public and bring them with us, and that is why we are working on—

Duncan Baker: If you go back to the planning process, take my district council, North Norfolk District Council, and look up how many paragraph 74 houses it gave permission for in the last five years—it is not very many. Going back to the central point, if the planning process were changed and there were a shift to more environmentally friendly and sustainable building using natural materials, we would change the policy and we would stop ignoring embodied carbon, which is what we are doing at the moment.

Chair: It is fair to say that we are pre-empting a little our other running inquiry, which is on sustainability of the built environment, one of Duncan's particular enthusiasms.

Eddie Hughes: I noticed, Chair.

Chair: But the point that he is making is a very sound one. At the moment, house builders are not constructing homes to a standard that will be sustainable when the new future homes standard comes in. It will require retrofitting them with energy efficiency measures rather than installing them now. Lord Callanan and I have had this discussion previously, which you were not able to benefit from, Eddie. I strongly urge you to encourage your officials, as they look at the planning Bill going forward, to also look at the future homes standard and try to align the two.

Barry, I think you wanted to come back in on spending reviews.

Barry Gardiner: After Duncan's masterclass, I am reticent.

Duncan Baker: I will take that as a compliment.

Q154 **Barry Gardiner:** It was meant as a compliment. It was very well stated. Of course, the retrofit is not only in respect of new build post 2025; what you are talking about is the retrofit of 19 million homes that we will have to retrofit in any event. What Duncan and Helen were saying is absolutely apposite, and a real challenge for your Department.

I want to come back to the fact that in July the Departments had not yet decided how to work together to provide what was called "a coherent and strategic analysis of resourcing for local authority action on net zero"—I am quoting the National Audit Office report. How are your Departments working together now to assess those resources, and can you tell us how much they will require in the spending review settlement?



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Selvin Brown: You will not be surprised to know, Mr Gardiner, that spending decisions are taken by the Chancellor, and he will be setting out—

Q155 **Barry Gardiner:** No, I did not ask about the money. That was a neat try to interject and save the Ministers, but I will keep the focus on the Ministers here. The NAO report talked about how you decided to work together to provide “a coherent and strategic analysis of resourcing”. That is my question: I am not asking you to give me the figure that the Chancellor will no doubt pull out of his hat in due course; I am asking about how you are working together to provide that coherent and strategic resource analysis. HMT is keen to see more joint SR bids in any event. Are you submitting them?

Lord Callanan: I can certainly say from a BEIS point of view that we put a huge amount of work into submitting our bids in the spending review for the various retrofitting schemes that we have responsibility for, and we have worked very closely with MHCLG to analyse what the requirements are to do that. What the final outcome will be, I do not know yet.

Q156 **Barry Gardiner:** Okay. I will restate the question once more. It is about the National Audit Office finding that your Departments had “not yet decided how they will work together” to provide “a coherent and strategic analysis of...local authority action on net zero” to inform the spending review. My question to you is: how are you now working together as Departments, if you are, to provide that strategic and coherent analysis?

Eddie Hughes: I think the analysis will have been part of the preparation for the net zero strategy, and as a Department we will have fed into that. It is our job to communicate regularly with councils to understand the challenges they face locally, and then to share that with the relevant Department. In this case it would be BEIS; if we were talking about the transport decarbonisation plan, we would have had communication with the Department for Transport. There is regular and frequent communication, and I presume the outcome of that, to your question, will be the net zero strategy.

Q157 **Barry Gardiner:** I am sure that there is a lot of work going on; I am not trying to say that there is not. What I am trying to get at is the co-ordination between the Departments. Can you assure us that your Department’s submission to the spending review will reflect the role and the responsibilities of local authorities for meeting net zero? When you make your submission, is it going to have synthesised all that information? Will you have co-ordinated that with the other relevant Departments to make sure that you have presented that fully in your submission to the spending review?

Eddie Hughes: As a Department, our submission for the spending review will be based on councils’ core spend, rather than any peripheral bits that are the responsibility of BEIS. I have said previously that we



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work with councils and will be agreeing what we submit in terms of the core spend, and then councils have the opportunity to use that money, should they choose, to work on the net zero strategy for them locally. I said that an excellent example of that was Bristol. Clearly some councils are capable of finding the resource to do that.

Q158 **Barry Gardiner:** Minister, that sounds rather hit and miss, though. I am honestly not trying to be difficult here; I am just trying to get us focused on the urgency and the way in which Government should be working to ensure that there is proper co-ordination and proper resourcing of the co-ordinated, strategic effort.

Eddie Hughes: That proper resourcing is coming through BEIS funding, which we have already heard about, through local transport plans and through the Department for Transport, with £12 billion. It is coming through different Departments and is being co-ordinated centrally.

Q159 **Barry Gardiner:** Can the net zero funding be ring-fenced for net zero, or is it just picked out of a pot?

Lord Callanan: In terms of BEIS funding, it is certainly ring-fenced. We allocate grants for specific projects, whether it be the home upgrade grant, the clean heat grant or the various rounds of local authority delivery funding and so on. That is straight grant funding, generally under section 31, and there is no local authority contribution required to that.

Q160 **Barry Gardiner:** And there is no possibility of diversion?

Lord Callanan: The ultimate answer to your question, I suppose, is that it is only the Treasury that can look at the totality of funding across all the different pieces, taking into account the different bids from different Departments and how they knit together. Clearly we talk to MHCLG, and it will talk to Transport and so on to see how the different pots of funding will work together and how there will be co-ordination between them, but each Department is responsible for its own spending review bids and then the Treasury will take a decision on which is value for money and which is granted.

Barry Gardiner: We have just had a very good example of why our previous witnesses—if they are listening to this—are asking for that taskforce, because they need to understand how they are supposed to be co-ordinating with central Government. At the moment, I do not think that it is clear, and I am sure that they, listening to this, would not think it clear either.

Chair: Thank you, Barry.

Meg Hillier is joining us from the Public Accounts Committee—you are very welcome.

Q161 **Dame Meg Hillier:** Thank you. It is a real pleasure to be a guest on your



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Committee today and support the very important work that you do.

I want to pick up first on the response to Mr Gardiner. The Treasury has been very clear to my Committee and other Committees that it welcomes joint bids for the spending review and will view them favourably. From what you are saying, Minister Hughes and Lord Callanan, you have not put in a joint bid on anything to do with net zero. Is that correct? You might not want to comment.

Lord Callanan: I do not think we can comment on what spending review bids we have put in. It is an internal Government process.

Q162 **Dame Meg Hillier:** But this whole session is about the need to deal with net zero. We know that you are going to be asking for money for net zero. There is a whole plan from the Government for that, and we have spoken to the Treasury about the work that it is doing putting money into that, so it is not a secret that there will be some allocation of some sort for net zero. Given the importance of the things that colleagues have been raising, a lot of this would make sense to do jointly. It is not meant to be a trick question for you to reveal information about exactly what you are putting into the spending review. Have you talked about working together on this to put in some sort of joint bid?

Eddie Hughes: To Lord Callanan's point, whatever bids are submitted are an internal process, and that is not something we are going to start talking about today.

Q163 **Dame Meg Hillier:** Okay. We will ask the Treasury when they are next in, because they will certainly tell me.

I will pick up on a couple of points from Cherilyn Mackrory's comments and questions about data on net zero. Minister Hughes, we saw during the pandemic that MHCLG was collecting monthly returns from treasurers and councils, which has been providing rich and useful information and was welcomed by treasurers, for you to see in the Department exactly what the real picture was on the ground. I think that that is going to continue, so what is the brake on having a similar reporting mechanism for net zero achievements and challenges?

Eddie Hughes: It seems, in many ways, that it would be reasonable for us to consider continuing with that. I guess we just need to consider that against the other documents that are going to come out in advance of COP so that we understand what the national strategy is and how local councils will feed into that.

Q164 **Dame Meg Hillier:** Are you saying you would not rule it out? You indicated to Ms Mackrory that you were not so keen on it. Perhaps I misread your answers. I am not suggesting a big burden on councils. This is the sort of information that would usually be designed in a way that they would naturally collect it anyway; it is just about making sure that you have sight of it.



Eddie Hughes: This feels like a journey rather than a one-stop destination. As we move through the process it will continue to evolve, for us to understand how best to use the information that is available to us and then check that we are meeting the staging points that we need to meet along the way to 2050. We are mindful that we do not want to put in place any unnecessary extra burden for councils, but also mindful that we need a collective, cohesive understanding of the situation. I think that these things will be considered and people will decide the best way to proceed.

Q165 **Dame Meg Hillier:** From your perspective, in this pivotal role in Whitehall as a Minister, what information do you want to see so that the policies you are putting in place, which you are sometimes administering on behalf of other Departments, are really biting at local authority level, and so that where a council is not performing so well you could see it on a dashboard of information? Are there any particular key points you would like to see?

Eddie Hughes: Again, we will wait and see what comes from the heat and buildings strategy, but councils have a significant number of properties and it would be good to see how they are doing with decarbonising them, perhaps creating heat networks and things like that. There are two roles—there is the service provision and people who provide services to the council, but there is also the council being able to manage its own stock of buildings and how it decarbonises them. I guess it would be good to be able to track something like that.

Q166 **Dame Meg Hillier:** Would you like to see something similar for housing associations? Some councils are no longer landlords in their own right.

Eddie Hughes: Housing associations can be slightly different because they are already going to be managed, if I can put it that way, through the energy performance certificate system. There will be duties on them to hit those targets, and we already know that the social housing stock is in a better place with regard to EPC standards than the private rented sector. The challenges that are going to come through social housing are less, but we are doing exciting stuff, as Lord Callanan has said, with regard to the social housing decarbonisation fund demonstrator, giving us the opportunity to test some technology and multiple applications in technology to see what is proving most effective.

To your point, it is interesting to see what technologies have the most effect or are most effective in value for money terms, and to make sure that data we get from that is then deployed and used elsewhere.

Q167 **Dame Meg Hillier:** We all hope that there will be some resources. Maybe one of your spending review bids is for resources to do that retrofit to social housing, since decent homes, which was one of the biggest greening programmes in recent times—

Lord Callanan: It is. We have already announced funding for the social housing decarbonisation fund.



Q168 **Dame Meg Hillier:** Yes, but there is a difference between announcing a fund and there being enough to do it. We will park that point for another day, but I hear what you are saying, Minister.

You have talked, Minister Callanan, about the number of dedicated funds. You have listed the alphabet soup of funds for organisations to bid for. They are all pretty much competitive bidding. Do you think that there is a danger that some councils just will not have the capacity? We have some very small councils and small districts that might lack the capacity to bid for those. How will you make sure between your Departments that there is an even balance and that some councils are not losing out just because they do not have the resources and capacity of staff and skills?

Lord Callanan: What I have found interesting about monitoring the different funds, and I have had an extensive series of meetings with local authorities, is that that does not really hold true. We have had some small district councils that have been very good at accessing a number of the different rounds of funding, yet some of the biggest councils in the country with multi-billion-pound budgets have not bid for or accessed any of them; I am not going to mention any names, but you can see the published lists of authorities.

But the point of your question is right. We are aware of the deficiencies that exist in some councils, where they do not know what their stock looks like, what building type it is and what retrofitting work it needs. We are trying to provide them with a number of different resources. I mentioned earlier the technical assistance facility that we have set up and paid for, which is currently being delivered by the Greater London Authority. We have a series of energy hubs across the country, which we used for phase 2 of the local authority delivery funds, to make sure that every authority had an opportunity to access some of the funds. If they did not have the ability in-house to bid for it, a lot of the work was done for them. Some of them went directly to some of the big energy companies to help them put together their bids and then deliver the work that was required.

I think that the premise of your question is right. We need to try to do more to support some of the local authorities that were not able to bid. Certainly, from my point of view in the north-east, I was concerned that not enough of the north-eastern authorities were accessing the funding, so I have asked officials to try to work with them to get the quality of their bids up.

Q169 **Dame Meg Hillier:** Given the challenge of the net zero target and the enormous amount of work that needs to be done on housing to meet that, are you planning to look at making sure that where there are particularly bad spots for housing, because of the nature of when it was built and so on, there is extra focus? Overall, it is not a zero-sum game. In the end every area has to come up to speed, and there are some areas where it will be much more challenging.



Lord Callanan: We very much try to target the funding towards properties with the lower EPC ratings and towards people who are on low income or in fuel poverty.

Q170 **Dame Meg Hillier:** I will save Mr Brown the pain of going over the green homes grant voucher scheme again, as we only did that on Monday in the Public Accounts Committee. There is a challenge about short-term schemes, which is that they can generate short-term behaviour: those who can bid well get the money. Have you thought about smoothing out the alphabet soup of grants so that you are setting up that strategy that we have been discussing today and saying, "This is where you have to be over this period of time"? That would give councils the opportunity to plan for themselves, fitting in with what the witnesses said at the last session of this Committee, which was to try to have some sort of plan that they could fit into and work with you on.

Lord Callanan: Yes, we are trying to do that. I am not wishing to pass the buck, but we are at the mercy of the Treasury as to whether we have a multi-year spending review or a single-year spending review.

I think your point is absolutely valid. A long-term, consistent level of funding delivered over a longer period is clearly of more value, not just to councils but to the supply chain. Without wishing to go through the pain of the green homes grant again, one of the lessons that we learned from that is that a large slug of money on a programme that was quickly put together was probably not the most effective. It was done with good motives as an economic stimulus scheme, but expecting the supply chain to suddenly spring into action, which is companies building up resource, putting more people out on the road in their vans with the appropriate skills and so on, is a challenge. Longer-term programmes with consistent levels of funding are therefore clearly better, but we are at the mercy—

Q171 **Dame Meg Hillier:** I appreciate your candour, Lord Callanan. If that is a lesson learned, it might be a lesson well applied. I have a couple of last quick points.

Forgive me for not quite getting the full quote down, but in response to a colleague earlier, you talked about how pinning ourselves down to a particular strategy at this point in time does not seem quite the right thing to do. Could you unpack that thought? I may have the words slightly wrong.

If not now, when? When is this strategy going to come into play? We have targets to meet and there is a lot of work to be done. Surely the more organisations, particularly councils, can look in the right direction and deliver, the better.

Lord Callanan: I think I said that in the context of commenting on a detailed framework for local authorities to come under the net zero strategy. The point I was trying to make was that, yes, clearly we have long-term strategies and legally binding targets that we need to meet,



but as yet we do not know the exact mix of technologies that will be required to meet those targets.

Take the decarbonisation of heating, for instance: we know that we need to move away from fossil fuel for heating, but we do not yet know the precise mix. There is electrification in terms of heat pumps, which is the technology that is available now. It works, but it is expensive in the UK. To what extent will hydrogen come on stream? We have set the target of 3 GW of low-carbon hydrogen by 2030. Hopefully technology will rescue us and our great entrepreneurial companies will develop more ways of producing low-carbon hydrogen. At the moment, it looks as though a more sensible use of the limited quantities of hydrogen that we have would be powering buses, trains, HGVs and so on, but maybe we will be able to use more of it for home heating.

Then there is the role of heat networks. I think the Committee on Climate Change has pointed out the increasing role that they will take. In fact, today or tomorrow we are launching the consultation on giving local authorities power to zone certain areas for heat networks. There is an exciting programme of extracting old waste mine water, for instance—there are a couple of projects in the north-east—and extracting the heat from it. The water is about 20°C. We are building a pilot village in County Durham that will be heated entirely by waste mine water.

There are a number of different technologies and programmes that are coming up. We know the target we need to get to, but the precise mix of the technologies we will use to get there we are not sure about yet. Clearly, above all of that—this is a long, involved answer, I know—fabric first is good, however it happens.

Q172 Dame Meg Hillier: I can sense your enthusiasm, so that is good. One of the challenges, then, is how much certainty you give the market to develop a technology. At some point you have to plump for one and then maybe cut it off if it really does not work. Where is your favoured direction of travel? What is looking good? Mine water might work in your neck of the woods, but it does not quite work in Shoreditch—not that I am aware of, anyway.

Lord Callanan: Geothermal might work in Shoreditch, but I am not an expert on the hot rocks in Shoreditch.

Dame Meg Hillier: I think that might be a bar.

Lord Callanan: We do not know the precise mix of technologies and the precise way we will get there. We know Parliament has set the ultimate long-term target that we need to achieve and we have certainly given some very definite pointers to industry and to business. We are funding programmes, for instance, for boiler manufacturers to develop hydrogen-ready appliances. There are a couple of demonstrator hydrogen homes up in the north-east. We have set the 600,000 heat pump target a year by 2028; I think I said 800,000 earlier, which was wrong—my apologies. We



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currently install about 37,000 a year, so it is a massive increase to get to, but we are providing the long-term signals to the market.

Q173 Dame Meg Hillier: Obviously to consumers, too, although we do not have time to go into that.

It does seem, listening as a guest of this Committee, that there is a glacial pace of change, Minister Hughes. We are talking about the 2025 future homes standard. Some of us around this table—I will not embarrass them by naming them—are old enough to remember zero-carbon homes being proposed under the last Labour Government, which is ancient history now.

Lord Callanan: I hope you remain ancient history!

Dame Meg Hillier: Watch your back on that, I would say. Seriously, this has been discussed and there have been attempts by Government to introduce it, but it has been stop-start. What can you say to convince us, Minister Hughes, that we are actually going to see a step change? Is 2025 soon enough?

Eddie Hughes: We are going to see a step change. For all the reasons that were set out by Duncan earlier, within the industry there is an understanding of the need for change. He suggested that some people are pushing for change to be quicker than the Government are facilitating through the future homes standard. The pressure is there, the direction of travel is positive and all the things that the Government are doing to signal intent are drawing industry and the sector in one direction.

I go back to the point I made to Duncan, which is that we, the Government, need to understand that we cannot just tell the public how we expect things to happen and expect them to follow. Caroline has obviously been leading on this forever. We need this message. It feels like momentum has gathered hugely in terms of the public understanding the size of the challenge they face, and they are now looking to us for the leadership to get us going in that direction. It feels like the Government are committed, the construction sector is committed and the public are going to be eager to see that change as well.

What we need to do is make sure that we get a technological element that means we have changes that can be implemented at reasonable cost. Hopefully, things like the Government signalling intent with regard to heat pumps will mean there is further investment in R&D in that area, costs will come down and we will be able to deploy that technology more easily and more cheaply.

Q174 Dame Meg Hillier: That is great. Do you have milestones along the way from where we are now to 2025 that you need to know will be hit in order to make sure that the future homes standard is not just a dusty piece of paper?



Eddie Hughes: I apologise again for saying this, and perhaps I am placing too much faith in the net zero strategy, but I think COP has helped us as a nation to focus our mind on this task. I think we are going to be producing a number of documents in advance of that.

Q175 **Dame Meg Hillier:** We keep hearing about these future documents. Will there be milestones on this particular issue, which is right in your purview?

Eddie Hughes: Unfortunately, I am not in the position of being the author of the document, but let us see. We do not have very long to wait now.

Q176 **Dame Meg Hillier:** Even if you are not the author of the document, you are the Minister responsible for delivering it. Surely you will want to see milestones to measure the progress. Will you be making sure that they are in place so that this Committee and all of us can keep following progress and making sure that you are meeting those targets?

Lord Callanan: It is not so much my area, but perhaps I can help a little bit. You are talking about the building regulations and the future homes standard. We are changing the part L regulations, as I think you referred to earlier, Eddie; that is next year. Then there has to be a series of consultations with industry and business before the formal policy is launched. In that respect, there will be some milestones on the path to introducing the future homes standard.

Dame Meg Hillier: There is lots more I could go into, but I am aware that other colleagues would like to ask questions. Thank you, Chair.

Chair: Thank you very much, Meg. Before I bring in Caroline Lucas, Helen Hayes has a quick supplementary.

Q177 **Helen Hayes:** This is a tiny further probe on the same topic, really. Surely the Government's net zero strategy will be inherently broad and cross-departmental in nature. It will not write your planning policy for you. You were saying you were placing too much faith on the net zero strategy; you absolutely are, if there are no plans to drive through a different vision and strategy for planning that responds to the net zero strategy and says how the planning system delivers for the net zero strategy. It is a bit disappointing and frustrating that today we have heard, on the one hand, quite a lot of complacency about homes that are being built now that absolutely are not fit for purpose for the climate emergency—

Eddie Hughes: That was not meant to be complacent. I am saying that homes we are building today are considerably more efficient than homes we built 20 years ago.

Q178 **Helen Hayes:** But they are still nowhere near fit for purpose for the current challenges we face, and there was only partial reference to components of the strategy. What we have not heard is how the planning



system as a whole will be brought up to scratch to deliver for the Government's net zero strategy.

Eddie Hughes: That is because it is impossible to pre-empt the legislation, which has not been brought to Parliament yet. I am saying that the timeframe for that is relatively short. We have been talking about the planning Bill. We expect that to come in reasonable time, and aligned with it will be a review of the planning policy framework document. Those things are going to be coming in the relatively near future. The reason for the ambiguity is simply because I cannot talk about a planning Bill that has not been laid in Parliament yet. That would be completely inappropriate.

Chair: Thank you, Minister. I think we need to press on.

Q179 **Caroline Lucas:** I was going to observe, on the question about public support for more ambitious climate action, that the citizens' climate assembly, which this Committee and indeed the BEIS Committee and others were involved in commissioning, has really demonstrated that the public are way ahead of Government in the level of ambition that they want to see. Hopefully that will spur us further forward in a speedier way.

My questions are to Lord Callanan. I do not want to spare him the green homes grant, I am afraid; I want him to indulge in further consideration of it. He will know that in phase 1A of the green homes grant local authority delivery scheme, local authorities were given just four weeks to submit bids; unsurprisingly, your Department was then only able to allocate around 40% of the £200 million available. Do you really think that that was the best way to fund the decarbonisation of local authority stock?

Lord Callanan: It was not the most successful round of funding, but it was done at the height of the pandemic. There was a great desire to try to get the country moving again and get the money out there, so we wanted to do the process as quickly as possible.

I totally accept that in retrospect it was not very successful. That is why, after speaking to local authorities, we went back for phase 1B, giving local authorities a longer bidding period, streamlined some of the processes and then extended the delivery date. We were then successfully able to allocate the rest of the money. But I accept your point, yes.

Q180 **Caroline Lucas:** With 1A, before you came up with that scheme, were local authorities or stakeholder organisations consulted on the design of the scheme?

Lord Callanan: Of course.

Q181 **Caroline Lucas:** Local authorities said to you that four weeks would be just fine and dandy?



Lord Callanan: Obviously some did, because some of them managed to get in their bids in time and under.

Q182 **Caroline Lucas:** But the majority did not.

Lord Callanan: Some did not. Indeed, the number of local authorities accessing the first two rounds of it was not sufficient, in my view, which is why in future phases we then directed some of the funding—in fact, all the funding—through the local energy hubs, which enabled a much greater spread of applications.

In answer to your question, I personally had a number of different meetings with leaders of local authorities from all political parties and hosted a number of roundtables of the experts on energy efficiency from some of the local authorities to get feedback on those schemes.

Q183 **Caroline Lucas:** After you had done 1A, you mean? What I am interested to know is how much consultation went into the design of 1A, which only gave local authorities four weeks in which to bid. I would find it really hard to think of any local authorities that are going to say that that will be straightforward.

Selvin Brown: The Minister took on responsibility after 1A had been launched.

Q184 **Caroline Lucas:** Presumably he knows what he has inherited, even if it was not his responsibility. How much consultation? I do not really care whose responsibility it was, in a sense; I want to know what happened.

Lord Callanan: I mentioned earlier that we had the local energy group with representatives from the mayoral authorities and local authorities that we consult with regularly, as well as informal contacts and roundtables that we held with local authorities.

Caroline Lucas: In advance of 1A?

Lord Callanan: The precise timescale I cannot remember.

Q185 **Caroline Lucas:** It is not a question of precise timescale; it is whether or not it was before the launch of phase 1 of a very big and important project.

Selvin Brown: As the Minister said, we were in the middle of a pandemic. The furlough scheme was due to end at the end of October. This was June. Two thirds of the construction industry was on furlough. The Department conducted some engagement with local authorities. We accept it was not enough.

Q186 **Caroline Lucas:** What did the local authorities say when you consulted them before the introduction of 1A?

Selvin Brown: They said that it was a very short time and they would do their darnedest to put in bids, and indeed they did. They were insufficient to allocate the full £200 million.



Q187 **Caroline Lucas:** Not even 50% of it.

Selvin Brown: Not even 50% of it, but in the second round of bidding we gave them more time. We had an overbid. We got the full 125. In the third round we allocated £300 million through the energy hubs and 100% of local authorities were covered in the event. In our recent round of LAD 3, we had over 200% in bids from local authorities for the funding. We will make those announcements and allocate that funding. We will over-allocate what we promised of the £200 million in quarter 4. We accept we did not do enough.

Lord Callanan: If you are asking us to accept that in that initial round of funding we did not allow local authorities enough time to bid—in retrospect, no, we did not, which is why we changed it.

Q188 **Caroline Lucas:** I am surprised it needed retrospect. I know there is always the line about it being easy to be wise in hindsight and so forth, but it just feels like the idea that they were going to be able to turn this around, to anybody who knew anything about local authorities—I have been a local councillor, too—

Lord Callanan: So have I.

Caroline Lucas: I said “too”; I know you have, too. I am surprised that anyone would have thought it could feasibly be done in a four-week period.

I take your point about construction firm workers being on furlough, but that is why it mattered that the scheme be a really good and robust scheme. What happened with construction workers in my constituency, less on the local authority side of it and more with the general household side of it, was that businesses went out of business because it was so badly organised—they could not get the funding in time and they could not get the vouchers in time—so it mattered.

What I am saying is that it was precisely because people were in such a difficult position because of the pandemic that it mattered so much for the design of this to be good. I guess I am just pushing back on the idea, “We did it because we wanted to help construction workers.” In fact, arguably, you made life an awful lot harder for them.

Lord Callanan: You are confusing the local authority delivery scheme—

Q189 **Caroline Lucas:** I am not confusing it—I said that they were two separate things—but I am saying that the same motivation of helping to support construction workers no doubt influenced both. But it actually led to construction workers losing out and losing their jobs, and sometimes businesses going out of business as the direct result of a badly designed scheme—both the local authority side of it and the separate, but related, household side of it.

Moving forward, we are eagerly awaiting the replacement of the green



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homes grant. What lessons have been learned? What can you tell us about what will be replacing it and, even better, when? I dare say you will say "Wait," but what can you tell us about the input into the design of it?

Lord Callanan: The second part of your question is right, because I cannot predict what the spending review process will come out with. Ms Hillier's Committee had extensive engagement with my permanent secretary and me on the green homes grant.

From a political point of view, I think there are a number of lessons we should take away from that. The first one is that, as the National Audit Office report pointed out, there was confusion about whether it was an economic stimulus scheme or a carbon reduction measure and what the primary purpose of it was. I think we tried to put it together too quickly. I understand the relevant pressures at the time, but the timescales imposed were probably unrealistic for a nationally launched scheme. We probably should have piloted it and given it more time first to see if it worked. We probably should have interrogated the appointed delivery partner more in terms of the operation of its IT system.

From a consumer user point of view, I came to take charge of the scheme after it had already been launched. When I first looked at it and had my first conversations with Selvin about how we could manage it and improve it, I thought from an initial perspective that it was too complicated with the two phases of it, the primary and secondary measures. In retrospect, I think it was done—to be fair to policy officials—from the most carbon-efficient point of view of what would deliver the quickest savings, but from a consumer useability point of view, it was not the most accessible. I think that they are the main lessons we should take away.

Q190 **Caroline Lucas:** Trust is what really worries me, because this is not happening in isolation. This happened after the green deal, which had its own chaotic legacy as well.

Lord Callanan: While I will say that it did not deliver on anything like the scale we would have liked, I was looking at the figures yesterday—I had another meeting with the managing partners. We have distributed something like 80,000 vouchers and the final out-turn will probably be in the order of about £250 million, plus another £50 million of customer contributions. I totally accept that that is not at the scale originally envisaged, but it has still delivered an awful lot of work for tradesmen, installers and others in your constituency—not as much as we wanted it to, but it still produced some worthy savings and a lot of good work.

Q191 **Caroline Lucas:** Finally, I appreciate that you cannot tell us about the timing, but can you reassure us, and is there any evidence you can cite to demonstrate, that in whatever is being designed right now, hopefully, or is ready to go once you have the green light from the Treasury—whatever is going to replace the green homes grant—all of those lessons



you have just itemised have been learned?

Lord Callanan: We will certainly do that. We have already announced a number of the other parts of the stimulus scheme that we are continuing with: the local authority delivery scheme, which we have talked about, the social housing decarbonisation fund—

Caroline Lucas: The household version of it.

Lord Callanan: And the home upgrade grant. We have the clean heat grant, which we have announced will start from next April as well and which we are putting a lot of work into at the moment. I can assure you that I am looking at it very closely in the light of the experience of the green homes grant, yes.

Q192 **Mr Robert Goodwill:** I would like to ask Lord Callanan about progress in setting up the UK Investment Bank. You mentioned that performance between local authorities has varied a lot; you declined to name names, but I will name Scarborough Borough Council. It has declared a climate emergency, but unless you count one of our Labour councillors gluing herself to the M25 this week, it has not done a great deal about it.

Local authorities often say they cannot access money, but in some ways our Government have been hosing money at local authorities. The Public Works Loan Board lent our council £14 million to buy a hotel that was already there just so that it could become the landlord. Indeed, it looked at industrial units in Leeds before it bought that hotel.

Could I ask how you envisage the UK Investment Bank will be able to support local authorities in developing net zero infrastructure when you have authorities like Scarborough, where I think there are only two places you can charge an electric car and lots of council car parks?

Lord Callanan: Before you arrived, Robert, we talked about some of the technical assistance facilities we are trying to offer to local authorities to enable them to bid in a process. I do not think that Scarborough and Whitby district councils were successful in some of their bidding, but North Yorkshire County Council was. I do not know whether or not any of that made its way into Scarborough and Whitby.

On the UK Investment Bank, that is a very good question. It is actually a Treasury lead, but the bank's core objectives are to tackle climate change, to meet the net zero emissions target by 2050 and to support regional local economic growth through better connectivity, opportunities for new jobs and higher levels of productivity. I think £12 billion is the original seed funding of the bank, which will be available for projects in clean energy, transport, digital, water and waste.

Q193 **Mr Robert Goodwill:** To be fair to Scarborough, part of our town deal bid is a green construction skills village, presumably training people to put insulation into properties.

To what extent will the bank's focus be on developing local authority



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projects into investable propositions for large-scale institutional investors?

Lord Callanan: That is exactly one of the core purposes of it: to work with local authorities to work up their schemes, to see what commercial investors they can bring in to fund some of the local infrastructure projects that we talked about.

Q194 **Mr Robert Goodwill:** How rigorous will the green scrutiny be? At the extreme, we hear about projects involving fossil fuel exploitation or deployment. Will it be written in stone how tight this will be, or will there be some degree of latitude where possibly on balance there is a positive effect on the environment?

Lord Callanan: The general assumption is that the bank will not consider lending or providing any other support to projects involving extraction, production, transportation and refining of crude oil, natural oil, gas or thermal coal, with very limited exemptions. The exemptions include improving efficiency, health and safety, environmental standards and so on, but the presumption is no.

Mr Robert Goodwill: That is a very clear answer, thank you. I have come from Belfast today, so I apologise for being late to the meeting.

Chair: Juggling multi-Committee commitments is tricky. Thank you for being with us, Robert.

I thank Lord Callanan, Minister Hughes, Ms Jones and Mr Brown for their attendance today. I think we will be revisiting the issue as the planning Bill emerges. I thank members of the Committee and thank Martyn Atkins for his support in preparing the brief.