



Communities and Local Government Committee

Oral evidence: [Performance of the Department 2012/3](#), HC 711

Monday 14 October 2013

Ordered by the House of Commons to be published on 14 October 2013.

Follow up written evidence from witnesses:

[Letter from Sir Bob Kerslake dated 28 October 2013](#)

[Letter from Andrew Rose dated 31 October 2013](#)

[Further letter from DCLG dated 12 November 2013](#)

[Letter from Peter Schofield dated 7 November 2013](#)

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Members present: Mr Clive Betts (Chair), Bob Blackman, Simon Danczuk, Mrs Mary Glendon, James Morris, Mark Pawsey, John Pugh, John Stevenson, Heather Wheeler

Questions 1–143

Witness[es]: **Sir Bob Kerslake**, Permanent Secretary, **Helen Edwards**, Deputy Permanent Secretary and Director General, Localism, **Peter Schofield**, Director General, Neighbourhoods, **David Rossington**, Director, Finance, **Andy Rose**, Chief Executive, Homes and Communities Agency, and **Sir Michael Pitt**, Chief Executive, Planning Inspectorate.

Q1 Chair: Welcome to our first evidence session on the performance of the Department. Just for our record, if you all could just give your name and your position, that would be a good start.

Sir Bob Kerslake: Bob Kerslake, Permanent Secretary of the Department, and Head of the Civil Service.

David Rossington: David Rossington, Finance Director.

Peter Schofield: Peter Schofield, Director General for Neighbourhoods.

Helen Edwards: Helen Edwards, Director General for Localism.

Sir Michael Pitt: Mike Pitt of the Planning Inspectorate.

Andy Rose: Andy Rose, Chief Executive of the Homes and Communities Agency.

Q2 Chair: Thank you all for coming; you are all most welcome. We understand there may be a vote on the programme motion at some point, so it is likely we are going to have to interrupt the sitting—to suspend and come back again—but we will deal with that issue when we get to it. Can we begin by looking at the focus of the Department, how it is changing, and the skills that are needed? Clearly, it appears that the work the Department is doing now is much more commercially focused than it might have been a few years ago. Does that need, and is it getting, a change in the skills that are available within the Department? Maybe, in the future, would we assume that the Permanent Secretary might come with a commercial background? Is that the sort of change we might anticipate? I am not suggesting any time soon, of course.

Sir Bob Kerslake: Let me say first of all, Chair, that you are absolutely right to say that we are seeing a significant change in the way in which the Department works. We have calculated that, by 2015, the financial instruments will constitute potentially up to £15.7 billion in terms of spend, so there is undoubtedly a shift in the Department, and it is away from predominantly grant-giving and towards an investment model much more linked to a return on that investment, and therefore a commercial decision. First of all, I think it is right to say that we are changing.

Secondly, have we clocked this, and are we taking it very seriously? Absolutely. It is clearly a priority for the whole of the team to deal with this issue. Let me just give you a few examples of what we are doing here: we have developed what we call a commercial core skills programme. We have now run that programme twice, first in March and then in July, and we have seen 130 on the first course and 220 on the second. We are going to go beyond that and run an enhanced programme to a higher level of skills in November. We have brought in commercial expertise from outside, so we have a couple of people with a background of commercial expertise. We are in the process of completing a review organised with the Shareholder Executive to specifically focus on how we manage this new portfolio of investments. We have quite a wide range of activity, which includes, actually, the Homes and Communities Agency taking on a strengthened role in relation to investments.

Just on your last point, it is perfectly conceivable that we would have a Permanent Secretary with a commercial background. I have, as you know, done a number of commercial deals both in local government and in the Homes and Communities Agency, but it is also worth saying that Andy himself comes from a commercial banking background. We have expertise in the Department, but, as I said earlier, a lot of expertise in the Homes and Communities Agency as well.

Q3 Chair: I will come back to the Homes and Communities Agency in just a minute. Clearly, one of the biggest changes is the guarantees that the Department is going to be giving in housing, both in the social rented and private rented sector. Specifically, did the Department look at the skills that would be needed to manage that, and did you bring in particular expertise to deal with that, or to re-skill people who are already there? That is a massive programme, and potentially there is a major cost if it all goes wrong.

Sir Bob Kerslake: We have done both, in effect. We have both brought in expertise to help us with some of the guarantees, and, of course, created the task force that you will be aware of in the Department. We have appointed a number of secondees to work on this area, and we also look to strengthen the capability of our existing staff within the Department. We are doing both in relation to the guarantees, and we have also created a credit committee, where we will

establish a much stronger governance of this area in order to ensure that every decision is properly assessed for the level of risk involved. You will know that, for the affordable housing guarantees, we have taken on a contract in order to establish an aggregator for that work. I do not know if, Peter, you want to add anything to that.

Peter Schofield: Just to add to that, as Sir Bob just said, for the affordable housing guarantee scheme—which is potentially up to half of the £10 billion—we have got an agreement with Affordable Housing Finance, which is a subsidiary of the Housing Finance Corporation. This is going to be acting as an aggregator, and it has been doing the first round of due diligence before proposals come forward to the credit committee. The credit committee is partly staffed by existing members of staff in the Department, but we have also brought in some expertise with a banking background to sit on that credit committee. The credit committee will also be there to assess proposals that come forward for the private rented guarantee scheme, so it is a combination of the two.

Q4 Chair: Just picking up on the outside expertise, recognising that salaries in the commercial sector, and particularly the finance sector, are often very much higher than they are in the public sector, are you going to have to pay more to get this expertise in?

Sir Bob Kerslake: So far, we have managed to make quite a lot of progress by prevailing on the banks themselves to give us secondments in to do pieces of work, so it has not cost huge amounts of additional cost to the Department. Obviously, as Peter said, the advice on the credit committee will be advisory rather than necessarily full-time, but obviously one of the things we will have to look at, as we move forward and as the portfolio grows, is the nature and mix of the staff that we have. What I am clear about is that whatever we do there, we will stay within our overall budget and staffing numbers.

Q5 Chair: But you could see some people get paid an awful lot more in order to attract the right people in?

Sir Bob Kerslake: We will clearly look at this issue of ensuring we have got the right people, and we will look at the market salaries. We will aim to get people in as cost-effectively as we can, and there is good evidence in other parts of Government, like the Shareholder Executive, that people are willing to come in to central Government, because of the nature of the work, at lower salaries that they might have commanded in the private sector. That is something we will look at in more detail.

Q6 Chair: I will just turn to Mr Rose for a second. Clearly, you have been mentioned in terms of the particular skills that you are bringing to the HCA. Did you find a skills gap there that you needed to fill?

Andy Rose: No. My first impression was actually very positive about the skills.

Q7 Chair: I suppose I might ask, then, what the point was of bringing you in.

Andy Rose: I applied for the job that was offered, because I thought it was a fascinating opportunity. That was my role. As I say, I am impressed with the skills. I think what Sir Bob was identifying was the scale of some of these programmes, and that they have the potential to increase quite significantly: you identified the guarantee scheme. My own view was that it was absolutely appropriate to ask a body like the Shareholder Executive to look at the skills sitting

across the Department and the HCA to see what is required in terms of taking these programmes forward, but I think there are some very good skills in the HCA.

Q8 Heather Wheeler: I would like to ask some questions about the fact that, for the first time, you have had the accounts qualified, and you have not got an unqualified arrangement. You are up there with Barroso, so congratulations. I never thought that the Department would be in the same state as Europe and the Commission. It is astonishing. What is your feeling of how that came about?

Sir Bob Kerslake: Let me say, first of all, that it was very disappointing that we had these qualifications. We took the qualifications very seriously; we have conducted two internal audit reviews of the areas where we had qualifications. We have looked at them in depth, and identified how and where we need to improve how we operate. I would make two points, not in any sense to reduce the significance of the qualification. It is worth saying first of all that there was no issue here of either spending outside budget or spending inappropriately that led to these qualifications. They both related to particular forms of parliamentary control totals that we breached, and those bring with them an automatic qualification. That was inevitable, but it is important to be very clear that there was no issue of either a breach in budgets or spending inappropriately. I would ask David to say a few more words, if I can.

David Rossington: Let me underline that point: there were two breaches. The first was to do with cash, and that was caused by not taking account of a payment that moved over from one financial year to another. We were monitoring our cash right through the year, actually very well; we were very high on the Whitehall league table, but we did not have the processes in place to take account of the overhang cash from the previous year. As soon as we became aware of that, which was late in the year, we managed down spending so that the overall breach was £55 million rather than what it could have been—as high as £340 million. Then, as Sir Bob has said, we immediately conducted an audit report and had a look at exactly what went wrong. We have got recommendations there; they will all be implemented by the end of this month, so that we do not get a recurrence.

The other breach was in relation to local government DEL, and that was caused by two arm's-length bodies spending more on capital than was set out in their control total. Once again, there was no overspend overall in either of those agencies. Once again, we immediately conducted an audit investigation of what went wrong, and there were really two things that came out of that: first of all, a need for greater awareness of how Government accounting works in the arm's-length bodies, and secondly, a need for better liaison between the Department and those arm's-length bodies. We are actually centralising in our finance function the arrangements for sponsoring the smaller arm's-length bodies in the departments, again, to prevent any recurrence.

Q9 Heather Wheeler: No overall overspend, two technical breaches, so nobody gets sacked?

David Rossington: There are clearly systemic problems here, and it was not a case of individuals wilfully doing things wrong. The system was wrong; we have looked hard at that, and we want to put it right.

Q10 Heather Wheeler: A final thing, then: as another knock-on effect, with the retention of business rates, you are now going to be withholding £120 million from local councils, which they had not expected to be the case. They would be expecting more like £50 million, or something like that.

It is a huge jump, and although, if it all works out all right, that money—or what is left to it—will go back to the councils, how can councils budget when decisions like that are being made?

Sir Bob Kerslake: I think you are talking about decisions that relate to judgments about how much we might retain for specific initiatives like the transformation budget. We have signalled them well in advance of them happening, and we have sought, wherever possible, to keep holdbacks to a minimum.

Heather Wheeler: It is an additional £95 million holdback.

Sir Bob Kerslake: In the context of total funding under the DEL of £25 billion, it is a relatively small amount, and we have sought to do it only where we think there is a specific need and where we want to, as I touched on, increase the level of funding to promote and support transformation.

Q11 Heather Wheeler: With respect, it might be a small amount to you, but to district councils it is £100,000, £200,000, £300,000 or £400,000. That is a huge amount of money that is being held back from them, which they were not expecting and that they have not budgeted for.

Helen Edwards: Some of the money we hold back is to help authorities. For example, on business rate retention, we hold back £50 million in case local authorities do not get the rate income that they expect when an employer goes bust, or something like that. Some of that is there to help people, and it does make its way back into the sector.

Q12 Heather Wheeler: But that is only after. They have set five-year budgets. They have now had 20% taken off them, and they have got to start all over again; otherwise the rates go up 9%. That is not going to happen, is it?

Helen Edwards: As part of the settlement, we did set out for each local authority, as a result of the latest spending round, what their figures were for 2015-2016, so that they would have time to plan.

Q13 Heather Wheeler: Yes, they have been given three months to plan for a five-year budget that is 20% down on what they thought it was going to be. This is very serious for district councils.

Sir Bob Kerslake: Nobody would suggest that the settlement overall is not challenging. That is true across the whole of the public sector, but I do not think—and this is the point I was seeking to make—that the challenge faced by local government relates specifically to the issue of holdback. We have only sought to hold back in very particular circumstances related to the safety net, which Helen spoke about, the need to promote transformation of local authority services in order to deliver the savings, and specifically in relation to the troubled families initiatives. These are relatively small amounts done in order to tackle particular needs and promote particular agendas around greater efficiency and greater transformation of services. Taken as a whole, we have actually reduced a lot of the ring-fencing and direct specification of funding inside local government. If you compare that against the amount by which we reduced ring-fencing and specific grants, that would far outweigh whatever we have done in relation to holdback.

Heather Wheeler: Chairman, indulge me. When was the last time any of you guys sat down and helped set a district council's budget for five years? I would think it is probably some time ago, if at all. Giving them three months' notice of another 20% cut really doesn't fly, ladies and gentlemen.

It really doesn't. I am not talking about unitaries; I am not talking about met; I am talking about districts. Okay?

Q14 John Pugh: In 2011, the Secretary of State said, "The ERDF programme has been plagued by a legacy of poor administration and fines that dates back to 2000. The Coalition Government has overhauled the management of these schemes, bringing them in-house, and successfully minimising the liabilities." Imagine our surprise when we learned in May 2013 that the European Commission has imposed payment interruption, blaming inadequate management checks and lost files. Could you explain what happened, or what difficulties you met?

Peter Schofield: Shall I try and address that one? There are two broad issues here. One is to do with the level of the liabilities, which have come down very dramatically, and Mr Rossington can say more to the Committee about that in a moment. In terms of the interruption, the original issues that were raised by the auditors have all been addressed, and the auditors themselves have accepted that. They have now raised a new issue about the design of our systems, despite this never having been an issue in the past over the course of what is obviously a seven-year programme starting in 2007. However, we are working very closely with them. We are in dialogue with them on a regular basis, looking at ways to address the concerns that they have raised, and we are looking to see the interruption lifted as soon as possible.

Q15 John Pugh: Could I ask you whether you are being helped or hindered by the abolition of the RDAs here, in terms of lost expertise?

Sir Bob Kerslake: Let me come in on that one. Actually, the systems now are more consistent across the country, more effective, more accurate and more reliable than they were before. What we had before was variation—

Chair: Sir Bob, could I just ask you to speak up a little bit? It is just a bit difficult to hear.

Sir Bob Kerslake: What I was saying was that what we inherited was a set of very different, varying models of handling ERDF across the RDAs, and what we have been able to do, as a consequence of it coming into the Department, is to establish a consistent approach to this. That has tackled a lot of the issues.

Q16 John Pugh: But would you say it has been a learning curve?

Sir Bob Kerslake: It has inevitably been a learning curve, bringing it together and establishing the common systems, and indeed some of the issues being raised by the Commission—I think Peter can confirm this—relate to issues that are still there from the previous model. I would say that we have now developed a much more consistent and robust system of handling ERDF.

Q17 John Pugh: Have you been helped or hindered by the Government's willingness to extend the boundaries over which ERDF is distributed regionally, or has that not impacted?

Sir Bob Kerslake: I do not think that has at all impacted on this particular issue. As I say, we have tightened the systems, but there are clearly issues that the Commission want us to address.

Q18 John Pugh: When do you expect the interruption to be lifted?

Peter Schofield: We are looking to see the interruption lifted as soon as possible. As I say, we have now, to the auditors' satisfaction, addressed all of the issues that they first raised. There are

another set of issues around our systems that they have recently raised, and we are in active dialogue with them.

Q19 John Pugh: Despite the interruption, do you think you are going to spend all of the ERDF? Not fully spending the ERDF has obviously been the big problem for years.

Peter Schofield: We are confident.

Q20 John Pugh: You are confident you will spend all of it. There was going to be an England-wide evaluation in 2012, was there not, with implementation reports? It has not appeared yet. Is it going to appear soon?

Peter Schofield: There are 10 annual implementation reports that are produced each year—10 because there are 10 programmes. We send that to the Commission for assessment in June, which we did, and we plan to send them to the Committee once the Commission have assessed them all. So far, four have been assessed and approved; there are six remaining to do, and we plan to send them to the Committee as soon as we have got all 10 approved.

Q21 John Pugh: The estimate for write-offs, disallowances and financial corrections, I think, is something like £73 million. Is that still correct?

David Rossington: The figures for the 2000 to 2006 scheme are that more than £100 million out of a total spend of £3.7 billion had to be written off. There is still £8 million that is potentially alive in the Department. If you look at the 2007 to 2013 scheme—i.e. the current scheme—the figures are much less.

John Pugh: So, in percentage terms, it is better.

David Rossington: Much better. The potential liabilities at the moment are £8.6 million. We paid a self-correction of £5 million earlier in the year, and that is obviously a lot less for a scheme that is still £2.8 billion in total value.

Q22 Simon Danczuk: We have had a briefing from the National Audit Office, and they have talked about their report on the financial sustainability of local authorities. You, Sir Bob, have spoken about the challenges that local authorities face. Whilst they did not exactly speak about the potential for financial disaster, they did speak about things being riskier than ever before in terms of local government finances. What action would you take in the event of widespread financial failure in local government, Sir Bob?

Sir Bob Kerslake: First of all, I think I should say that we do not think there will be widespread financial failure. We have good evidence about the management of resources by local authorities that, I think, backs that view up. Our view is that we are much more likely to face individual authorities where issues arise, and we have a number of tools at our disposal to help those individual authorities.

Q23 Simon Danczuk: Just before you go on to those tools, to be clear, the National Audit Office said that they raised this in a particular report because—I got the impression—they thought it more likely than ever before that there was going to be financial failure in local authorities, and they said that it was local authorities that were raising it with them. Whilst you might not think it, local authorities clearly do think it, because they have raised it with the National Audit Office. They also

said that it was an increase in the demand for services that was putting local authorities under more severe pressure, but tell us what the tools are that you would use if it occurs.

Sir Bob Kerslake: Just dealing with that point about demand, we are absolutely alive to some of the pressures on local authorities. In particular, we know about the rising cost of adult care, and that is why, as you know, the Government have put £3.8 billion into funding across the health and care sector: to seek to address some of these pressures and to change the way services operate. We are acutely aware of those rising areas of demand, and we have taken action to assist local authorities in dealing with them.

In terms of specific authorities, we have, obviously, the accounts produced by those authorities. We have the fact that local authorities are under a legal duty to produce a balanced budget. We have considerable information from a range of different forms of inspectors who go to local authorities, and we have good intelligence from our localities teams, who go and talk to local authorities.

Q24 Simon Danczuk: Sorry, Bob. That is all about the monitoring; I understand that, but my question is what you would do in the event of widespread financial failure.

Sir Bob Kerslake: As I say, I do not think we believe there will be widespread financial failure. We have powers to intervene in relation to specific authorities when they have difficulties, and they have—very rarely, but have—been used.

Q25 Simon Danczuk: We were told about Section 30, or something, where you can intervene and provide a grant to the local authority. Is that right?

Sir Bob Kerslake: We have a power to fund, and we have the power to support them in capitalising the expenditure. Ultimately, we have the power to intervene and take over services, as has happened, but that has not been required in very many cases.

Q26 Simon Danczuk: How close have you come to using any one of those powers in the last 12 months?

Sir Bob Kerslake: In terms of capitalisation, that has been a feature of a number of years where we have allowed local authorities to bid for the ability to capitalise the expenditure. We have intervened—in a very limited way, as you will be aware, of course—in Doncaster. I do not think there has been an occasion, although I will check with Helen, where we have actually paid a specific grant to a local authority.

Q27 Simon Danczuk: Has the number of interventions increased or decreased over the last one, two, or three years?

Sir Bob Kerslake: I do not think they have increased, no. I can go back and check, but I would not say we have increased what we have done in relation to either capitalisation or anything else.

Helen Edwards: No.

Q28 Simon Danczuk: Let me move onto my final question. I noted that the Secretary of State had spoken about chief officers' pay. Eric Pickles, the Secretary of State, said in the *Daily Mail* in March 2012, "It is the height of hypocrisy that you have chief execs at Labour-run authorities awarding themselves bumper pay rises whilst subjecting their staff to a pay freeze." I was reading

that excellent newspaper, the *Daily Mail*, today, and it pointed out that it is proposed to give the Chief Executive of Rochdale a £40,000 pay rise on Wednesday for this year, so he will get an increase from £130,000 to £170,000. What is the Department's view of those sorts of pay rises, Sir Bob?

Sir Bob Kerslake: The Secretary of State has been very clear that local authorities, in a period of quite tight restraint, should be bearing down on senior salaries. We are also clear that these are decisions for individual authorities to make, but when they do so, they need to be very transparent about those decisions, and they need to be taken by the full council. Changes have been made to make that requirement. We have not sought to impose a view about these things, but we have been clear that they should be very careful about senior salaries, and they should be very transparent and decisions should be made by the full council.

Q29 Simon Danczuk: Would you have concerns about that sort of increase in one year: £40,000, and not performance-related?

Sir Bob Kerslake: On the face of it, it sounds a very large increase. I do not know the circumstances of this particular council, so I would not want to comment further.

Q30 James Morris: On the point about risk management, I just wondered what role you saw the Department playing in risk management. You say you are gathering a lot of data about what is happening on the ground in local authorities, but what do you perceive the role of the Department to be in risk management? What do you do with the data that you collect?

Sir Bob Kerslake: Helen, do you want to come in on that?

Helen Edwards: Part of our role is to assess where local authorities are in terms of the reductions in income and the impact it will have on them. We use the data that we get, for example, to try and skew the distribution of the grant to help those who are going to feel the effects to a large extent—so those who are particularly grant-dependent and who are not necessarily going to benefit as much from rates retention, for example. We use some of the data to do that. We use it in the assessment of spending power. We have said that we will not allow authorities' spending power to fall below a certain amount, so that is our way of working out everything that a council gets by way of income.

Q31 James Morris: So you see yourself playing a very active role in risk management? It is not just that it is interesting information; it will lead you to make specific interventions on local authorities. Is it an interventionist role for the Department?

Helen Edwards: No, it is not, in that sense. By and large, we regard it as the responsibility of local authorities to manage their own affairs and to manage them well, and, by and large, they do manage them very well. However, as Sir Bob was saying, if a local authority appears to be getting into difficulty for whatever reason, there are a number of things that we can do. Of course, we do work very closely with the Local Government Association, and they do a lot through their peer-led reviews and sector-led support. There are a number of ways in which we try to assess what is happening with particular local authorities, and if there is a need for intervention, then we will do it in different ways. By and large, it is for them to manage the risk.

Sir Bob Kerslake: The way I would characterise it is that local authorities want to run their own affairs, and we believe that intervention should be an absolute last resort. The thing we do actively is to understand where local authorities are, where they might be running into difficulties, and where we might need to assist them in any way. It is about active management of

the information, but we would be very reluctant to intervene, unless there were compelling reasons to do so.

Q32 James Morris: Just on that point, my final question is, in terms of the evaluation, is there in the Department some kind of dashboard that is giving indications of “red, amber, green” across the country, and has the way that you evaluate changed over the last two or three years? Are you putting more variables and factors into your risk?

Sir Bob Kerslake: I do not think it is the case that we hold a sort of “red, amber, green” assessment of each authority. It is much more likely to be comparing of intelligence for a particular authority at a particular point in time. Our view is that the vast bulk of authorities are, and have been, able to manage their affairs effectively and not get themselves in this position. Indeed, on the latest poll data from the BBC, we see that satisfaction levels have actually gone up in relation to a lot of local authority services. Taken in the round, local authorities have found efficiencies and managed a quite challenging period pretty well. We are much more focused on individual authorities at particular points in time.

Sitting suspended for a Division in the House.

On resuming—

Q33 John Pugh: The whole issue of local authority finance is quite contentious. What normally happens is the local authorities say they are destitute; DCLG say they have given them a king’s ransom, and we argue about the numbers. The difficulty we have at the moment, though, is that local authorities present their figures slightly differently than DCLG choose to do. For example, I have tabled questions trying to find out exactly how much money has left the Exchequer and gone to my local authority, and all I get back is an answer talking about the spending power. Therefore, no precise sum is ever given and no agreed numbers are ever arrived at. Is there anything you can do about that, either by making local authorities present their figures in the same way as you do, or by giving information in a different way?

Sir Bob Kerslake: We do try to come up with a consistent approach to presenting information, and we have now used the spending power calculation for a number of years, but we do not just show spending power. We show the changes in relation to direct funding from Government and from business rates for local authorities.

Q34 John Pugh: I do not want to belabour the point, but I have asked fairly persistently in regard to my own local authority in Sefton exactly how much money has left the Government Exchequer and gone into the wallets of Sefton. I have asked that in a range of ways and at different times, and in a series of questions. I have still not got a figure.

Sir Bob Kerslake: I am very happy to go back and look at those questions and see whether we have done justice to you.

John Pugh: If you would, please.

Sir Bob Kerslake: The point I just wanted to finish on is that we have made quite big changes to the way local government finance works, with the increase in the amount that is retained locally. There has been quite a lot of change, and that has often been where people have struggled to see how the numbers all relate to each other. Helen?

Helen Edwards: Yes. 70% of local authority income is now raised locally.

John Pugh: I understand that.

Helen Edwards: That is a big change. That is why we came up with the notion of spending power, because it is looking at the income that people have and not just the money that comes in from central Government. If we have not been giving you satisfactory answers, then we must do that.

John Pugh: I welcome Sir Bob's assurance. I look forward to his answer.

Sir Bob Kerslake: We will have a look at that.

Q35 Chair: Just before I pass over to James Morris for the next question: reference was made to working closely with the LGA. However, Sir Merrick Cockell, on behalf of the LGA, has said—and he is not a man given to hyperbole, I do not think—that the funding of local government in this country, looking forward to the next two years and beyond, is unsustainable. Does that wording from the LGA not at least give you the occasional sleepless night?

Sir Bob Kerslake: We take everything that the LGA says very seriously. We have had many discussions with them about the impact of the settlement, so we are not in any sense denying the fact that there are some challenges for local government in delivering these numbers, but we do not agree with the view that says it is unsustainable. The evidence so far is that local authorities have been very effective in delivering savings. What we are clear about, though—this is one of the reasons why we retained a relatively small amount for the transformation fund—is that delivering this does require local authorities to think radically about how they organise their services.

Q36 Chair: Does it not give you at least some concern—going back to your old authority of Sheffield—when they show their current spending, and outside the statutory services of adult care and children's care and then the commitments on contracts, the waste management scheme and the new PFI scheme, what is left is about 15% of their budget; yet, by 2018, they are going to have to make 15% more cuts. All that discretionary spend has gone. Is that not a crisis?

Sir Bob Kerslake: That suggests that the only areas in which they can secure savings are from that particular discretionary set of budgets. As I said earlier, we are looking to work with local authorities through the joint funding we have secured with Health in order to transform the way some of the other services work, including adult care. We do not see this as simply a question of looking at discretionary services; you have to look across the board at the way in which the local authority operates.

Chair: I think that is what the LGA were saying they are doing. They are coming up with slightly different answers to you, maybe.

Q37 James Morris: I wanted to ask some questions of your modelling of the New Homes Bonus. The National Audit Office, in their report, said that they had found errors in the Department's modelling that, when corrected, reduced the estimated number of new homes the bonus would lead

to by 25%, or 32,000 homes over 10 years. Given the importance of the New Homes Bonus as a flagship policy, why were you so wrong?

Sir Bob Kerslake: If you look at the report in depth that the NAO produced, what it was describing was the original assessment we made in the introduction of the New Homes Bonus. It was an estimate of the likely impact, and it gave a range of impacts in terms of the New Homes Bonus. We have acknowledged—and we did this at the time—that there was an error made there. It was an error in something that was an estimation of what the impact would be, and we now have a scheme in place and so we can see what the impact is. Peter would be happy to take you through the numbers on that, but it is worth saying that we have also committed to—

Q38 James Morris: Sorry; can I just interrupt? In an impact assessment, you are talking about a range of plus or minus 32,000 as an estimate from the Department about a flagship policy. Is that not something that is rather extraordinary?

Sir Bob Kerslake: We have already said that it was a regrettable error. What I said was that this was an estimated range of impacts, and this clearly did impact on that range, but it did not lead to a view that you would not support the policy or that the policy did not have a justification. It still had a net benefit from it in the calculations. Clearly, that benefit was lower in the calculation as a result of this error being corrected, but the point I am making now is that we now have the policy in place; we have taken steps to improve our work on impact assessments to avoid these sorts of errors occurring; and we will do a full evaluation of the New Homes Bonus by Easter of next year.

Q39 James Morris: How are you going to make sure that your next set of estimates is not so wildly wrong?

Sir Bob Kerslake: As I said, we have reviewed the way in which we do these calculations. We have added a further step in the process within the Department to quality-assure these exercises, so that we reduce the risk of any error of this sort occurring.

Q40 James Morris: Through the single local growth fund, there has clearly been some top-slicing of the New Homes Bonus occurring, to the tune of about £400 million, I think. I presume that you have estimated the impact of that on local authority funding and the number of new builds that may emerge out of the New Homes Bonus? Is that a factor in your calculations?

Sir Bob Kerslake: Again, we have just done a consultation on this issue. We have heard back on local authorities on the potential impact, but it is important to say that this money is important to local areas. What we have said is that it should be pooled and determined by the local enterprise partnerships, which of course, as you know, include representation from the local authorities. This money has not been top-sliced and brought back to Government; it is money that remains in the local area to invest in local growth initiatives. I do not know if Peter wanted to add anything to that.

Peter Schofield: One of the questions we have asked in the consultation is exactly how this process should be done—how to ensure that that localisation works and that pooling works in a way that still enables local authorities to achieve their growth objectives. As Sir Bob said, that consultation finished on 19 September, and we will be coming back with a response to that in due course.

Q41 James Morris: Would you have chosen this top-slicing as being a suitable modification to the New Homes Bonus policy when you first launched the policy?

Peter Schofield: The important thing is using the money in a way that helps to reinforce local enterprise partnerships locally. One of the positive effects of the pooling will be that it really does bind in local authorities to the priorities that are developed through the strategic economic plans by local enterprise partnerships, and we will be seeing some of that as they produce their strategic economic plans over the coming years.

Q42 James Morris: Have a number of local authorities not been planning on the basis of a particular level of the New Homes Bonus, which they are effectively not going to have control over?

Peter Schofield: One of the questions we have asked, as I say, in the consultation is about how you might deal with commitments for the year 2015-2016, which is the year that this is referring to. We will respond as part of the consultation response in the light of representations made. Crucially, what this enables is local enterprise partnerships to respond to the growth priorities of all of the local authorities in their area, and, in a way, that aspect of this is quite a positive development.

Sir Bob Kerslake: It is worth seeing it in context. Between now and 2021, the effect of the decisions that the Government made will bring something like £17 billion into the direct responsibility of local enterprise partnerships, which, in turn, will drive local growth and benefit all the local authorities in those areas.

Q43 James Morris: Just a final question, while we are talking about growth: I think, Sir Bob, you are the accounting officer of the Regional Growth Fund. You were criticised for failing to complete an impact assessment for the Regional Growth Fund. How do you respond to the criticism?

Sir Bob Kerslake: We clearly have done impact assessments for all new funding initiatives. The Regional Growth Fund—this was right back at the inception of the fund—had an issue about the timing of that, and we have acknowledged that in an ideal world you would undertake such impact assessments.

Q44 James Morris: The NAO have said that “the Fund’s management board did not translate the fund’s high-level objectives into quantified, measurable success criteria for the Fund as a whole, nor were timescales for its expected impact established.” Do you accept that criticism?

Sir Bob Kerslake: Clearly, we have accepted the NAO report in its entirety, so we would accept that more could have been done on that issue.

Q45 Bob Blackman: Just moving on to permitted developments, and the new role of local authorities and neighbourhood consultation, the Government announced that they were going to change the rules on this in September last year, and then included those rules in the Growth and Infrastructure Bill. The consultation process was developed during the passage of the Bill over about three days. How did you go about assessing the impact of those changes on neighbourhood consultation?

Peter Schofield: The introduction of permitted development was based on the analysis that around about 200,000 householder applications are received by local planning authorities every

year. Something like 90% of them get approved, and routinely they are approved by officials, rather than going to members.

Q46 Bob Blackman: Frequently, they are approved after consultation and after neighbours have put their views in, and then there is a process of mediation that takes place. That generally is the case on these smaller extensions.

Peter Schofield: Many of those points were made during the passage of the Growth and Infrastructure Act, as you say.

Bob Blackman: I know; I made them.

Peter Schofield: Exactly. The result of that was that the Government listened to that and introduced, as you say, the neighbourhood consultation arrangements, which are a fast-track approach that achieves all of the positive aspects of the previous regime, while also achieving the benefits of a light-touch approach for what are generally the non-controversial types of planning applications that come into local authorities.

Q47 Bob Blackman: Previously, local authorities would receive a fee for a planning application for a relatively small extension. They now receive nothing. How have you assessed what the cost will be to local authorities of doing this work, where they are going to be doing it for nothing, as opposed to getting some form of fee, which, I accept, was not necessarily covering the cost of doing it?

Peter Schofield: Our analysis took into account the fact that by stripping out a large number of applications that were previously received—

Bob Blackman: But they all have to be notified to the local authority, and then the local authority have to ask the neighbours whether they object. That is no different from the consultation process that used to take place, effectively.

Peter Schofield: The next stage of the operation is much, much reduced. To give you an example, in the London Borough of Enfield, they tell us that between May and August, when they gave us these numbers, they had received something like 67 notifications and only something like seven objections in total. Although there will be some objections, the numbers we are talking about are significantly lower than the process that you would have to have done routinely under the old regime.

Q48 Bob Blackman: It could be that the local authorities are not consulting properly, which is another consideration. In the London Borough of Harrow, 40% of the applications were rejected because neighbours objected to them for very good reasons, so there is a wide disparity right across London and across the South-East. I accept that outside the South-East, there are probably not the same concerns, but clearly there is going to be an impact on planning authorities in terms of their income and what resources they can apply. Have you considered how much that will downsize as a result?

Peter Schofield: We have looked at the fact that the cost side of the equation is also lower, for the reasons I have described. Our view is that, overall, this should be something that is manageable for local authorities, and for many, the balance will be a net reduction in the overall

burden that they have from this. Also, it is a much quicker, light-touch approach that benefits the applicants as well.

Bob Blackman: This may not benefit the people who live next door to it, which is the main consideration I have.

Peter Schofield: But, as I say, they have all the protections that you have described.

Q49 Bob Blackman: They say that. It remains to be seen. Sir Michael, these are new schemes. What application do you see them possibly having in other planning applications that may be coming forward?

Sir Michael Pitt: It seems to me that this is most suited to relatively modest developments. I think that, at the moment, they have struck the right balance in that respect. One would want to look very carefully at any view about extending significantly that range of devolved development.

Q50 Bob Blackman: Do you see any effect on your agency as a result of these changes?

Sir Michael Pitt: At the moment, the total volume of work coming to the Planning Inspectorate in terms of appeals is easing downwards slowly, by a few per cent. each year. I think that is a good sign. Whether it is going to have a more dramatic effect in due course, I could not say, but at the moment, as I say, there is this very gentle reduction in total numbers of appeals.

Q51 John Stevenson: Bob, staff surveys and employee engagement are very important to any organisation; it is a barometer of performance, well-being, etc. Last year, the Department did not do particularly well. Although there has been a slight improvement, its position within the other Departments is still at the bottom, or second-bottom. Last year, you partly blamed redundancies. What excuses this year?

Sir Bob Kerslake: There was an increase this year, as you say, on the year before—2% on the year-on-year—and we saw, very encouragingly, improvements in the specific areas that we had focused on in the Department, such as improving leadership, visibility of the senior management, and so on. There were some key areas where we saw quite significant movements in the scores. Because we were very keen to focus on this in the Department, we also undertook what we call a Pulse survey, which was a slightly reduced survey but following similar questions, in the summer of this year. That Pulse survey, the detail of which we would be very happy to share with you, if you wanted, showed a 5% increase in staff engagement. That, I think, demonstrates good progress. It similarly showed that certain areas where we focused have moved by quite significant percentages—that is the individual questions—and it brought us up to a higher figure of 48% for our engagement. That said, we know we have still got to go further, and we have committed ourselves to seeing if we can achieve year-on-year increases of that order over the next few years. We have seen improvements. The latest Pulse survey is encouraging, but we know we have got a way to go still.

Q52 John Stevenson: When you are sitting here next year, will you be in a much better position than you are now?

Sir Bob Kerslake: As I said, we have already improved on the year before last. We increased it by 2%.

John Stevenson: You are still second-bottom.

Sir Bob Kerslake: If we deliver the increase we expect to see from the Pulse survey, we would hope to add at least another 5% to that number. That will move us significantly away from the bottom, but it will not be where we want to be yet. What I hope you will see next year, when you see me here, is further improvement in the areas we have identified as priorities and a commitment to go further.

Q53 John Stevenson: Sir Michael, your department has done much, much better compared with the Department overall. What lessons can be learned? What benefits or ideas can you pass to Sir Bob that can improve the Department's performance?

Sir Michael Pitt: I am not entirely satisfied with the figures in the Planning Inspectorate either, and all parts of DCLG are working hard to try to improve performance. I guess it can be different in a smaller organisation; we have about 700 people within the Planning Inspectorate, and it is sometimes easier to have a stronger focus and identity, which can help with the overall results.

Q54 John Stevenson: Sir Bob, you have two roles. Can I ask you just to give me a breakdown of the time spent as head of the Civil Service and time spent as the head of the Department?

Sir Bob Kerslake: I would say the time spent is roughly three days in the job of head of Civil Service and two with the Department, but it does vary enormously between different weeks and different periods. I have recently increased the amount of time spent on the head of Civil Service job to reflect the scale of the reform agenda, so those are broadly the numbers at the moment.

Q55 John Stevenson: On that basis, there is an argument or an implication that the role as head of the Department could actually be a part-time job. Would you agree?

Sir Bob Kerslake: I would say that the job at the moment, obviously, is being done as part of another job as well. I would not say the job is part-time, because there is a lot of overlap between the two roles. For example, I would attend a meeting of the Permanent Secretaries as Permanent Secretary of CLG; I now chair those meetings, so there is quite a lot of overlap between the two roles, but clearly I am doing two roles. What makes that possible is a very strong team that you see around you, and a very strong level of delegation as well.

Q56 John Stevenson: But if you are talking to local government, where there is an emphasis now on sharing chief executives, etc., and they have said that the chief executive only needs two days a week, would you not argue that perhaps they should marry with another council or just have a part-time chief executive?

Sir Bob Kerslake: No. I would say to them, "You need to make your own decisions on the right way to lead your local authority".

Q57 John Stevenson: That is fine. Helen, you are the number two. Do you think that the Department requires a full-time Permanent Secretary, or not?

Helen Edwards: I think we have a good arrangement at the moment. As Sir Bob said, we are a good, strong team. There are certain things that we can take on for him that he used to do personally within the Department, but he is very much a presence within the Department. I do not think he feels part-time.

Q58 John Stevenson: I do not know whether to comment on that. Finally, there is a lot about City Deals, and as one council leader said about the City Deals, there is clearly a turf war going on. The Cabinet Office tells us one thing, and then BIS tells us something else; we meet a Minister, and they tell us a further thing. You are the head of the Civil Service, and you are also head of this Department. What is happening?

Sir Bob Kerslake: I think City Deals have been a success, and the core cities that were the front-runners on that would testify to that. We are now in the second wave of City Deals, and good progress is being made. The Departments work very closely together. I, as you rightly say, am the accounting officer for the City Deals across Government, and I meet on a regular basis with the Departments involved to reach a shared view on the issues involved. These are negotiations, so inevitably issues will arise, but taken as a whole it has been a success. We have made good progress, and we work very collaboratively on these deals.

Q59 Chair: That has not answered the question, has it, really? There is a turf war going on, is there not? That is why a decision has not been reached on the second round of City Deals.

Sir Bob Kerslake: I do not think there is a turf war going on.

Q60 Chair: When is the decision going to be announced?

Sir Bob Kerslake: The City Deals in the second wave will not be announced as one batch. They will be announced as we reach conclusions on the deals.

Q61 Chair: When do we get the first one announced?

Sir Bob Kerslake: We have already had the first one, in fact, with the Preston deal. I can say categorically that the process of negotiation was not held up through turf wars between Government Departments. It was about reaching the right deal.

Chair: We can feed that back to all of the authorities awaiting a decision, then, and say it is down to them.

Sir Bob Kerslake: No, I am saying it is down to them and us completing the negotiations. These are meant to be deals, so we are looking for something from them, and they are looking for something from us. They take time; they have to be individually negotiated, but we are making good progress on a lot of those deals, and I expect us to make good progress in the next six months.

Chair: We will watch that.

Q62 Simon Danczuk: Just going back to HR issues, you ended up in court with the PCS trade union over check-off of union subs. What was the cost to the Department for legal fees, etc?

Sir Bob Kerslake: We think the cost will be in the order of £40,000.

Q63 Simon Danczuk: Not the £100,000 that has been suggested?

Sir Bob Kerslake: I am not sure where the £100,000 came from.

Simon Danczuk: In terms of time. Not just what you have paid out—if you have paid out—but in terms of internal person hours, etc.

Sir Bob Kerslake: I can only give you the figure that I can estimate.

Simon Danczuk: And what is that?

Sir Bob Kerslake: It is the £40,000 that we will incur in legal costs.

Simon Danczuk: That is legal costs to external bodies?

Sir Bob Kerslake: Yes. In effect, because we lost the court case, we will need to pay to PCS.

Q64 Simon Danczuk: What are their costs on top of that, then?

Sir Bob Kerslake: No, that is the figure. We obviously currently have not finalised that, yet. We are still in discussions with them.

Simon Danczuk: Sorry; just to be clear, Sir Bob, there is £40,000 for the costs for PCS trade union.

Sir Bob Kerslake: Yes, and there is a modest amount of cost for our own time and costs as well.

Q65 Simon Danczuk: You did not seek advice from outside.

Sir Bob Kerslake: We have sought some advice, yes.

Simon Danczuk: They charged you for that, presumably.

Sir Bob Kerslake: I will give you the figures on that in due course.

Q66 Simon Danczuk: You will come back to us. Thank you. I appreciate that. You sought and received Queen's Counsel advice on whether to fight this case. Is it right to say that that advice was not to proceed, and not to fight it?

Sir Bob Kerslake: I am not going to comment on individual advice that the Department has. The Ministers felt it was right to make this change and pursue this issue, and in court cases, you win some and sometimes you lose some.

Q67 Simon Danczuk: But the Queen's Counsel advice was not to fight it.

Sir Bob Kerslake: As I said, I am not going to comment on Queen's Counsel advice, whether it was positive or negative. It is not appropriate.

Q68 Simon Danczuk: Finally, Sir Bob, am I right in saying that a letter has been issued from your HR department stating that—I am summarising—although Ministers accept the High Court decision, they still have the intention to remove check-off? Is that right?

Sir Bob Kerslake: It is still their desire, and they have been very clear.

Q69 Simon Danczuk: Has a letter to that effect been issued?

Sir Bob Kerslake: I have not got the precise letter we sent to staff in front of me, but let me just be clear where the Department stands. The view of Ministers is unambiguous that they think it is inappropriate to provide the facility of check-off. That is their position. They recognise that a court case has been had and the judgement has been reached, and clearly we are going to abide

by the outcome of that court case, but it does not change their view. Where change can be made on this, they are considering making changes in relation to new staff and promotees. That is the position.

Q70 Simon Danczuk: And a letter to that effect has gone out to staff?

Sir Bob Kerslake: Yes.

Q71 Chair: Presumably, Sir Bob, you thought that expenditure was appropriate; otherwise you would have asked the Minister to issue you with a direction.

Sir Bob Kerslake: It was perfectly appropriate for Ministers to take a view on this issue, and clearly, you cannot be certain what costs will flow in a legal action.

Q72 Chair: Just to come onto a completely different issue, it is not very often when we have officials before us Select Committees that we are genuinely surprised, but when Mr Ashby came to give evidence as the regulator for social housing, I think we were quite astounded at what he had to say to us. We obviously wrote to the Secretary of State, and we understand then that the Secretary of State asked Mr Schofield to follow that up with Mr Ashby to try to seek clarification. How far have we got in seeking that clarification? Clearly, it was a very important issue that we raised.

Sir Bob Kerslake: I think Andy is probably best placed to deal with that.

Andy Rose: Yes. I am very aware of the concern that the Committee had, and Mr Ashby has written to you, as Chairman of the Select Committee, and to Peter Schofield. I think, in those letters, he has given a very clear account of what the Regulation Committee view is and the view of the HCA, and hopefully that letter clears up any understandable concerns that came out of the prior event.

Q73 Chair: You are quite content, are you, with that response that we received, and the Department is as well?

Andy Rose: I am content with the response in the letter, which highlighted how important we feel financial viability standards are and how we enforce them. I am content that the letter gives a clear account of that, yes.

Peter Schofield: Just to endorse that, as you say, Chair, I wrote to Mr Ashby, and Mr Ashby replied. The contents of that letter were pretty similar to the contents of his letter to your Committee. Following that, I and the Housing Minister met Mr Ashby to discuss that, and at the end of that we were reassured that what he said in his written evidence gave us all of the comfort we needed in terms of how viability is assessed by the regulator.

Q74 Chair: So we are going to have a much more open and transparent arrangement in future.

Peter Schofield: It is exactly as he set out in his evidence. It is, and will continue to be, a very robust approach on viability.

Q75 Chair: “Continue to be” is hardly the right wording, is it? It certainly has not been in the past, has it?

Andy Rose: The Regulation Committee has clearly seen the report from this Committee, and they are actually meeting this week and will be responding. There are certain approaches that they welcome in the Committee’s report. They will look at giving earlier information where they have concerns around deteriorating situations. There will be elements in the response from the committee that will address the matters raised in the report that was sent to them.

Q76 Chair: So we are not going to continue with this charade we had before. Because that is what it was; we should not dress it up, should we? We were being told one thing when it was completely different.

Andy Rose: Again, I am very much focusing on the letters and the process that I am witnessing. They take any provision of financial viability very seriously and are very robust in how they report it, and I think those were the comments addressed in the letter. Clearly, the Regulation Committee will take this report very seriously and respond very shortly.

Q77 Chair: The fundamental problem is that we had a throwaway comment, almost—probably not quite throwaway, but an attempt at an explanation by Mr Ashby, who was saying, “If you get into financial difficulties as a housing association, it is down to bad governance anyway, so if I mark them down on governance, that is really the same thing, is it not?” That was almost hinted at again in the letter back to the Committee. In the end, bad governance can lead to financial problems, but the financial problems themselves should be scored as they are seen, not with some surrogate on governance being used instead.

Andy Rose: Again, it is wrong for me to speak on behalf of the committee, but my understanding, having had several conversations and attended, is that they would agree that it is important to score financial viability as they see it. I do think they feel that governance plays a very important role, and that often poor governance can lead to poor financial viability, but I think they would agree that financial viability should be scored as it is seen.

Peter Schofield: Just to add to that, having read Mr Ashby’s oral evidence caused me to want to write the letter that I wrote. In the light of his response to me and the follow-up meeting, I was reassured that viability is scored exactly as it should be.

Q78 Chair: So we are not going to see the problems we had in the past repeated in the future?

Peter Schofield: We need to have robust—

Chair: What I am trying to get at is whether you simply think that all that is going to happen is more of the same but with different wording, or whether we are actually in the future going to get a change. That is what we are after. It almost seems like the Department is trying to cover this up now. Are you signalling that, in the future, we are going to get a change in these arrangements so that if an association is getting into financial difficulties, that will be up-front scored in that way?

Peter Schofield: Absolutely. If a housing association is in financial difficulty, then it needs to be scored as such.

Q79 Chair: One of the things that we were told was that an intended review was going to go ahead of what happened with regard to Cosmopolitan, but that the Department was stopping that. What is the truth of that?

Peter Schofield: No, a review is under way. There was some discussion about the nature.

Q80 Chair: Will that be published?

Peter Schofield: I think we intend to publish that at the end of that, yes.

Q81 Chair: So we can have a copy for the Committee.

I will just turn to Mr Rose for a second. We understand that the HCA is now guaranteeing over £20 million of loans for the Home Group. Is that the case?

Andy Rose: I am not sure. It may be under one of the programmes that we run. Again, I am not sure of that specific transaction.

Q82 Chair: It just seemed that it was maybe flagging up another issue of concern, if guarantees are having to be found for one housing association's loans.

Andy Rose: We have a number of programmes across the HCA that we run. The guarantees would tend to be under the Affordable Homes Guarantee programme, so I would need to see the specifics of where we are providing a specific guarantee.

Q83 Chair: It is the DCLG's annual report and accounts that says that. That is where we got the information from.

Andy Rose: I joined the agency less than six months ago, so I am very happy to look into that and see the specifics of that transaction.

Chair: You will come back on that.

Andy Rose: Sure.

Q84 Simon Danczuk: We had Mary Portas at this Committee a few weeks ago, and it left me with the impression that she had been somewhat neglected by your Department. She went on to say, "It has also been quite tough for me personally to be on the receiving end of it. There have been times when I have had to be answerable to the press and the Government has been silent on that. I would have liked a bit more support." Do you have a duty of care to Government advisers, Sir Bob?

Sir Bob Kerslake: I think we do, and I think we feel we have given good support to Mary Portas, but, as importantly, to the agenda that she was promoting, which is the improvement of the high streets.

Q85 Simon Danczuk: But in terms of the support to her, and the duty of care—I am talking about a very personal dimension to the support that you provide someone with. She obviously feels that she has been left out to dry somewhat. How did you care for her? How did you protect her and help her?

Sir Bob Kerslake: I would be happy for Peter to come in on the detail here, but we have had extensive discussions and correspondence and so on with Mary Portas. There have been meetings with Ministers and with officials, and visits. Indeed, I think, a visit is happening today

that involves the new Minister. We feel we have put a considerable amount of effort into supporting her, a) because she rightly should be supported when we appoint her as an adviser, and b) because the agenda is extremely important to us.

Simon Danczuk: I have been worried about her, Peter. Put my mind at rest.

Peter Schofield: I do not think you should, Mr Danczuk, be worried about it, because I have a team of people who are leading our work on town centres, and they spend a lot of time in discussions.

Simon Danczuk: Supporting Mary?

Peter Schofield: Hopefully supporting Mary Portas. As Sir Bob has said, the Government have accepted the vast majority of her recommendations, and she is also part of the Future High Streets Forum, and she has been involved, as Sir Bob said, in the visit today. We see her as very much part of the agenda, and someone we want to work closely with.

Q86 Simon Danczuk: Let me move on. What criteria were used to select the Portas pilots?

Peter Schofield: They were based on the bids that we received—what they said about the commitment, the leadership and the innovation that was being proposed by each of the local leaders. They were assessed, and we awarded 24 Portas pilot awards, and the Mayor of London awarded three within London.

Q87 Simon Danczuk: I will come onto those in a second. Who in Government gave the express permission for the Channel 4 TV programmes to be made?

Peter Schofield: Obviously, Mary Portas had her arrangement with Channel 4.

Sir Bob Kerslake: I do not think it was an issue for us to give express permission.

Simon Danczuk: Permission was not given?

Sir Bob Kerslake: As I say, I do not think it was for us to give permission on it. What we wanted to be sure about was that her role as an adviser was not in any way affected by the programme, and that was the issue. It is not for us to give specific approval.

Q88 Simon Danczuk: There are a lot of people out there who think the two clash, are there not, Bob? You are saying that did not need to happen, but a good proportion of people think there has been a conflict of interest, because of this TV programme being made and the fact that the Government have awarded these pilot projects to various local areas.

Peter Schofield: Obviously, we ensured that there was no conflict of interest. I can assure the Committee that Mary Portas had no involvement in the decisions that were taken as to which areas should be successful as Portas pilots.

Q89 Simon Danczuk: On that point, you mentioned the Greater London Authority. I am referring to a report in that excellent newspaper, the *Guardian*, where David Morris, who is a civil servant in your Department, is emailing the TV producers—the programme-makers—saying “I have told them you are interested in Roman Road! ... Are Ch4 interested in any of the others?” That is

what he is saying. Why is the civil servant asking the programme-makers which areas or localities they are interested in? Why is a civil servant asking that question?

Peter Schofield: I am afraid, Mr Danczuk, I do not know the precise context of the emails, but I can assure the Committee that neither Channel 4 nor Mary Portas had any involvement in the decisions about which were the pilots.

Q90 Simon Danczuk: You do not know why one of your civil servants would be asking that question. Do you think it is unreasonable? Do you think that the public will be suspicious of why he is asking that question?

Peter Schofield: I can entirely understand why the newspaper in question might have asked questions about it. I can come back to the Committee with the precise context.

Q91 Simon Danczuk: It is not like this conversation has not been had, is it? The Select Committee, when Mary came before it, debated it. There has been a lot of press coverage around the relationship between Channel 4, Mary Portas and the Department, and who chose the pilots. It is no good coming here and giving the impression that it is fresh and new and you are curious and interested in what the newspaper has asked. Why is a civil servant asking which areas Channel 4 would prefer?

Sir Bob Kerslake: There are two different points here. The question you raise, or the suggestion you are raising, is that, in some way or another, Mary Portas's involvement in the programmes gave her a role in relation to the selection of the pilots. It did not; the pilots were selected separately, and our concern as a Department was to ensure that we had a robust, fair and vigorous process for the selection of the pilots, and that is what we did.

Q92 Simon Danczuk: But one of your civil servants involved in the process is asking which areas Channel 4 would prefer.

Peter Schofield: That email was not in relation to a decision about the pilot.

Simon Danczuk: So you are going to come back to us on that.

Peter Schofield: I will come back to you.

Q93 Simon Danczuk: My final question, then—it is a simple yes-or-no question—is whether the Department was aware that Mary Portas was receiving £500,000 from Channel 4 for producing the programmes about the pilots.

Peter Schofield: I am not sure that she—

Simon Danczuk: It is a simple yes-or-no question. You were either aware of £500,000 going to Mary Portas, your adviser, or you were not. Yes or no?

Sir Bob Kerslake: I was not personally aware. I do not know if Peter was.

Q94 Simon Danczuk: Peter, were you aware?

Peter Schofield: No.

Sir Bob Kerslake: We will check back in the Department whether there was an awareness.

Q95 Mark Pawsey: We heard some evidence about risk management and modelling in earlier questions. I want to ask about the risk management modelling that was done before Help to Buy was introduced, and specifically the 20% significantly interest-free loan that the Government is giving on the first part. What modelling was done, and what assumption was made, about the future direction of house prices, given that house prices have historically been very difficult to predict?

Peter Schofield: The Help to Buy equity loan scheme was introduced off the back of the previous First Buy scheme, which equally offered an equity loan. I would argue that it is not a free loan; it is an equity loan, so the value of the loan appreciates in line with the value of the property.

Q96 Mark Pawsey: That is the critical point: what happens in respect of new properties? Many new properties are sold, and immediately they are worth 5% less than the purchase price, so what would happen if somebody were to redeem their Help to Buy loan very early on on a new property? Would that not involve some form of loss to the Government?

Peter Schofield: Not in that case, of course, because a Help to Buy equity loan requires a 5% deposit by the borrower. I would also add on that that what we have seen coming into the housing market is an increase in confidence, some increase in transactions, and small increases in prices, and what we are seeing is Help to Buy being one of the factors that is helping to provide greater confidence into the housing market.

Q97 Mark Pawsey: Going back to my original question, then, what change in house prices did you allow for in your modelling when you brought the proposal forward?

Peter Schofield: We looked at a range of modelling, with house prices staying constant or, indeed, going up.

Q98 Mark Pawsey: What does your model tell you about house prices over the next five years?

Sir Bob Kerslake: The point that Peter is making is that we did not make an assumption about where prices would go: what we did was a sensitivity analysis, to look at what would happen in terms of our investments if they went up and what would happen if they went down. That analysis then formed part of the risk assessment, which in turn addressed the issue of what we would need to cover within our budgets to cover any potential losses. It was not about the question of predictions on house prices.

Q99 Mark Pawsey: By how much would house prices need to rise for there to be no loss at all to the Government from the scheme?

Peter Schofield: As I say, remember that the scheme requires the borrower to put down a deposit of 5%, and that is the thing that takes the first hit in any price reduction.

Q100 Mark Pawsey: Why, in that case, is the Scrutiny Unit of the House of Commons saying that—and I quote—“the Government is relying on house prices of new-build properties included in the scheme rising by two thirds over 25 years (2% per year) to cover its own borrowing costs?” Do you disagree with that?

Peter Schofield: I have not seen that particular report. I would have to look at that to understand what the assumptions are that they are making, but all I would say, Mr Pawsey, is that given the

structure of the way that the Help to Buy equity loan scheme works, house prices would have to fall in the case of any individual loan for the Government to take a loss.

Q101 Mark Pawsey: Can I put it to you that one of the criticisms of Help to Buy, and particularly the mortgage guarantee scheme coming forward now, is that we are going to get a very significant rise in house prices over the coming years, so those who have concerns about losses to the Government in the short term are misguided? Do you accept that there might be a bubble, and that prices could rise very quickly over the next year or two?

Peter Schofield: I do not accept that there is a bubble, for a number of very clear reasons. When you look at what is happening in terms of the number of transactions in the property market at the moment, we are still a considerable way down from where we were back in 2005, and certainly back from where we were in 2007. Likewise, mortgage approvals are something like half of where they were in 2007 at the moment. What we are seeing—very much as the Ernst & Young ITEM Club report suggested this morning—is a scheme that is targeted and well-timed. That is the equity loan scheme, which has been in place, as you say, since April.

The mortgage guarantee scheme, which you also referred to in your question, is introduced in January. I think the Chancellor has been very clear in what he has said about the way in which there will be a role for the Bank of England going forward, on an annual basis, to assess what is happening in terms of demand. As I say, where we currently stand, there would be a long way to go before we get anywhere near where we were, for example, in 2007. In the event that we do, the Bank of England have a role in advising the Chancellor about criteria in terms of who could be eligible.

Q102 Mark Pawsey: In terms of your modelling of both parts of the scheme, how many new homes do you expect each part to deliver?

Peter Schofield: I can speak for the equity loan scheme, which is the one that we are responsible for. What we have talked about is providing funding for around about 75,000 new homes over the course of the three years. I am delighted to say that so far, in the first six months, we have seen 15,000 reservations, so we are on track for quite a considerable uptake and a considerable contribution to new supply.

Q103 Mark Pawsey: I want to ask Sir Michael some questions about planning a little later on, but Sir Bob, we have heard an awful lot from Peter about the schemes and Help to Buy, and it has been very heavily in the news recently. Do you think we are putting too much emphasis on the demand side of Help to Buy, and not enough on the supply side?

Sir Bob Kerslake: No. It is really important to say that the demand side has had the profile recently in the press, but there is a huge amount going on on the supply side in relation to large sites, infrastructure, funding, and support by way of affordable housing, so there is a whole raft of things that are happening on the supply side, and have been for a number of years. I do not think you should see this as an agenda where it is just about the demand side. I would also say—just adding to Peter's answer—that what we are seeing now in terms of things like house prices is generally to do with rising market confidence. It is not to do with the Help to Buy scheme; that is quite clear.

Q104 Mark Pawsey: So, from your answer, you would suggest that the mix between supply-side initiatives and demand-side initiatives is currently about right?

Sir Bob Kerslake: The demand side now is strengthening for a whole range of reasons, and we are doing a lot on the supply side that will improve the situation as far as new housing is concerned.

Q105 Chair: Mr Schofield, I listened very carefully to the answer you gave to Mark Pawsey a minute ago. You did not give an answer, on the other side of the Help to Buy scheme—the mortgage guarantees—about how many new homes would be built in, say, the next 12 or 24 months as a result of that scheme.

Peter Schofield: In part because, of course, that scheme is eligible for all transactions, whereas the equity loan scheme is focused entirely on new build. One of the things that that scheme will do is promote wider confidence across the housing market, as well as promote new house building.

Q106 Chair: Presumably, given your problems with the impact assessments in the past, someone must have done an impact assessment about this new scheme as to what effect it is likely to have on the construction industry.

Peter Schofield: I think that is a question for the Treasury, as the authors.

Q107 Chair: They have not discussed that with you at all.

Peter Schofield: We have had a number of discussions with them about the scheme, about the scheme rules, about how the—

Q108 Chair: What about the impact on the construction industry? Have you had any discussions about that?

Peter Schofield: We have had discussions about what this could do in terms of wider confidence into the housing market.

Chair: No, I have asked you a specific question. Have you had discussions about the impact on the construction industry, and how many more houses are likely to be built?

Peter Schofield: We have not had a discussion about how many more houses will be built.

Q109 Chair: Just coming back to the other answer you gave, about 25,000 homes per year under the equity share scheme, that is 25,000 homes that you are going to be helping to finance; it is not necessarily 25,000 more homes than would have been built without the scheme, is it?

Peter Schofield: No.

Q110 Chair: What is that figure, then, please?

Peter Schofield: It is always very difficult to do the counterfactual, but I can give you some marks on the ground that may help. The signs are that there has been a 30% increase in demand for new homes this year compared to last year. Before the equity loan scheme was introduced, there was something like an 8% increase in the period—the 12 months, year on year. What is very difficult to assess, of course, is the rising confidence and interest in new build.

Q111 Chair: Again, you must have done an impact assessment as to what impact this would have on the construction industry.

Peter Schofield: Absolutely, we did an impact assessment.

Chair: So what was the figure?

Peter Schofield: We did an impact assessment ahead of the announcement. All I would say, though, is that these are things that you need to keep up to date, in terms of what has been happening.

Q112 Chair: What is the figure?

Peter Schofield: Something between, I would say, 10% and 20%. If you take the 30% increase, you net off the 8%, and you assume that there is some increase in confidence going forward—

Chair: So somewhere between 2,500 and 5,000 a year?

Peter Schofield: Yes.

Q113 John Pugh: My question is largely directed at Mr Rose. In 2011, the then Housing Minister said, “We are very much on target to build 170,000 more affordable homes.” It is 2013 now; are we still very much on target to build 170,000 more affordable homes?

Andy Rose: Yes, I think, is the answer. Within the HCA, we are responsible for, I think, 107,400 of those 170,000, and based on where we are halfway through the scheme, we are almost exactly halfway towards that. There are schemes within that 170,000 that we are not responsible for, but certainly my understanding, both in our own delivery and wider, is that we still are on target.

Q114 John Pugh: In terms of your own role, have you been involved in challenging providers about their willingness and alacrity?

Andy Rose: Willingness, yes. I have certainly tried to get out as many visits as possible, and get out and meet with a lot of the registered providers. My own background is not in housing, so it has been really important for me to get out and meet a lot of the registered providers in the market. So, yes, I have, and I have found them to be broadly quite positive. They clearly articulate certain issues, but the main feel I get from the market is quite optimistic.

Q115 John Pugh: Has the cost of the programme actually been affected by having a deadline in terms of construction costs?

Andy Rose: It was set up, as the question implies, as a four-year programme. That gave the registered providers the opportunity to plan across the programme; I think that was one of the thoughts behind it. They also have significant visibility about the future programmes, which, from my understanding, is quite unusual, so they have a four-year programme up to 2015, and now visibility of the three-year programme from 2015 to 2018. It gives them quite a lot of ability to plan for their delivery over quite an extended period of time.

Q116 John Pugh: Have there been any issues of probity—or, I might say, just cheating—where people endeavour to build houses for affordable rents but actually put them on the market for market rents?

Andy Rose: I am not aware of cheating going on.

Q117 John Pugh: You are not aware of the case in Kirklees, where property was built for affordable rents but then let at market rents. You are not aware of cases like that.

Andy Rose: Not in particular. I am not personally aware of that particular case, no.

Q118 Chair: The National Housing Federation have said that they are estimating that the development programme will be cut by about £1.5 billion a year because of the concerns about rising rent arrears and cost of collection with regard to some of the welfare changes—universal credit, etc. Have you looked at those figures? Have you got a view of them? Have you taken them into account in future planning?

Peter Schofield: Of course, we are working very closely with DWP and the Chartered Institute of Housing in looking at the implications of universal credit for arrears, and we published some of the findings in May on what is coming out of that. What we are seeing is that various mitigations such as switch-back help to reduce the arrears, and as those demonstration projects have gone on so far, we have been able to see how mitigations can reduce those arrears by half in some cases, and in some cases by more.

Q119 Chair: You think the National Housing Federation are exaggerating the likely consequences.

Peter Schofield: I understand why they are saying what they are saying, but as I say, the analysis that we have done, which we are doing very carefully—

Chair: Would it be possible for us to have a note on that?

Peter Schofield: Yes, of course. The data were published in May, but we can certainly let you have that.

Chair: That would be helpful.

Q120 Bob Blackman: Moving onto the Immigration Bill, obviously this is going to place new duties on landlords to conduct checks. What is the Department going to do to ensure that landlords know what they have got to do and when they have got to do that, and is there any advice you are going to give to them as to how to carry out these tasks?

Sir Bob Kerslake: We will come on to the detail through Peter, if we can, but I just have two specific points to make on this. One is that the Department has been very clear that any such checks have to be proportionate to the issues involved here, and they have to be practically possible for landlords to deliver. You know that we have undertaken quite an extensive consultation on this, which will form part of our thinking on the practical application. We do see it as a clear responsibility for the Department to ensure that landlords are aware of their responsibilities and given practical support. Peter, do you want to add anything?

Peter Schofield: Absolutely. Mr Blackman, there will be an enquiry service that is available for landlords to give them the clarity that they need—for example, in terms of what is the appropriate documentation that they need to be aware of, and what are their responsibilities and the issues around that. Of course, many landlords do straightforward identity checks before they take on new tenants, so what we are looking to do is, in a fairly light-touch way, build on that in a way that provides all of the assurances that are required but keeps the burden down to manageable levels.

Q121 Bob Blackman: Clearly, there is a range of things here, is there not? There are large agencies that conduct checks on all sorts of things—credit checks, etc—before they will allow properties to be let. Equally, there are small landlords with maybe one or two properties, where maybe they do not employ anyone to do anything.

Sir Bob Kerslake: Indeed, and we are acutely aware that in this country, the private rented sector is typically someone letting out quite a small number of properties. Anything we design will be very much done with that in mind.

Q122 Bob Blackman: Obviously, the Immigration Bill has only just been announced, and I accept that, but what work have you done already to lay out what you are going to do to assist landlords?

Peter Schofield: We have been working very closely with the Home Office as they have developed this, and what we have tried to do is be very clear about the types of document that would be appropriate in order for a landlord to satisfy themselves under this. There are a number of very clear things: for example, a passport, a birth certificate, a driver's licence, or an EU identity card. There are a number of fairly straightforward types of document that should be available, and we are going to be very clear with landlords, saying, "This is what you need to look for." If they have got any questions, then, as I say, the inquiry service will be available to answer their questions, and provide them with the information that they need as quickly as possible.

Q123 Mark Pawsey: Sir Michael, we heard from Sir Bob earlier about some of the initiatives on the supply side of housing, and part of that is to do with changes to the planning system. I just wanted to ask you about one particular change, which was the September 2012 housing stimulus package, which gave powers to the Secretary of State for application to be made directly to him where local authorities were underperforming. Is it right, as reported in *Planning* magazine on 27 September, that Blaby, Worthing and Halton councils have been designated to have their planning powers removed?

Sir Michael Pitt: I think, Peter, you are going to deal with that.

Peter Schofield: The Government set out what the threshold would be for designation up-front, and then, at the end of September, exactly as you say, we had the final one of the eight courses of performance, which are the ones that are going to be taken into account. What is very clear, and what Ministers were very clear about as the Bill went through Parliament, is that this is an approach that will be applied reasonably. We are currently in a process where we have invited all those districts and unitaries and, indeed, county councils—because there are some planning matters as well—to provide a response to Government in terms of what the issues were around their performance. The deadline was lunchtime today for them to come back, and on the back of that, Ministers will make a decision based on all the evidence—partly, obviously, about performance, but also, "Are there any other mitigating circumstances?"

Sir Bob Kerslake: We should just be clear that it is not removal of planning powers; this relates to major applications and the right of developers to go to the Planning Inspectorate.

Q124 Mark Pawsey: Yes, but is it likely that in the case of those three specific councils I have mentioned, applicants will be able to make their applications directly to the Secretary of State through the Planning Inspectorate?

Peter Schofield: I do not know whether those three councils have submitted any further evidence, and I do not want to prejudge what will come out in the assessment of the evidence, if they have provided it. What I would say is that Ministers have said that they want to designate by the end of October, so the Committee does not have long to wait on that, but bear with us while we assess it.

Q125 Mark Pawsey: It is a pretty low barrier, is it not? Those councils have determined fewer than 30% of major applications within 30 weeks, and we are talking about initiatives to bring forward additional supply. My question to Sir Michael is, if your inspectorate gets those powers—you have told us you have got about 700 people in the inspectorate—are you sufficiently resourced to have these applications coming directly to you?

Sir Michael Pitt: Yes, indeed. Clearly, the work of the Planning Inspectorate is demand-led, and therefore it depends on decisions being made by third parties, which will determine the size of our caseload. We do have a flexible organisation that can grow and shrink quite quickly according to that demand, but I am completely confident that we have both the necessary funding and levels of staff to deal with those extra pieces of work.

Q126 Mark Pawsey: Can I ask you about levels of local knowledge? For example, in most local authority planning departments, there are people who know their area pretty well, and your staff, I think, are based in Bristol; how are they going to make better decisions?

Sir Michael Pitt: The first thing is that there is a requirement on the local authority to cooperate with the Planning Inspectorate in undertaking this work if it arises. Also, our inspectors are distributed throughout the country. Although we are very careful to make sure they are far enough away not to have some sort of vested interest in any application, nevertheless, they are often very familiar indeed with the locality.

Q127 Mark Pawsey: Moving on, we are now in a regime where we need local plans, but in March of this year, only 49% of authorities had an adopted local plan in place. What progress has been made over the last six months, and where are we now? What percentage of authorities now have an adopted local plan?

Sir Michael Pitt: The figure now is just over 50%; it is 51% of local authorities.

Q128 Mark Pawsey: So we have not got very far in six months, Sir Michael—2%.

Sir Michael Pitt: There is an encouraging sign here. In terms of the examination of local plans being undertaken by inspectors, we have never been so busy. We currently have 81 plans under examination within the Planning Inspectorate. Not all of those are core strategies; some of them are area action plans and so on, and we know that there are another 68 plans in the pipeline, coming towards us at the moment. There seems to be a speeding-up of local planning at the local planning authority end. The other thing I would just like to add is that the LGA, the Planning Inspectorate and DCLG have invested a great deal of energy in working with individual local authorities and the groups of local authorities to give them as much advice as we possibly can to help speed along the local planning process.

Q129 Mark Pawsey: But there remain some authorities who would rather be slow about getting a local plan, be reluctant to allocate the resources to plan-making rather than development

control, wait for the applications to come in, turn them down, and then blame you. What steps are you able to take to encourage local authorities to put more resource into plan-making?

Sir Michael Pitt: It is by a process of encouragement. Many statements have been made by Ministers and civil servants about the importance of local planning; in fact, the whole national planning system depends on having local plans in place as far as possible. I am very strongly in favour of local authorities getting on with this work and making it a priority.

Q130 Mark Pawsey: In terms of the new system, the core level is neighbourhood plans, and I am very pleased that I have a neighbourhood front-runner in my constituency that I pay lots of attention to. Can I say that they were absolutely horrified when they got stuck into the process and discovered very substantial amounts of bureaucracy and a great deal of power with the local authority? As the process moves forward, how can we make it easier for neighbourhoods to get on with their neighbourhood plan without feeling that it is going to be very bureaucratic and they are constantly going to have to be looking over their shoulder at the local authority?

Sir Michael Pitt: Again, I wonder whether Peter would want to come in on that.

Peter Schofield: There has been a lot of innovation in the way that we have supported neighbourhood planning. We have got something like 500 communities up and down the land who are producing neighbourhood plans.

Mark Pawsey: Still only one per constituency, if we have got 500. That is not very many.

Peter Schofield: I had not thought about it that way. That is true, but there are some parts of the country where there is more intense activity than others.

Q131 Mark Pawsey: So that means that there are some parts of the country where nothing is happening.

Peter Schofield: And there are some parts of the country where there is an awful lot happening.

Q132 Mark Pawsey: The question is about how we make it easier in those parts of the country where there is not so much happening, where it is perceived to be bureaucratic, and the local authority is going to be constantly looking over their shoulder.

Peter Schofield: There are a number of different things that we can do. One is the engagement with those communities to help them address barriers, if they exist, and there has been a wonderful approach in terms of the network of social media that has been used in order to reach out and build those communities and, actually, get quite a lot of cross-sharing going on amongst them. The Department funds quite a lot of advice to those groups, as well, and incentives, through the way that CIL works, in order to encourage local authorities to take this very seriously.

Sir Bob Kerslake: I think it is just worth adding that we now have some that have gone through the complete process, including the referendum, and they are terrifically strong examples that it is possible to do this.

Mark Pawsey: Certainly, the front-runner in my constituency has been very appreciative of the support provided by RTP1 in planning aid.

Q133 Chair: Sir Michael, one of the issues around local plans is not merely getting them in place—and there is sometimes a temptation for authorities to sit back and think, “Oh, that has been

a hard job; we do not have to do it again for another 10 years”—but actually keeping them up to date. Do you think the systems are really in place to allow that sort of light-touch revision on an ongoing basis, which is really needed if plans are going to be realistic and relevant?

Sir Michael Pitt: Indeed. It is a combination of getting those local authorities that have never had an adopted plan moving as quickly as possible to have one, and also keeping an eye on the ones that were adopted quite some time ago to keep them up to date, because the data do move on.

Q134 Chair: Is the system there flexible enough to allow that to happen in an easy way? Local authorities do not often tend to do that, seemingly.

Sir Michael Pitt: There is a statutory process that they have to go through, which includes, of course, consultation and all the analysis that is required. I do not think there is any way that you could amend a local plan easily without taking into account the work that would have to be done by the officers of the local authority concerned.

Peter Schofield: Just to add to that, it is possible just to address a small number of policies. Rather than completely re-opening the plan, what you can do is focus that work on one or two policies.

Chair: Like the five-year housing supply update.

Peter Schofield: Yes. If there are just one or two things that need to be updated in light of evidence that has come in, then there are, as Sir Michael says, some fast-track ways of doing that that do not require you to completely redo a plan from scratch.

Q135 Heather Wheeler: I am asking this question because I genuinely do not know the answer. In the old days, when one had emerging local plans, if there was a planning application that came in, even though the old plan was redundant or whatever, inspectors would deal with it on the basis of the emerging local plan. When district councils are putting a huge amount of effort and cost into re-consulting for the third time—and this will be the final consultation—that is practically it: that is the emerging local plan, and we are still seeing lots of speculative planning applications coming in. There does not seem to be the feel that they can be fought off, because the emerging local plan is so close. How do you feel your inspectors are coping with that?

Sir Michael Pitt: The inspectors are required to give an appropriate amount of weight to an emerging local plan, and that depends on what stage it has got to. At the very initial stages, then very little weight at all would be attached to it. If it is extremely close to adoption, it becomes quite a powerful document, and it is a matter for the inspector in each individual case to make a judgement about how much weight to attach to that emerging local plan.

Q136 Heather Wheeler: Councils have been given that nod, have they? I do not know that they are hearing it.

Sir Michael Pitt: No, I think that has been the standard practice for many years, and it is well understood that that is the way things are done by the inspectorate.

Q137 Heather Wheeler: So why are planning officers saying, “We cannot fight this off”?

Sir Michael Pitt: As I say, it will depend on the status of their particular draft plan. Clearly, it is in a much better place if it has already been adopted by the local authority, in which case it then becomes the major determinant of the outcome of the appeal.

Q138 Bob Blackman: Turning to planning call-ins, the changes from the last Government to this Government, and over the last three years, have seen quite a considerable reduction in the number of call-ins by Ministers. What are the criteria now being applied for a planning call-in?

Peter Schofield: The criteria were set out in a written ministerial statement in October of last year, and I would refer the Committee to that. Somewhere in my briefing pack, I have that.

Q139 Bob Blackman: Have they not changed since then? Obviously, there has been quite a drop this year in terms of the number of call-ins.

Peter Schofield: As I say, the call-in criteria were revised in October last year, and they have not changed since.

Q140 Bob Blackman: Sir Michael, what effect has the drop in the number of call-ins had on your department?

Sir Michael Pitt: In the case of a call-in, which is a decision by the Secretary of State, it is then referred to a planning inspector, who will examine the evidence for and against and make a recommendation to the Secretary of State. What we look at is a balanced portfolio of workload. It always seems to me that as one goes down, another one is going up, and by and large, we try and get our resources as close as we possibly can to meet the requirement.

Q141 Bob Blackman: So the reduction in call-ins has enabled you to speed up work elsewhere? What has been the effect?

Sir Michael Pitt: That is right. There is always a backlog of appeals, so we re-allocate inspectors and staff on to those appeals and speed them up as quickly as we can.

Q142 Bob Blackman: I do not know the answer to this: has the appeals process speeded up considerably? Can we look at statistics that show that you are performing much better? What is happening?

Sir Michael Pitt: The appeals process will be speeding up quite dramatically from 1 October, arising from the planning reform process, where we are being set much tighter targets for dealing with written representations, hearings, and public inquiries. I do hope, in a year's time, my successor will be able to report to you that there has been a dramatic improvement in the speed.

Q143 Bob Blackman: One final question, then, on written appeals: is the determination of a written appeal made by the inspector now, or is that on consideration of both the appellant and objectors?

Sir Michael Pitt: It does not really matter whether it is by written representation, hearing, or public inquiry as to the outcome. It is just that as a case gets more complex, then a hearing or a public inquiry becomes more appropriate. But the decision on a transferred appeal is made by the inspector weighing up the evidence for and against, and, of course, the inspector can ask further questions if he or she is not satisfied that there is sufficient evidence to make a choice.

Chair: Thank you all very much for coming to give evidence this afternoon.

